Accounting for Non-Accounting Professionals

Reading Material

Module 1: Foundations of Accounting

Introduction to Accounting Concepts

- **Purpose of Financial Statements**:
  - Provide information about a company's performance, financial position, and changes in financial position
  - Enable stakeholders to evaluate past, current, and potential profitability for making economic decisions
  - Help investors and lenders assess a company's ability to generate profits, pay dividends, and meet financial obligations.

- **Entity Concept**:
  - A business is different from its owners
  - When investors invest in a business, two entities are at play:
    - A business entity which receives the investment (accounts it as "capital")
    - An investor who becomes owner/part-owner (accounts it as "Investment" or "Shares in X & Co.")

- **Accrual Concept**:
  - Transactions are recorded when legally committed, not when cash changes hands
  - Example: When goods are supplied and accepted, a sale is recorded, and money is shown as receivable from the customer
  - Example: When money is deposited in a bank with interest payable after 3 months, interest accrues every day during those three months

- **Conservatism Principle**:
  - Losses are recognized when they are known
  - Gains are recognized only when they are realized
  - Example: If a supplier knows a customer is unlikely to pay its dues, the supplier recognizes the loss immediately
  - Example: If a company holds a commodity whose price has increased, the gain is only recorded when the commodity is sold

Fundamentals of Accounting Principles

- **The Accounting Equation**:
    - Assets = Capital + Liabilities
    - This equation is always in balance
    - If assets increase, either capital or liabilities (or both) must increase
    - Capital can be calculated as the difference between assets and liabilities

- **Double-Entry Book-keeping**:
    - Every financial transaction has two aspects:
        - A Debit (The "D" Label)
        - A Credit (The "C" Label)
    - There can be no debit without a corresponding credit
    - There can be no credit without a corresponding debit

- **Rules for Debits and Credits**:
    - Debit what 'Comes In'
    - Debit the 'Receiver'
    - Debit all 'Expenses'/'Losses'
    - Credit what 'Goes Out'
    - Credit the 'Giver'
    - Credit all 'Incomes'/'Gains'
    - Treat "Debit" and "Credit" as labels, not with their English language meaning

- **Examples of Transactions**:
    - When owners put $100,000 cash into the business:
        - Cash A/c Dr. $100,000
        - Capital A/c Cr. $100,000
    - When equipment is purchased using $100,000:
        - Equipment A/c Dr. $100,000
        - Cash A/c Cr. $100,000
    - When fire destroys uninsured equipment:
        - Loss on equipment A/c Dr. $100,000
        - Equipment A/c Cr. $100,000

- **Balance Rules**:
    - All Assets have a debit balance
        - Any debit to an asset account increases asset levels
        - Any credit to an asset account decreases asset levels
    - All Liabilities have a credit balance
        - Any debit to a liability account decreases liability levels
        - Any credit to a liability account increases liability levels
    - All Expense Accounts have a debit balance
        - Any debit to an expense account increases expense levels
        - Any credit to an expense account decreases expense levels
    - All Income Accounts have a credit balance
        - Any debit to an income account decreases income levels
        - Any credit to an income account increases income levels

Comparison of IFRS & GAAP Standards

- **Global Convergence Progress**:
  - Adoption of IFRS by the EU and other countries has advanced the goal of global convergence
  - Significant differences still exist between IFRS and US GAAP in global capital markets
  - Following EU adoption of IFRS in 2005, many of the world's listed companies use one of these two reporting standards

- **Coordination Efforts**:
  - IASB and FASB generally work together to coordinate changes and reduce differences
  - A joint IASB/FASB project initiated in 2004 aimed to develop an improved, common conceptual framework
  - In late 2010, convergence of the conceptual frameworks was put on hold
  - The IASB reactivated the conceptual framework as an IASB project in December 2012
  - As of year-end 2018, there are no new projects on the convergence agenda

- **IFRS Framework Purpose**:
  - Assist standard setters in developing and reviewing standards
  - Assist preparers of financial statements in applying standards and dealing with issues not covered by a standard
  - Assist auditors in forming opinions on financial statements
  - Assist users in interpreting financial statement information

- **Qualitative Characteristics of Financial Information**:
  - Four enhancing qualitative characteristics:

1. **Comparability**: Allows users to identify similarities and differences between items; information presented consistently over time and across entities enables easier comparisons
2. **Verifiability**: Different knowledgeable and independent observers would agree that the information faithfully represents the economic phenomena
3. **Timeliness**: Information is available to decision-makers before they make decisions
4. **Understandability**: Clear and concise presentation enhances understandability; information should be prepared for users with reasonable knowledge of business activities

The Accounting Cycle

- **Financial Statements Built Through Transactions**:
  - Every transaction is associated with one of four categories:
    - Assets
    - Liabilities
    - Income
    - Expenditure
  - Each type must have its own 'account' ('box') in the General Ledger
  - If a transaction occurs for which there is no 'account', a new account must be established before recording the transaction

- **General Ledger Structure**:
  - The GL (General Ledger) is a set of "boxes"
  - Each box has a name and an associated default label (Debit or Credit)
  - Each transaction affects exactly two of these boxes
  - The Balance Sheet combines assets (debit balances) and liabilities (credit balances)
  - The Income Statement combines income (credit balances) and expenses (debit balances)
  - The net effect of all transactions aggregated in the Income Statement reaches the Balance Sheet as a single number (profit or loss)

- **Profit and Loss Labels**:
  - Profit has a credit balance:
    - Adds to shareholders' funds/surplus
  - Loss has a debit balance:
    - If total debits exceed total credits, losses/deficits have a debit balance

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Module 2: Financial Statements and Analysis (Banking Focused)

Types of Financial Statements

- **Financial Statement Package**:
  - Includes three primary components:
    1. Balance Sheet
    2. Income Statement
    3. Cash Flow Statement
  - Additional information includes:
    - Notes to the financial statements
    - Supplementary schedules
    - Management Discussion & Analysis (MD&A)
    - External Auditor's report

- **Key Differences Between Financial Statements**:
  - **Balance Sheet**: Snapshot as of the ending date; states the position of the enterprise as of a specific date (e.g., December 31, 20XX)
  - **Income Statement**: Relates to a period (e.g., January 1 to December 31, 20XX); shows income, expenditure, and profit/loss
  - **Cash Flow Statement**: Relates to the same period as the Income Statement; shows cash inflows/outflows and resulting changes in cash position

Balance Sheet Components and Analysis

- **Balance Sheet Concept**:
  - The Balance Sheet shows where money was sourced from and how it was applied
  - Sources of funds include:
    - Owners (equity/capital)
    - Lenders (debt/liabilities)
  - Applications of funds include:
    - Productive capacity
    - Working capital

- **Balance Sheet Structure**:
  - The accounting equation must always balance:
    - Sources (Owners + Lenders) = Applications (Productive Capacity + Working Capital)
  - Example:
    - Sources: Owners ($100) + Lenders ($200) = $300 Total
    - Applications: Productive Capacity ($225) + Working Capital ($75) = $300 Total

- **Banking Balance Sheet Components**:
  - **Assets** (Applications):
    - Core Banking Lending (approximately 1/3 of the balance sheet)
    - Inter-bank lending
    - Central-bank lending
    - Secured Money Market Lending
    - Trading Assets
    - Debt Market instruments
    - Non-Banking Assets (branches, equipment)
    - Intangibles
  - **Liabilities** (Sources):
    - Checking Accounts (non-interest-bearing transaction accounts)
    - Savings & Deposit Accounts
    - Federal funds and securities sold
    - Trading account liabilities
    - Derivative liabilities
    - Other short-term borrowings
    - Long-term debt

- **Banking Asset Specifics**:
  - Loans are assets for banks as they provide future economic benefits through interest payments
  - Loans include consumer products (mortgages, personal loans) and wholesale lending products
  - Consumer Banking Products:
    - Overdrafts: Accounts which can have negative balances
    - Personal Loans: Typically unsecured loans for 3-5 years
    - Student Loans: Education loans for students
    - Auto Loans: Loans to buy vehicles, with the vehicle as security
    - Mortgages: Loans to buy homes, with the home as security
    - Credit Cards: Unsecured loans available when and where needed

- **Banking Liability Specifics**:
    - Deposits in the US are insured by the FDIC (Federal Deposit Insurance Corporation)
    - FDIC protects depositors against loss of their money in the event of a bank failure
    - Each depositor's accounts are insured up to $250,000 per bank
    - Banks pay insurance premiums to FDIC for this protection

Income Statement Structure

- **Income Statement Components**:
  - Shows revenue and expenditure for a specific period of operations
  - **Income**: Revenue from core activities
    - For banks, the main revenue is interest income from lending
  - **Other Income**: Revenue from non-core sources (e.g., sale of scrap)
  - **Expenditure**:
    - Cost of Goods Sold: How much it cost to make goods actually sold
    - Other expenses: Sales, marketing, and administrative costs
  - **Net Income (Profit)**: Income minus all expenses
- **Banking Income Statement Specifics**:
  - Revenue primarily comes from interest on loans
  - Interest is the spread between interest income and expenses
  - This margin determines how profitable a bank's lending activities will be
  - The efficiency ratio measures a bank's operating expenses relative to its revenue
    - Lower ratios indicate better cost management and typically lead to higher profitability
- **Non-Cash Charges**:
  - **Depreciation/Provisions/Amortization**:
    - These expenses reduce profits but don't involve actual cash outflow
    - Depreciation: The wear and tear suffered by assets as they are put to use
    - Each item has impacts on the Balance Sheet and Cash Flow
    - Current year depreciation is charged to this year's income statement
    - The depreciation figure must be reduced from the asset value shown in the previous year's balance sheet
- **EBITDA**:
  - Stands for "Earnings Before Interest, Taxes, Depreciation, and Amortization"
  - Calculated by adding back these components to Net Profit
  - Formula: Net Profit + Depreciation + Provisions + Amortizations = Cash from Operations
  - Formula: Cash from Operations + Interest + Taxes = EBITDA
  - EBITDA focuses on earnings generated by core business operations
  - It isolates the impact of financing decisions on profits
  - It also isolates profits from the taxation environment, which may vary

Cash Flow Statement

- **Purpose of Cash Flow Statement**:
  - Shows the actual movement of money
  - Reveals the liquidity position by showing inflows and outflows during a specific period
  - Helps determine if profits are real
- **Difference Between Profit and Cash**:
  - Simple Business Example:
    - Scenario 1: Investor puts $100 in business, buys goods with cash, sells for $120 cash
    - Ending position: Profit $20, Cash $120
    - Scenario 2: Investor puts $100 in business, buys goods with cash, sells for $120 on credit
    - If the debtor runs away: Profit $0, Loss of original investment $100

- Not all sales are in cash; businesses often give credit (up to 180 days) to customers
- Not all expenses are in cash; suppliers give businesses time to pay (up to 180 days)
- Some expenses (like depreciation) are non-cash in nature

Financial Ratio Analysis for Banking

- **Key Banking Performance Metrics**:
  - **Net Interest Yield**: Net Interest Income / Average Assets
  - **Return on Average Allocated Capital**: Net Interest Income / Capital
  - **Efficiency Ratio**: Operating Expenses / Net Interest Income
- **Performance Metrics by Business Line** (Example):
  - **Consumer Banking**:
    - Net Interest Yield: 2.8%
    - Return on Average Allocated Capital: 52.54%
    - Efficiency Ratio: 63%
  - **GWIM (Global Wealth and Investment Management)**:
    - Net Interest Yield: 2.17%
    - Return on Average Allocated Capital: 21%
    - Efficiency Ratio: 75.04%
  - **Global Banking**:
    - Net Interest Yield: 2.73%
    - Return on Average Allocated Capital: 21%
    - Efficiency Ratio: 45.75%
  - **Global Markets**:
    - Net Interest Yield: Not a banking activity, no yields
    - Return on Average Allocated Capital: 10%
    - Efficiency Ratio: 67.63%

Module 3: Account Structures and Organization

Ledgers and Sub-ledgers

- **General Ledger (GL)**:
  - Contains different accounts
  - Each account has its own "box" where related transactions are recorded and tracked
  - The GL is a set of boxes, each with a name and an associated default label (Debit or Credit)
- **Sub-ledgers**:
  - Detailed records that support the general ledger accounts
  - Allow for more detailed tracking of specific types of transactions

Chart of Accounts

- **Four Broad Heads of Accounts**:
  - Assets
  - Liabilities
  - Income
  - Expenditure
  - Each type has different subcategories and must have its own account
  - Examples of accounts:
    - Capital (Credit balance)
    - Cash (Debit balance)
    - Salaries (Debit balance)
    - Sales (Credit balance)
    - Payables (Credit balance)
    - Loans Taken (Credit balance)
    - Office Equipment (Debit balance)
    - Receivables (Debit balance)

- **Accounting Labels for Different Items**:
  - Salaries: Debit
  - Rent: Debit
  - Sales: Credit
  - Office Equipment: Debit
  - Investment Income: Credit
  - Capital: Credit
  - Loans taken: Credit
  - Loans Given: Debit

Finance Dimensions and Segments

- **Banking-Specific Product Parameters**:
  - **Deposit Parameters**:
    - Customer-driven:
    - Currency
    - Amount
    - Period
    - Interest Rate (Fixed/Floating/Spread over benchmark)
    - Premature withdrawal permitted
    - Penal Interest
    - Nomination
    - Issuance (Computerized/Demat/CD)
    - Residence Status
    - Master-driven:
    - Minimum Period
    - Special Features
    - Regulatory Restrictions
    - Tax threshold
    - Tax rate
  - **Loan Parameters**:
    - Loan Type: Revolving or Instalment
    - Security: Secured or Unsecured
    - Security Type: General or Specific
    - Master Parameters:
    - Security held
    - Security Value
    - Loan to Value (LTV)
    - Mark-to-Market (MTM) periodicity
    - Loan Amount (Min/Max)
    - Margin call at LTV %
    - Prepayment permitted
    - Prepayment after minimum period
    - Prepayment penalty rate
    - Tenor (Min/Max)
    - Sanction Parameters:
    - Loan Granted
    - Tenor Granted
    - LTV
    - Interest Rate
    - EMI
    - Loan purpose

Code-block Mapping and Maintenance

- **Code Block Governance**:
  - Ownership and Responsibilities: Clear roles for code block management
  - Approval Processes: Workflow for creating and modifying code blocks
  - Documentation Requirements: Standard templates and repositories
  - Control Procedures: Ensuring integrity of the code block structure
  - Audit Trails: Tracking changes to code blocks over time
  - Compliance Requirements: Ensuring alignment with regulatory expectations

Code Combinations

- **Banking Transaction Information**:
  - Every banking transaction involves a product
  - Every product has typical characteristics
  - Every product has non-transactional/non-financial characteristics necessary to capture for different reporting needs
  - Some information is not triggered by transactions or is externally triggered (accruals, defaults, credit decisions)
- **Information Categories**:
  - "Product Master"
  - Client Categorization
  - Client Profiling
  - Client Rating
  - Location
  - Risk Categorization
  - Regulatory Reporting Category
  - Management Reporting Requirements
  - Information from other systems (Origination, Collections, Credit, Recovery)
  - Transaction-related information

Module 4: Banking-Specific Accounting Areas

GL Operations

- **Banking vs. Commercial Organizations**:
  - In banking, the transaction is the accounting entry
    - The record of the transaction and the place where the money is held are one and the same
  - In commercial organizations, goods are sold/invoices written first, then accounting entries are made
  - Banking differs because moving money between accounts constitutes both the business activity and its recording

- **Transaction Impact**:
  - Every banking transaction will have two impacts, ensuring the two sides of the balance sheet remain equal
  - Examples:
    - When a checking account is opened: Cash increases (Asset), Demand Liabilities increase (Liability)
    - When a term deposit is taken: Cash increases (Asset), Term Liabilities increase (Liability)
    - When a deposit is repaid: Cash decreases (Asset), Term Liabilities decrease (Liability)

GL Journal Entry Process

- **Banking Accounting Entries**:
  - When a checking/savings account is opened:
    - Cash A/c Dr. $100
    - Demand Liabilities Cr. $100
  - When a term deposit is taken:
    - Cash A/c Dr. $100
    - Term Deposits Cr. $100
  - When interest is paid on a deposit:
    - Interest Paid Dr. $8 (Income Statement)
    - Cash A/c Cr. $7 (If tax is withheld)
    - Tax Due Cr. $1 (For withholding tax)
  - When a loan is given:
    - Loan A/c Dr. $100 (Asset increases)
    - Processing Fee Cr. $2 (Income)
    - Cash A/c Cr. $98 (Asset decreases)
  - When a loan installment (EMI) is paid:
    - Cash A/c Dr. $10 (Asset increases)
    - Interest Income Cr. $8 (Income)
    - Loan A/c Cr. $2 (Asset decreases)
  - When a loan is prepaid:
    - Cash A/c Dr. $108 (Asset increases)
    - Loan A/c Cr. $98 (Asset decreases)
    - Interest Income Cr. $8 (Income)
    - Prepayment Fee Cr. $2 (Income)

- **Non-Cash Accounting Entries**:
  - Accrual of Income:
    - Income Receivable Dr. $25 (Asset)
    - Accrued Income Cr. $25 (Income)
  - Receipt of Income (previously accrued):
    - Cash Dr. $25 (Asset)
    - Income Receivable Cr. $25 (Asset decreases)
  - Accrual of Expense:
    - Interest Dr. $50 (Expense)
    - Interest Payable Cr. $50 (Liability)
  - Payment of Expense (previously accrued):
    - Interest Payable Dr. $50 (Liability decreases)
    - Cash Cr. $50 (Asset decreases)

Fx Rates: Revaluation

- **Investment Valuation**:
  - Investments are valued at their market prices whether or not they are traded
  - Unrealized gain example:
    - Investment bought at $1,000, current market value $1,500
    - Unrealized gain of $500 is recorded
    - Entry: Investment value Dr. $500, Unrealized gain Cr. $500
  - Unrealized loss example:
    - Investment bought at $1,000, current market value $750
    - Unrealized loss of $250 is recorded
    - Entry: Unrealized loss Dr. $250, Investment value Cr. $250

Fx Rates: Translation

- **Derivatives**:
  - A derivative is a financial contract whose value depends on an underlying asset
  - These instruments typically require only a small margin payment (like a security deposit) rather than the full value
  - Derivative positions can generate:
    - Unrealized gains (when market movements are favorable)
    - Unrealized losses (when market movements are unfavorable)
  - Unrealized gains are shown as assets; unrealized losses are shown as liabilities
  - At reporting dates, a valuation exercise is carried out

Inter-company Transactions

- **Logical Pairs for Transactions**:
  - Interest Expense paired with:
    1. Interest Payable OR
    2. Cash/Bank/Customer Account
  - Interest Income paired with:
    1. Interest Receivable OR
    2. Cash/Bank/Customer Account
  - Deposit Accounts paired with Cash
  - Loan Accounts paired with Cash
- **Examples of Dangerous Transaction Pairs**:
  - Interest Expense, Income, Deposit Accounts, or Loan Accounts linked with:
    - Suspense Accounts
    - Other Internal Accounts

- Entries in Suspense Accounts/Internal Accounts:
    - May require "level-skip" sign-off
    - Both "Entries-in" and "Entries-out" can require authorization
    - Entries before/after key dates are also an alert

Accounts Payable Processes

- **Interest Calculation Parameters**:
- Interest Rate
- Rule for determining amount
- Number of days to be considered in a year (365 or 360)
- Periodicity of Calculation (Weekly, Monthly, Quarterly, Semi-annually, Annually)
- Date for interest payment
- Minimum balance or average balance between dates

Fixed Assets Management

- **Depreciation Management**:
- Depreciation represents the wear and tear of assets being used in operations
- This non-cash expense reduces reported profits but doesn't involve actual monetary outflow
- The depreciation figure must be reduced from the asset value shown in the previous year's balance sheet

Finance Reconciliation Procedures

- **Accounting Integrity**:
- Financial statements must correctly reflect the reality at the transaction level
- Questions to ensure integrity:
- "Can I be sure that everything in the Financial Statements correctly reflects the reality at a transaction level?"
- "Can I be sure that everything that happened at Transaction Level is reflected in the Financial Statements?"
- Under the US Sarbanes-Oxley law, the CEO/CFO can face legal consequences for:
    - Not knowing or being unsure
    - Signing incorrect documents
    - Signing based on others' assurances
    - Signing flawed results due to process integrity failures

Corporate Tax Fundamentals for Banking

- **Withholding Tax Example**:
- When interest is paid on a deposit:
    - Interest is calculated
    - Tax is deducted at source (Withholding Tax) from the amount payable to the customer
    - Tax is remitted to the government tax department
    - Customer receives interest less tax withheld

- When the Withholding Tax is paid to the government:
    - "Tax Due" decreases
    - Cash in hand decreases by the same amount

Accounts Closing and Balance Carry Forward Processes, Checks

- **Loan Loss Provisioning and Write-offs**:
- Provisioning for Non-Performing Assets:
    - Provision Dr. $5 (Expense)
    - Provisions held Cr. $5 (Liability)
    - Impact: Profit decreases by $5, no impact on asset value yet
- When the loan is written off:
    - Provisions held Dr. $5 (Liability decreases)
    - Loan Cr. $5 (Asset decreases)
    - Impact: No effect on profit in the year of write-off if losses are within provisioned amounts
- Modern disclosure norms require banks to disclose provisions for each credit rating category

Financial Restatements, Prior Period Items

- **Example of Accounting Manipulation** (Future Group/Pantaloon's case):
- In 2006-07, inventory was valued at "Retail price less markup"
- This implied inventory could be shown at 'greater than cost', showing higher profits
- In 2007-08, the company shifted to a more acceptable method
- Inventory valued at 'Cost or realizable value, whichever is less'
- Impact: Profits of 2006-07 were overstated by 41% of real profit
    - Reported profit: 119
    - Real profit: 70
    - Difference: 49.09 billion

Module 5: Roles and Responsibilities

Financial Controllers

- **Financial Statement Integrity**:
- Financial controllers worry about unauthorized transactions at the GL level
- They ensure numbers result only from authorized transactions entered by authorized personnel
- They verify that aggregation rules, once set up, cannot be tampered with

GL Operation Teams

- **System Safeguards**:
  - Some accounts can be blocked to prevent improper entries
  - Transactions must follow logical pairs
  - Example: If salary is being paid, corresponding entries would be either:
    - Salary paid from bank/cash balance
    - Salary provided for as payable
  - It would be unacceptable for the corresponding entry to go into unrelated accounts (e.g., Inventory)

Finance Maintenance Users

- **Code Block Governance**:
  - Ownership and Responsibilities: Clear roles for code block management
  - Approval Processes: Workflow for creating and modifying code blocks
  - Documentation Requirements: Standard templates and repositories
  - Control Procedures: Ensuring integrity of the code block structure
  - Audit Trails: Tracking changes to code blocks over time

Business Units

- **Core Retail Banking Systems Integration**:
  - Demand Deposits: Savings, Checking, Retirement
  - Time Deposits: Term, Recurring, Auto, CD
  - Credit: Origination, Overdraft, Revolving Credit, Term loans, Collection
  - Customer Management: Customer info, View, Alerts
  - Retail services: Sweeps, Standing Instructions, Payments, Utility payments
  - Information delivery: Account statements, Dr/Cr advices, Tax statements, Emails, mails
  - Service Charges, Relationship pricing, Interest Plans, Tax Structure

Interdepartmental Collaboration

- **Information Gathering Systems**:
  - Loan Origination Systems capture borrower data
  - Screening criteria filter out ineligible borrowers
  - Approval criteria include:
    - Occupation listing
    - Minimum income
    - Age (Min-Max)
    - Location of person/asset
    - Profession listing
    - Acceptable income sources
    - Fixed Obligations to Income Ratio
    - Loan to Value ratio
  - Credit history and repayment record provide information on creditworthiness
    - In India, Credit Info Bureau of India Ltd. (CIBIL) maintains such records

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Module 6: Managerial Accounting and Budgeting

Financial Accounting vs. Management Accounting

- **Differences in Purpose**:
  - Financial Accounting:
    - Provides information to external stakeholders
    - Based on historical data
    - Follows required accounting standards (GAAP/IFRS)
    - Focused on the entire entity
  - Management Accounting:
    - Provides information to internal management
    - Combines historical data with forecasts
    - No required standards; focused on usefulness
    - Can focus on segments, products, or departments

Budgeting

- **Budgeting Purpose**:
  - Planning tool for future periods
  - Establishes performance targets
  - Provides basis for performance evaluation
  - Helps coordinate activities across departments

Types of Budgets

- **EBITDA Analysis**:
  - Business analysts adjust Net Profit to understand the impact of depreciation and amortizations
  - EBITDA shows how much cash the business generates from core operations
  - EBITDA stands for "Earnings Before Interest, Taxes, Depreciation, and Amortization"
  - Calculated by adding back these components to Net Profit

Allocation and Apportionment of Costs

- **Banking Performance Analysis**:
  - Business lines contribute differently to overall performance
  - Performance metrics by business segment allow for better management
  - Examples include:
- Consumer Banking
    - Global Wealth and Investment Management
    - Global Banking
    - Global Markets

Importance in Management Accounting

- **Strategic Planning and Management**:
  - Strategic Planning determines what kind of business to be in
  - Capital Budgeting decides where to raise money from and at what cost
  - Project Management sets up productive capacities within planned cost and time
  - Business Management runs the business according to plan
  - Financial Management ensures generated cash is sufficient to repay loans and generate profits for owners