

# Can you afford to ignore accounting?

## Accounting advisory services



Organisations regularly face new and complex events: financial restructuring, changes in accounting standards, changing financial risks, new contractual arrangements, finance transformation and M&A activity.

**Are you confident that you understand the accounting – and its impact on your business?**

**M&A activity**

Accounting is increasingly becoming a key part of the deal. Are you clear on whether you'll be acquiring a subsidiary or a joint arrangement? Whether the consideration will be classified as debt or equity?

Do you know what your target's P&L and balance sheet will look like after applying your accounting policies? Models should clearly separate the effects of IFRSs 15, 16 and 9 from genuine business performance.

Preparation of financial statements for disposing of a business segment can be a huge task. Are you ready for it?

If you're thinking about listing – have you understood the accounting and reporting requirements?

**Treasury**

Are you looking to create, modernise or enhance your Treasury department, processes or controls?

Is volatility in foreign exchange, commodity prices and interest rates leading to unpleasant surprises? Is your governance structure and risk management framework fit-for-purpose? Is your treasury effectively managing financial risks?

Financial risk management is becoming ever more complicated. Are you employing the optimal hedging strategy for your business?

Do you intend to transact in complex financial instruments, derivatives or apply hedge accounting?

Brexit is bringing a heightened focus on Eurozone transactions. Are you keen on improving visibility of cross-border transactions or rationalising transaction costs into and out of the Eurozone?

**Corporate simplification, group reorganisation, dividend planning and intercompany rationalisations**

A complex group structure brings with it personal risk for the directors, unnecessary costs, operational and tax inefficiencies and an increased risk of trapped capital. Have you considered streamlining your legal entity structure by eliminating surplus entities, to help deliver annual cost savings, efficiencies and reduced risk for the directors?

Distributable reserves requirements in the UK are complex and can often be overlooked when you're focussed on the tax and commercial drivers for a transaction. This can result in unlawful transactions, for which directors are personally liable, or dividend traps across the group. How confident are you of the distributable reserves positions of the entities within your group, and the lawfulness of proposed transactions?

How much time each month do you spend reconciling intercompany balances and considering the recoverability of those accounts? Have you thought about the benefits of rationalising those balances?

## How we can help

- Deal structuring**  
Before the deal is signed, we can review draft agreements and provide advice on the classification of the target entity (e.g. subsidiary or joint arrangement), the consideration paid and the financing for the deal (e.g. debt or equity).
- Carve outs**  
If you are selling a business we can support in the preparation of carve out financial statements.
- Post-deal support**  
After completion, we can assist in determining your acquisition accounting, including valuation support during the purchase price allocation exercise. If there are GAAP differences between you and your acquired entity, we can help with the adjustments to ensure the opening balance sheet is compliant with your policies. Merging treasury functions? We can advise on integrating your treasury teams to ensure an efficient operating model.
- Treasury risk management**  
We can review your risk management policies and provide recommended improvements, or support you in establishing a risk governance and monitoring framework. Our IFRS 9 experts can help design and implement a fit-for-purpose hedging strategy.
- Treasury systems**  
We can review the effectiveness of your existing treasury systems or support you in defining the requirements for a new system and vendor selection.
- Cash rationalisation**  
We can review your existing banking and cash management arrangements, and provide strategies for rationalisation and reduction of your transaction costs.
- Corporate simplifications, group reorganisations, dividend planning and intercompany rationalisations**  
We can devise an efficient group structure that results in simplified reporting lines and eliminates redundant entities, thereby reducing ongoing costs and operational complexity. We work cross-functionally to ensure that the tax benefits of any reorganisation are maximised, future dividend flows are optimal and future impairment risks are minimised.  
  
We provide accounting commentary and work with you to ensure you have a full understanding of the accounting policy choices and judgements available so that you are making the right decisions for your group. We can advise on distributable reserves planning and suggest ways to remove dividend traps and create fresh reserves, ensuring that cash can be distributed to your shareholders.

## How we can help



### On-call accounting advice

KPMG's on-call accounting service provides you with a single point of contact in our team to address all your accounting needs.

On-call accounting advice is provided in a number of ways, for example - simple phone call, email exchange, workshops, meetings, secondment of staff, review of accounting and board papers. We support companies from FTSE 100 to private businesses and have significant sector and technical specialisms within the team.

IFRS 16 could significantly impact companies' debt, and analysts and ratings agencies are starting to take notice. For such issues, use our on-call advice as your one stop shop for accounting queries.



### On call advice

Provide your finance team with a specific contact to call for accounting advice who can rapidly access the breadth of our team's experience. We can then support you in working out the best way to address your issues.



### IFRS 16 implementation

There are a multitude of choices available in the way IFRS 16 is implemented and the effects can ripple out to your entire business.

We can help with evaluating transition options, project planning, documenting accounting policies, benchmarking key judgements, identifying embedded leases and communication with non-accountants.



### Entering into new contracts

In the complex world of IFRSs 9,15 and 16, it pays to understand the accounting for your contracts upfront. Minor tweaks to your contract can result in a more favourable accounting position, often without impacting the commercials.

Do you know how your P&L and balance sheet will behave under your new contracts? Have you considered impacts on your KPIs and covenants?

Many companies' Brexit plans include changes to customer, supplier and financing arrangements. Have you thought through the financial reporting implications in your Brexit planning?



### Contract reviews

We can advise on the accounting for new contracts, for example whether supply arrangements include an embedded lease under IFRS 16, or the timing of recognition of revenue for sales contracts under IFRS 15.

We can also advise on the nature of any specific terms and conditions that should be included in the contract in order to achieve the desired accounting.



### Future of finance

Are you planning to digitalise your accounting policy manual? Have you considered digital learning for your finance team? How about outsourcing your technical accounting service? Are you struggling with accounting reconciliation issues due to multiple systems? Do you invest a considerable amount of time in finalising your statutory accounts?

The future of finance is about digitalisation and automation of your finance function. Organisations are advancing in the path of digital learning and are digitalising accounting literature and corporate reporting. On the horizon, entities are also evaluating automation of accounting queries with the help of chat bots.

In the world of automation, efficiencies can be gained by standardising your accounting reconciliation processes, leading to a faster close.



### Digitalisation and automation

We can help you by digitalising your accounting policy manual and preparing digital learning modules on various accounting standards.

Accounting reconciliation issues?

We can assist you in accounting reconciliation processes which streamline your period end and standardising your reporting.



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Nick is a Senior Partner in KPMG UK and leads our Accounting Advisory Services team, which has 70 plus accounting specialists with proven sector experience, providing transaction specific and ad hoc accounting advice to a large number clients ranging from FTSE 10 to medium size entities. Our friendly team covers all non financial sectors. This team has first rate technical expertise along with also a desire to 'make it work' and not to over-engineer our clients technical accounting issues.

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