

BusinessMatters

A Newsletter for Chartered Accountants in Business

Inaugural Business Networks Assembly



The Technology Table at the Business Networks Assembly

Business Members Showcase 2010 was launched with the first ever Business Network Groups (BNG) Assembly on 11th November. Designed by members of the Chartered Accountants in Business Committee (and BNG Chairs) Barry Knowles and Anthony Doherty, the Assembly took an informal and interactive form in order to bring members together. In spite of a stormy night, over fifty members came to Dublin for the event including those from the more distant reaches of Mayo, Galway, Cork, and the North East. Newcomers keen to experience what BNGs are all about were also welcomed.

BNG Assembly participants were able to interact with three expert tables of their choice during the initial 'Knowledge Hour'. Survey feedback pointed to the hosting of expert tables on: Managing your time & managing stress; Practical use of technology in business; Career development – market update; Technical – practical regulations & standards that will impact your business; and Guidance on professional development.

In the interactive panel discussion which followed, President Paul O'Connor commended the value of the BNGs and particularly the work of the BNG Chairs. Chartered Accountants in Business Chairman Brendan Lenihan highlighted the value of peer support in networks such as these. Feedback from the floor indicated an awareness issue regarding the benefits of participating in BNGs. The CAB Committee will address this in the New Year. There were many helpful suggestions on how to refresh the BNGs, and important relationships were forged during the reception which followed.

The next BNGs will be set up in Tipperary and Newry with BNG Refresh meetings taking place in Wexford and Kilkenny early in the New Year. If you would like to get involved in these BNGs, find out where the nearest one is, or set up one in your locality, contact Stephen Molloy, Members Services Manager (contacts below).

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Leading the Way: Draft Strategic Plan

For the past year, the Strategy Development Board chaired by Stephen Prenter has been working to develop a strategy for your Institute from 2011 to 2015, the majority of the recommendations of the Strategy Review Group in 2005 having been implemented. As the business and financial environment changed during this period, the need for a fresh approach became more pressing. Council has now asked that the Draft Report be exposed for consultation with members and this is accessible on

www.charteredaccountants.ie from eNews, 26th November 2010. Comments are requested by the end of the year.

Pre-recorded CPD – Buy One, Get One Free



To mark the launch of our catalogue of pre-recorded courses, every member who purchases a pre-recorded course before 31st December 2010 will receive a second pre-recorded course of the same value for free.

When you buy a pre-recorded course simply email Claire.Collender@charteredaccountants.ie with the name of the second course you want to receive free of charge and we will send you back the relevant link.

Our list of pre-recorded CPD courses is updated on a regular basis so you will be spoiled for choice. Check out <http://www.charteredaccountants.ie/CPD/Courses--Events/cpdonline/Online-Courses/> for further details and a full list of available courses. (*This offer does not include Nelson Croom courses.*)

NAMA Update

On Thursday, 24th November, NAMA posted Version Two of the NAMA Debtor Business Plan on www.nama.ie, applying to all debtors outside tranches 1 – 3. This follows representations for a Business Plan “Lite” from the Chartered Accountants NAMA Forum at a meeting with NAMA in April, and the subsequent presentation of a framework and decision tree for a Lite version in July.

The Forum hosted an evening meeting “Bank to Business” in November with two very different speakers. Enda Bracken, Head of Property Asset Management at Bank of Ireland, demonstrated how indebted properties can be managed by the bank in order to return maximum value to the borrower.

Mike Soden, former international banker, media commentator and author, and Government appointee to the Banking Commission, presented some of his personal views on the present situation, particularly in relation to NAMA. He recognized that NAMA was set up as a driver to get the economy going and as such, it needs to be proactive. However, the mindset in NAMA appears to be as investor, while a strong trading approach is necessary. He noted that NAMA is not covered by Freedom of Information provisions. However, it is the largest property company in the world, hugely important for the future of the State, and just five people have control of the equity and can do with that what they wish. He suggested that in a general election scenario, candidates should be asked if their party will either replace NAMA or legislate for Freedom of Information access in relation to it. He was further of the view that NAMA needs to do bad deals in order to create a belief in the market and instill more confidence.

The IMF had arrived in town the following week when Professor Patrick Honohan, Governor of the Central Bank, gave a briefing for members in

Financial Services, hosted by the Representation and Technical Policy department. Commenting on the NAMA experience, Professor Honohan said it was too soon for overall judgement. It would be great to get it working faster. The NAMA approach is textbook, but many outsiders think it is absolutely right. However, he noted “It hasn’t had the result we had hoped.”

NAMA got a vote of confidence when the EU/IMF Deal was announced, including provision for the extension of the NAMA scheme to remove remaining vulnerable land and development loans from Bank of Ireland and AIB by the end of the first quarter 2011.

NAMA: Steering the ship out of the storm?

The CA NAMA Forum’s next event is on Thursday evening, 16th December 2010, consisting of preliminary addresses and panel discussion. “NAMA – Steering the Ship out of the Storm?” will include forthright views from Dr. Michael Somers, former Chief Executive of the NTMA; Terence O’Rourke, Managing Partner of KPMG will address issues around impairment charges and implications for auditors; and property developer and philanthropist Niall Mellon will address how we need to move past the understandable public anger and shame and begin the process of re-constructing the economy. The evening will conclude with a wine and cheese reception. The event will be chaired by Irish Times Economics Editor, Dan O’Brien. Booking available on <http://www.charteredaccountants.ie/General/Shop/Courses/Course/?ProductId=1340> or for information email business.members@charteredaccountants.ie

Corporate Fraud – new publication

Fraud represents a significant risk for all organisations. In his book Andrew Brown, a Chartered Accountant with Deloitte & Touche and an experienced fraud investigator, draws on his experience to help the reader understand:

- How much fraud there is and why it happens
- What can be done to reduce the risk of fraud
- How to respond if fraud is suspected

Using real-life examples, the book provides practical advice to anyone responsible for dealing with fraud on how they can reduce the risk of being a victim of fraud, and how they should go about investigating it if it occurs.

For further content information, email publishing@charteredaccountants.ie. Orders may be placed on line at <http://www.charteredaccountants.ie/General/Shop/Books/>.



XBRL: Major Announcement by Revenue

At the recent Mandatory Tax Filing in XBRL event in Chartered Accountants House, Seán Leake, a Principal Officer at Revenue, announced that XBRL Files will be accepted from 2013. This is a highly significant development for members in business.

The event was organised by Business Reporting Ireland Ltd. (BRIL) and brought together experts in the implementation of XBRL and iXBRL in the UK, in advance of their mandatory date for filings after 1 April 2011. Jeff Smith, HMRC and Paul Booth ICAEW IT Faculty briefed a full house on the UK implementation, while Sage and CoreFiling demonstrated live products. Illustrative of the significance of XBRL for business, over half the attendees were working in business as opposed to practice.

BRIL is the company formed to represent the Irish Jurisdiction at XBRL International and is responsible for promoting the adoption of XBRL in Ireland. BRIL is supported by Chartered Accountants Ireland, CRO, CSO, Deloitte, Irish Taxation Institute, KPMG, PwC and Revenue Commissioners. For more information see www.xbrl-ie.org



The Importance of Diversification

David Glennon, Corporate Business Development Manager, Zurich Life

If there is one lesson that the markets have taught us in the past two years, it is the importance of diversifying across a range of different asset classes, to protect against falls in one or even a few of them.

Looking at property, for instance, in Ireland the boom was driven not just by people wanting to own their own home, but also by a strong desire to hold property as an investment. Spiralling house prices attracted people to invest in property in the belief that prices would continue to rise. Sadly, this “boom” was in fact a bubble that eventually burst, as all bubbles do. And investors saw the value of their investments tumble.

Taking another example, many people opted to invest in just one or a small number of equities. Investing in Irish banking stocks was a particularly popular choice. However, the values of these stocks have collapsed, and those who held shares in Anglo Irish Bank lost all of their investment as a result of nationalisation.

Even diversifying within an asset class, while sensible, may not offer sufficient protection. Sticking with equities as an example, the S&P 500 index declined 38.5% in 2008 alone.

However, to get the complete investment picture, we should also consider other asset classes, such as bonds. For instance, while 2008 was one of the worst years in history for equities, it was also one of the best years for bonds. This demonstrates the historical trend of how equities and bonds tend not to move up and down at the same time, i.e. bonds and equities are uncorrelated.

It is correlation between asset classes that determines how well diversified your portfolio is - the more uncorrelated your investments are, the better diversified your portfolio is, and thus the less likely it is to experience large falls in value. Hence the importance of investing across different asset classes, such as cash, property and commodities, along with bonds and equities.

The performance of a diversified portfolio will never exceed that of its best performing constituent asset. For example, we know in retrospect that in 2008 it would have been more desirable to have been invested 100% in bonds. Similarly, from 2003 to 2007, equities produced the best returns. However, crucially, the converse is also true - a diversified portfolio's returns will always be higher than that of the worst performing asset. Moreover, with constituent assets whose values are uncorrelated (and so do not move up and down in perfect harmony), a diversified portfolio will have less risk than the average risk of its constituent assets.

So by investing in a broad range of assets, the investor should be in a position to counteract potential losses in one asset category, with better investment returns in another. This has the effect of narrowing the range of possible outcomes, thereby reducing overall volatility and potential downside risk.

Zurich Life has recently launched an Active Asset Allocation Fund. For more information, please visit the Funds section at www.zurichlife.ie

This article does not constitute an offer and should not be taken as a recommendation from Zurich Life. Advice should always be sought from an appropriately qualified professional.



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Congratulations



*Tom Hickey,
Corporate Development
Director,
Petroceltic International*



*Justin Dennehy,
Chief Financial Officer,
Cork Medical Centre*



*Gerry Murray,
Professor of Forensic
Accounting,
Magee College*

Credit Review Quarterly Report

Amongst the awful news in the banking sector, and with the arrival of the IMF in Ireland, the results of the above Report revealed a glimmer of hope. The two main banks, together with Ulster Bank, are all now keen to stress they are open for business. Credit Reviewer John Trethowan advised “From my conversations with executives in all of these banks, I have been assured that they see the SME market as crucial for their future prospects and will ensure that the current crisis will not affect growth in this sector. Indeed, all three of these banks are engaging with SMEs in public initiatives.

“The Credit Review Office remains a safeguard for any SME who feels that a viable borrowing proposition has been turned down. Whilst the report shows relatively low numbers of formal applications for reviews to date, the existence of the service in itself has been a key factor in influencing behaviours in the banks over the past months in ensuring that they are responding to SMEs’ borrowing needs in a more effective manner” according to Mr. Trethowan.

The Report is available from <http://www.creditreview.ie/Publications.aspx>

Pro Forma Financial Statements 2010

The Pro Forma Financial Statements toolkit from Chartered Accountants Ireland is a relevant and timely product containing the practical guidance members in business need on a day to day basis. It includes 11 up to date examples with 3 brand new formats.

This toolkit, available on CD, contains updated model sets of full and abridged financial statements (prepared under Irish GAAP), for entities of different sizes, from very small audit exempt to large consolidated companies registered in the Republic of Ireland. Special new features of this toolkit include model financial statements for:

- A company limited by guarantee
- A company utilising the FRSSE
- A ‘company in trouble’, to include common issues such as impairment of fixed assets, going concern, fundamental uncertainty, bad debts, broken covenants, and others.

For more information, contact Practice Consulting at 353-1-6377300.

MyAccount – your interests

Members in business comprise 65% of the membership of this Institute. In order to develop appropriate services for you, it is vital that we obtain up to date information about your professional interests and working environment. Strategic decisions will be taken based on the data we receive, with relevance and value for money the key considerations in implementing new services. We need you to log in to <http://myaccount.charteredaccountants.ie> and update your details as soon as possible.

Diary Dates

December

9	Internal Audit	CPD, Dublin
10	Mid-West Society Christmas Lunch with Ivan Yates	MidWest, Limerick
10	Cork Society Christmas Lunch with Matt Cooper	Cork
10	Leinster Society Christmas Lunch, with Des Bishop	Leinster, Dublin
10	Ulster Society Christmas Lunch, with Sean Crummev	Ulster, Belfast
10	Western Society Christmas Lunch, with Sean Killeen	Western, Galway
13	PRSI Liabilities: Underpayments/Overpayments	CPD, Dublin
14	IFRS for SMEs: The Core Issues	CPD, Dublin
16	NorthWest Society Christmas Lunch, with Neil Delamere	NorthWest, Sligo
16	Investment Business Seminar	CPD, Dublin
16	CA NAMA Forum – NAMA: Steering the ship out of the Storm?	CPD, Dublin



Season's greetings



*The President, Council, Management and Staff
of Chartered Accountants Ireland
wish all our members and their families
peace and relaxation for the Christmas season.*

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