DIAGNOSTIC CHECKLIST

GLOBAL MANAGEMENT ACCOUNTING PRINCIPLES®

PEOPLE

PRINCIPLES

PERFORMANCE SYSTEM

PRACTICE AREAS
Two of the world’s most prestigious accounting bodies, AICPA and CIMA, have formed a joint venture to establish the Chartered Global Management Accountant® (CGMA®) designation to elevate and build recognition of the profession of management accounting. This international designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance. CGMA designation holders are either CPAs with qualifying management accounting experience or associate or fellow members of the Chartered Institute of Management Accountants.
THE GLOBAL MANAGEMENT ACCOUNTING PRINCIPLES: A CHECKLIST

This diagnostic checklist of the Global Management Accounting Principles (the Principles), will help you to assess the effectiveness of your management accounting function and to make sure it is enabling your organisation to achieve success and create value over time.

This checklist is made up of three sections and accompanies the Principles document which is available at www.maprinciples.com. You may find it helpful to have that document to hand as you read through the checklist.

It is the combination of competent people, clear Principles, well managed performance and robust practices that make a management accounting function effective. The three sections of this checklist therefore focus on people, performance and practices.

The first section is Principles and People, and will help you to assess your organisation’s management accounting skills and competencies. The second section will guide you through the application of the Principles to your performance management system. The final section focuses on the key activities of the management accounting function, and provides guidance about applying the Principles to fourteen core practice areas.

Constituents of an effective management accounting function
The CGMA Competency Framework defines the knowledge and skills finance professionals in organisations need for both current and future roles. The questions that follow will help you to assess the extent to which your management accountants have these skills.

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<thead>
<tr>
<th>KNOWLEDGE AREAS</th>
<th>COMPETENCIES</th>
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<tbody>
<tr>
<td><strong>TECHNICAL SKILLS</strong></td>
<td></td>
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<tr>
<td>Financial accounting and reporting</td>
<td>Corporate finance and treasury management</td>
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<td>Cost accounting and management</td>
<td>Risk management and internal control</td>
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<tr>
<td>Business planning</td>
<td>Accounting information systems</td>
</tr>
<tr>
<td>Management reporting and analysis</td>
<td>Tax strategy, planning and compliance</td>
</tr>
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<td>KNOWLEDGE AREAS</td>
<td>COMPETENCIES</td>
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<tr>
<td>BUSINESS SKILLS</td>
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<tr>
<td>Strategy</td>
<td>Project management</td>
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<tr>
<td>Market environment</td>
<td>Regulatory environment</td>
</tr>
<tr>
<td>Process management</td>
<td>Macroeconomic analysis</td>
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<tr>
<td>Business relations</td>
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</table>

Business skills enable finance professionals to use their knowledge of the business and its environment to transform data into insight that enables organisations to evaluate their strategic positioning, the alignment of their business models to their strategies, their performance and opportunities for the future.

Does your management accounting function:

- Develop and communicate strategy and strategy execution plans that take account of macroeconomic conditions and market forces?
- Develop, simplify, manage and refine operational structures, processes, projects and activities to improve operational effectiveness and efficiency?
- Manage value chain relationships, contract performance and risk?
- Develop and streamline processes to optimise the value chain?
People skills, particularly when communicating, are used to influence the decisions, actions and behaviours of decision-makers and others throughout the organisation and its external stakeholders.

Do your management accountants:

- Understand what senior management and the board need to help them to do their jobs better?
- Influence and gain the support of stakeholders by demonstrating empathy, diplomacy, logic, conviction, and an appreciation of all the relevant factors?
- Manage and negotiate positive outcomes by researching and sharing the facts, understanding stakeholder requirements and gaining the trust of stakeholders?
- Communicate effectively with stakeholders by translating complexity, using appropriate forums and media, adapting personal style to the situation, mastery of the facts, and creating confidence?
- Cultivate and nurture cross-functional relationships to create value by encouraging a collaborative culture to deliver shared goals?

Notes
Leadership skills take place at three levels: peer, functional and strategic. Peer leadership involves leading colleagues both inside and outside of the management accounting function on issues that require an understanding of the financial implications of operations. Functional leadership refers to the leadership that ensures that the management accounting function delivers its objectives to the organisation. Strategic leadership is exercised at the organisational level.

Do your management accountants:

- Drive team performance by promoting and encouraging participation and the sharing of ideas that align with the organisational strategy and maximise goals?
- Coach and advise others on how to perform, improve and succeed by producing excellent results?
- Drive performance by supporting, implementing and monitoring effective performance management processes?
- Motivate and inspire others by creating a workplace where colleagues are inspired, encouraged and valued?
- Manage change by recognising the need for and embracing new ways of thinking and working that align with business objectives and financial targets?
**To achieve sustainable success, managers participate in and oversee performance management to develop, deploy and refine the execution of strategy. The questions in the table below will help you assess how well your organisation applied the Principles to the performance management system.**

**COMMUNICATION PROVIDES INSIGHT THAT IS INFLUENTIAL**  
Drive better decisions about strategy and its execution at all levels

<table>
<thead>
<tr>
<th>PERFORMANCE MANAGEMENT SYSTEM</th>
<th>Strategy</th>
<th>Plan</th>
<th>Execute</th>
<th>Review</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global Management Accounting Principles</strong></td>
<td>Are internal and external stakeholders identified?</td>
<td>Are the connections between their interests and influences and the organisation’s purpose clear?</td>
<td>Is it clear how the strategic objectives represent the organisation’s purpose?</td>
<td>Do stakeholder groups engage in strategic conversations?</td>
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<tr>
<td></td>
<td>Is the connectivity of initiatives and processes to objectives well communicated?</td>
<td>Are people’s jobs aligned to initiatives and processes?</td>
<td>Is there line of sight between what people and teams do and strategic objectives?</td>
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<td></td>
<td>Are results communicated according to stakeholder needs?</td>
<td>Are results communicated in terms of their impact on strategic objectives?</td>
<td>Are results accessible?</td>
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<tr>
<td></td>
<td>Does management information include an assessment of forecast performance?</td>
<td>Does management information include a review of the effectiveness and efficiency of initiatives and processes?</td>
<td>Does management information include the evaluation of alternative options?</td>
<td>Does management information include post-implementation reviews?</td>
</tr>
</tbody>
</table>

**Notes**
INFORMATION IS RELEVANT
Help organisations plan for and source the information needed for creating strategy and tactics for execution

Is the external environment considered, e.g. the competitive scene, economic landscape, regulatory and legal frameworks?

Is the strategic position of the organisation identified and quantified, e.g. market share, availability of resources, and assessment of competencies?

Are key measures of success agreed?

Does the data plan support performance management?

Are key risks and their mitigations identified?

Does the business plan also have a data plan so that initiatives and processes are reliably assessable upon execution?

Is the management information system defined and approved by the business’s users?

Is the management information system built and ready for decision-support?

Does the organisation have ready access to real-time information about financial and non-financial results?

Are early warning indicators for quick corrective actions in place?

Does management information inform decisions on:

- Execution refinement?
- Future plans?
- Future strategy?
**IMPACT ON VALUE IS ANALYSED**

Simulate scenarios that demonstrate the cause-and-effect relationships between inputs and outcomes

- Are strategic options evaluated in the context of the organisation’s strategic position and the key risks?
- Is the customer-value proposition compelling?
- Is the business model competitive and agile?

- Are planned options validated though research, simulation, and testing for their impact on required outcomes?
- Are options prioritised, planned and resourced based on efficiency and impact on required outcomes?
- Do options take account of associated risks?

- Is implementation of options coordinated and systematic?
- Does the risk management system reduce the likelihood of risks or their impact on the implementation of options?

- Are results analysed against modelled scenarios?
- Do we use this analysis to continuously improve the business model?
- Is analysis used to improve forecast accuracy?

**Notes**
### STEWARDSHIP BUILDS TRUST

Actively manage relationships and resources so that the financial and non-financial assets, reputation and value of the organisation are protected.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Are the organisation’s values stated and available to all internal and external stakeholders?</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Are different stakeholder interests aligned?</td>
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<tr>
<td></td>
<td>Are environmental factors considered during investment appraisal?</td>
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<td></td>
<td>Is reputational risk considered during strategic decision-making?</td>
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<table>
<thead>
<tr>
<th>Plan</th>
<th>Are relevant employees and business partnerships made aware of their accountability for plans?</th>
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<tbody>
<tr>
<td></td>
<td>Are critical thinking and challenge encouraged as plans are being created?</td>
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<td></td>
<td>Are plans made available on a timely basis to those who may be affected by those plans, for relevant scrutiny?</td>
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<td></td>
<td>Is the impact on long-term value considered when decisions about short-term activity are made?</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Execute</th>
<th>Is behaviour that falls short of expectations immediately challenged?</th>
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<tbody>
<tr>
<td></td>
<td>Does the organisation have a robust internal audit function?</td>
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<td></td>
<td>Is a control environment fostered?</td>
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<td></td>
<td>Are the relevant stakeholders made aware of any breaches to standards in a timely manner?</td>
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<thead>
<tr>
<th>Review</th>
<th>Do employees proactively seek feedback?</th>
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<tbody>
<tr>
<td></td>
<td>Are audit trails maintained and made available for scrutiny?</td>
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<td></td>
<td>Are individual performance targets pegged to long-run value generation rather than short-term outcomes?</td>
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</table>
There are fourteen key activities of the management accounting function. In this final section of the checklist, the questions in the far right hand column will help you assess the contribution your current function makes to each area of practice.

<table>
<thead>
<tr>
<th>PRACTICE AREA</th>
<th>DEFINITION</th>
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</table>
| COST TRANSFORMATION AND MANAGEMENT   | The exercise of cutting waste while preserving or enhancing value generation. It involves the sustained identification and reduction of waste across the organisation while freeing up resource to invest in innovation that will drive future value for stakeholders. | Improved customer satisfaction through the provision of product and service value for money. Increased organisational competitiveness and increased stakeholder value, achieved through the establishment of a lean culture and investment in innovative products and services. | Understand the drivers of cost across the organisation?  
Aid the improvement of value-chain efficiency?  
Develop cost targets in conjunction with relevant parts of the business? |
| EXTERNAL REPORTING                    | The provision of an integrated and comprehensive view of the organisation’s financial and non-financial performance, business model, risks and strategy which together forms the basis for an effective assessment of expected future performance. | Helps the organisation to engage with a wide stakeholder base and explain the organisation’s strategy, business model and performance. | Encourage the organisation to consider reporting as a value-creating activity that is driven by integrated thinking?  
Report information that is regularly presented to the board of directors in the context of strategic targets?  
Ensure that reports comply with regulation and governance? |

Notes
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<tr>
<td><strong>FINANCIAL STRATEGY</strong></td>
<td>The identification of the possible strategies capable of maximising an entity’s net present value, the allocation of scarce capital resources among the competing opportunities and the implementation and monitoring of the chosen strategy to achieve stated objectives.</td>
<td>Value of the organisation is optimised for owners and other stakeholders. Organisation's capital requirements are balanced with expectations of owners and other stakeholders. Investment opportunities are thoroughly appraised, robustly implemented and appropriately governed.</td>
<td>Source funds efficiently? Appraise investments? Design and implement dividend policy? Control working capital? Optimise capital structure?</td>
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<tr>
<td><strong>INTERNAL CONTROL</strong></td>
<td>A documented framework of policies, systems, processes and procedures for managing risks to value generation and preservation, the efficient and effective implementation and operation of the framework and the reporting on and supervision of the framework.</td>
<td>Provides reasonable assurance that tangible and intangible assets are safeguarded and financial and non-financial resources are correctly accounted for. Reduces the risk of error and fraud and the likelihood of financial loss, thereby enhancing trust in an organisation's financial stewardship. This leads to reliable reporting, which in turn enables sound decision-making and better financial management.</td>
<td>Manage, supervise and report on the framework of systems, processes and procedures that provide confidence in the safeguarding of resources?</td>
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<tr>
<td>INVESTMENT APPRAISAL</td>
<td>The assessment of whether or not to pursue a particular investment based on alignment with strategy, prioritisation of options, affordability and acceptable returns versus unacceptable risks.</td>
<td>Prioritises opportunities for funding that generate value for stakeholders and avoids those which are likely to erode value.</td>
<td>Perform relevant calculations and analysis to determine the quantifiable value to the organisation of pursuing a particular investment?</td>
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<td>Understand all the risks that need to be factored into the appraisal?</td>
<td>Provide real options to decision-makers about which opportunities should be exploited or avoided?</td>
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<tr>
<td>MANAGEMENT AND BUDGETARY CONTROL</td>
<td>The system of proactively controlling performance against predetermined targets at all levels of the organisation, which may include projects, people, activities, processes, sales volumes and revenues, resource quantities, operating costs and expenses, assets, liabilities and cash flows, as well as other non-financial measures.</td>
<td>Helps organisations evaluate performance against targets and take improvement actions. Provides a means for accountability and control to be decentralised, so that performance can be proactively managed by those managers closest to the execution of planned activity.</td>
<td>Monitor and reports financial and operational performance against planned targets?</td>
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<tr>
<td>PRICE, DISCOUNT AND PRODUCT DECISIONS</td>
<td>Deciding what to produce or what service to provide and determining the selling price and discount structures for products and services.</td>
<td>Enhances profitability of products and services and helps organisations position their products and services within their target market.</td>
<td>Analyse target markets to set target price and margin, and therefore target cost?</td>
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<td>Understand which cash flows are relevant for inclusion in calculations to determine prices?</td>
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<td>Know the business model and where a particular product or service fits within it, aiding market positioning?</td>
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<td>Translate complex numbers into understandable recommendations to facilitate decisions about the allocation of funds to specific products and services?</td>
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<tr>
<td>PROJECT MANAGEMENT</td>
<td>Integration of all aspects of a project, so that the proper knowledge and resources are available when and where needed and above all, to ensure that the expected outcome is produced in a timely, cost-effective and quality controlled manner.</td>
<td>Provides controls over projects to increase the chance of benefits from projects being realised and risks minimised.</td>
<td>Provide financial scrutiny to project plans, budgets and spending?</td>
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<td>Ensure projects are adequately resourced and that their purpose fits with the organisation’s strategic priorities?</td>
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<td>Communicate project processes to get effective buy-in from relevant stakeholders?</td>
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<tr>
<td>REGULATORY ADHERENCE AND COMPLIANCE</td>
<td>The fulfilment of statutory and regulatory obligations in relation to accounting, statutory reporting, tax and other regulatory compliance. The objective is to prevent penalties and other enforcement activity and promote the reputation of the organisation for good corporate citizenship.</td>
<td>Helps to preserve value and mitigate losses through avoiding the direct and indirect costs of enforcement activity.</td>
<td>Monitor the regulatory landscape to understand current and future developments and their potential impact on the organisation? Calculate and assess the costs of compliance and non-compliance? Ensure the organisation approaches compliance within both the letter and spirit of the law?</td>
</tr>
<tr>
<td>RESOURCE MANAGEMENT</td>
<td>The consideration of the priority of resource availability in the context of organisational decision-making. It helps organisations to efficiently and effectively manage transformational or continuous improvements to products and processes. It involves the alignment of resources, systems and employees to strategic objectives and the organisation’s priorities.</td>
<td>Helps organisations to manage transformational or continuous improvements to products and processes, efficiently and effectively.</td>
<td>Give due consideration to the priority of scarce resource availability? Produce resource maps that highlight requirements, returns and options? Understand the opportunity costs and comparative advantage impacts of differing resource allocations?</td>
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<tr>
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</table>
| RISK MANAGEMENT       | The process of identifying, assessing and responding to uncertainty arising from the organisation’s activities to support the delivery of its strategic objectives. | Awareness and management of these risks can help the organisation address uncertainty by increasing the probability of success and reducing the probability of failure in executing its strategy and meeting stakeholder expectations. | Identify the risks and advise on appropriate responses that are relevant and proportional to the size of risk, the organisation and its environment?  
Embed risk management within their thinking and considers it alongside planning and performance?  
Support non-finance colleagues to assess the probability and impact of all organisational risks and to determine appropriate responses? |
| STRATEGIC TAX MANAGEMENT | The role of tax in financial analysis and decision-making while proactively managing the organisation’s tax position so that legal requirements are met. | The organisation is aware of and understands the implications of relevant tax legislation in the jurisdictions in which it operates. | Advise on transfer pricing policy?  
Calculate the tax implications on capital investment decisions?  
Communicate project processes to get effective buy-in from relevant stakeholders?  
Act as an ethical conscience of the organisation? |
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</table>
| TREASURY AND CASH MANAGEMENT  | The corporate handling of all financial matters, the generation of external and internal funds for business, incorporating the management of currency and interest rate risk, bank facilities, funding and cash management. | The organisation has sufficient cash to meet its obligations and fund prioritised opportunities. Provides risk management of the organisation’s exposures to currency fluctuations.                                                                 | Provide information from the balance sheet and cash flow statements as required by treasury colleagues?  
Produce accurate cash flow forecasts?  
Manage financial risk?                                                                                                                                                                                                |
| INTERNAL AUDIT                | The provision of independent assurance that an organisation’s risk management, governance and internal control processes are operating effectively. It is sometimes referred to as the management review of controls. | Provides assurance that key financial and non-financial risks, including reputational environmental and social risks, are being adequately controlled by the organisation and its long term value is protected.  
Internal auditors assist the external auditors with their procedures.  
It is a systematic approach to evaluating and improving the effectiveness of risk management, control and governance processes. | Facilitate the efficient delivery of assurance by providing cost-benefit analysis for the internal audit and control functions?  
Encourage continuous appraisal and revalidation of accounting and internal control systems?                                                                                                                                                                                                |

Notes