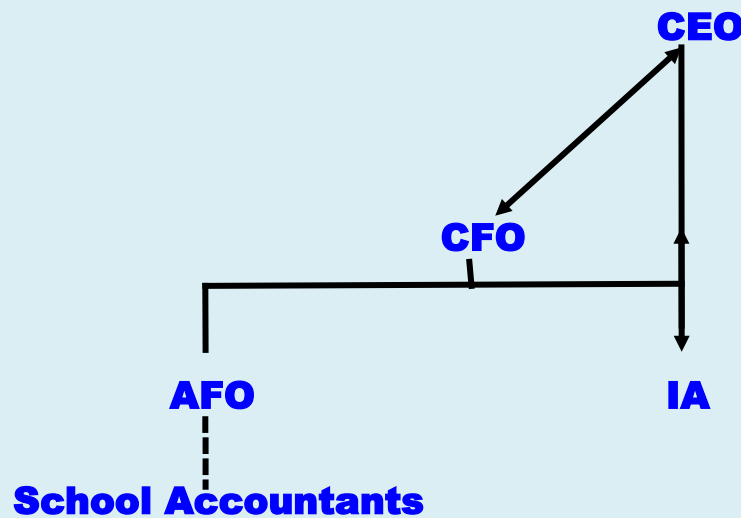


## An interaction with proposed / recommended CEO of Educational Institution; focussed on Finance Competency

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### Chief Executive Officer Finance Competency Questions

1. As a CEO, what would you like your financial team to look like (organogram, team members, qualifications, competencies, reporting responsibilities, etc.)?



#### Chief Finance Officer (CFO):

Qualification, responsibilities and skill set: A Chartered Accountant with an experience of at least 7 to 8 years in handling multiple location business centers preferably in the school education industry. Seasoned over these years of handling a team of 4 to 5 team members directly and a facilitator to a large team beneath from various school locations must be one of the key expertise. Maintaining a close bonding within the Finance team and improvising the efficiency of the finance dept will be a consistent effort by the CFO. Budgeting, reviewing, accounts finalization, advising the CEO on crucial issues related to finance, chalking out an Internal Audit plan and advising the IA on consistent basis will be a parallel role. Knowledge about Central and State laws with respect to taxation, charitable trusts, etc. applicable to each individual entity is essential.

Reporting to: CEO

Reportees: Assistant Finance Officer (AFO) directly reporting to the CFO and Internal Auditor (IA) functionally reporting to the CFO.

### **Assistant Finance Officer:**

Qualification, responsibilities and skill set: A Chartered Accountant with an experience of 4 to 5 years in Budgeting, Reviewing and Accounting who becomes a complete support to the CFO. School systems have very few people with the basic knowledge of accounting, hence guiding, supporting and hand-holding every school head in the process of budgeting and helping them become independent over a period of 1 to 2 years will also be an integral part of his competency. Direct connect with the school accountants for training, budgeting and reviewing; keeping in loop the respective school heads will be a routine requirement. (The school accountants will be reporting to the respective school head and there will be a dotted line reporting to AFO.) Accounting of the HO, reconciliations, regular uploading of the respective school accounts in the HO records and passing necessary adjustment entries for expenses incurred at the HO for the school and or JVs for allocation of consolidated expenses. Knowledge about Central and State laws with respect to taxation, charitable trusts, etc. applicable to each individual entity is essential.

Reporting to: CFO

Reportees: School Accountants (dotted line)

### **Internal Auditor (IA):**

Qualification, responsibilities and skill set: A Chartered Accountant with a post qualification experience of conducting independent audits for 4 to 5 years. Conducting audit of various schools and HO on periodical basis will be the key role. She / he must be self-driven. Expertise of conducting online audit / audit in soft form. Updating the CEO and CFO at regular intervals and getting the necessary rectifications done with the help of AFO post approval will be a consistent role requirement. Knowledge about Central and State laws with respect to taxation, charitable trusts, etc. applicable to each individual entity is essential.

Reporting to: His functional reporting will be to the CFO, however, there will be direct communication channel between the IA and the CEO.

Reportees: None

### **School Accountant:**

Qualification, responsibilities and skill set: B. Com. with 2 to 3 years experience in handling accounts of a school or of a medium scale organization having at least 30 employees. School budgeting, variance analysis and attending review sessions, day-to-day accounting, regularity in fulfilling statutory norms with respect to finance, Provident Fund, gratuity, pension, employees' state insurance scheme, bank reconciliations, etc. will be very essential skills required for this post. Regularly updating the head of the institute on financial matters.

Reporting to: The Principal and a dotted line reporting to the AFO

Reportees: None

Note: Each of the aforesaid positions must have enough knowledge about salary related formalities, such as deduction, Provident Fund, Gratuity, Pension, State Insurance, etc. They must also possess basic knowledge of various direct and indirect tax laws which are directly connected to an educational institution. Accurate knowledge and regular update about section 12A and 80G of the Income tax act are very essential and norms related to Minority Department is equally of great importance.

2. What is your management style vis a vis the finance function? Do you consider yourself a hand-on manager working closely with the Head of Finance? Or do you prefer to let the Head of Finance drive the function?

I prefer a semi-formal style of management which gives space to smooth flow of relationship, support and information in both the directions. With respect to finance, I would prefer being a Hands-on Manager working closely with the CFO/HOF.

3. How frequently would you like to meet with your finance team to review the organization's progress, direction, etc.?

Formally, I would like to meet the finance team bi-monthly for regular reviewing and problem solving and monthly for reviewing the progress and gauging the direction in which the organization is leading. (This will be in addition to meeting with CFO, COO, CHR, C Business Development every day in morning over a cup of Tea; may be for 10-15 minutes. This gives bird's eye-view on day-to-day happenings & important events issues can be exchanged. This will also help in creating and enhancing the bonding among various heads.)

4. As a CEO, what five or six key business drivers would you like to personally and closely drive/manage/monitor?

I would like to personally drive Strategic planning and PR. Closely monitoring of Academics, HR, Finance and Parental feedbacks will be on my regular agenda.

5. How would you initiate and drive your organization's budget process?

Each school unit to be trained to make its own annual budget. This then will be vetted by the Finance team at the HO. Simultaneously, the AFO will be accountable for the HO budget. This holistically will be taken for pre-approval discussion followed by finalized drafts to be set to the board for approval.

6. If you are asked to prepare a zero-based budget, how would you go about doing it? Who would you consult?

Zero-based budget does not relate projections to past numbers. It is perception of what we envisage. CFO & COO are two main pillars in creation of zero-based budget. The actual budget can thereafter be fine-tuned to synchronise environment.

7. How would you monitor and track the organization's performance against the approved budget?

By adopting Variance Analysis. Any negative needs to be scanned to derive whether factors responsible for negative are issue-specific, time-specific or universally applicable. The factors on identification should be addressed with a view to avoid repetition & corrective measures stimulated.

8. If you are asked to "cut" your budget by 25%, how would you go about doing that?

I would initiate cost cutting exercise commencing with PR and BD expenses. This will be followed by cutting of operating expenses in a sequence of least to utmost priority and the last would be through cutting on increment on salaries in case of worst scenario. On the other hand, efforts will be put to generate novel sources of revenue to minimize unwanted cuts in essential expenses.

9. Do the numbers/figures excite you or scare you?

Numbers and figures have always excited me....both at micro level of a single institution and also at the macro level of the mother organization.

10. If you are asked to review the company's financial strength and are provided with three documents: (1) income statement, (2) balance sheet, and (3) sources/uses of funds statement, what would you start with? Why?

I would elaborately go through each of these financial statements and go for an inter-statement ratio analysis. Taking up a single statement in priority may turn out to be giving a wrong conclusion of the entire financial picture. However, Sources and Uses of funds play a pivotal role. Income Statement is performance record. Balance-sheet is status as of time (date).

11. What are the key differences between an operating budget, capital budget, and long-term projections?

Operating budget will take care of year on year incomes (fees and others) and revenue expenses.

Capital budget will plan for funds requirement for capital expenses of both types immovable and moveable assets. Immoveable assets would include land acquisitions and all incidental cost, cost of construction and all incidental cost, sports infrastructure, etc. Moveable assets would include cost of interiors, school furniture, sports equipments, computers and peripherals, library, laboratory equipments.

Long term projections would cover an entire financial plan for 3 to 5 years or more for projecting income, expenses, capital expense requirements, etc.

Examples given aforesaid form an inclusive list and are not exhaustive.

12. Have you been involved with the preparations of long term forecasts? If so, what key drivers, variables, and assumptions do you start the exercise with?

Yes I have had opportunities of preparing long term forecasts. Key drivers, variables and assumptions are as under:

Management's vision and targets, availability of future funds with the organization, availability of sufficient infrastructure for admitting the projected students, market intelligence with respect to fees-affordability-competition, ....

13. Please describe your prior experience with internal audit and how you have used this function to enhance the effectiveness of and/or efficiencies in the operations.

Leakage of any sort, when detected, was sealed. Monitoring or control mechanism reviewed & re-invented on an ongoing basis. Internal Audit is more to help system &

procedure evaluation rather than accounting entries. Accounting entries were modified or corrected if passed under wrong head.

***Mahesh Parikh / 04<sup>th</sup> December 2014***