

Importance of Quality Financial Reporting

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Importance of Measurement

- Whatever is managed needs to be measured
- Measured means units are to be used. Units are defined, standardised, hence the importance of Standards
- Numbers have be
 - Contextualised
 - Interpreted
 - Compared
 - Benchmarked
 - Verified

Inspiration from Science (1)

- Phenomena that can be measured become true scientific pursuits
 - distance, time, speed, wavelength, frequency, pressure
- Hence geometry, cartography, time keeping, transportation, vision, sound, touch become scientific and technological pursuits, as soon as technology advances sufficiently
 - Screens
 - Audio systems
 - Haptics (touch feedback in game consoles)
 - Cars, planes,...

Inspiration from Science (2)

- Whenever things cannot be easily measured, science lags
- Taste, smell: although some things can be measured, the pursuit of a true science of smell and taste remain an illusive art as only quantification enables progress to become objective

Accounting requirements

- Measure the activity of business
- Be the language of business
- Capture all that is important

What do we need?

- The truth, The whole truth, And nothing but the truth
- Easy to formulate, hard to achieve
 - Even things like revenue recognition are a challenge
 - Software and long-term project management (e.g. contracting) suffer from a confusion between billing, revenues, cash flows,...
- Framework to cover all the truth are not easy to build. Bankers, investment bankers, fund managers, all obsess about missing something important, relevant
- Nothing but the truth: how to detect the limit between a good presentation, an exaggeration, misrepresentation and blatant lies

Problems to overcome

- Lack of culture / knowledge by entrepreneurs and managers. Sometimes, surprisingly experienced execs lack basic skills
- The “image” of accounting. This is not bean counting. Accounts have to be prepared, of course, but is about much more than that. Perception is not always great

Back to principles

- Even simplified rules still appear to be very complex
- Complex rules did not prevent the crisis and the misreporting
- One can never be sure that the accounts will be relevant, even if all rules are followed
- Without removing rules, standards, guidelines, safeguards, a re-injection of a sense of a global approach should be considered. Supplement accounts with specific relevant information, kpis, especially for very small companies