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## CIMA brief

### Introduction

CIMA stands for the Chartered Institute of Management Accountants. It is the world's leading provider of professional qualifications in management accounting. These are the people in that use finance information to make key decisions in business. CIMA supports students and members through all stages of their careers. It believes in lifelong learning.

### Financial accounting

A business will measure how well it is doing using figures and accounts. This is called financial accounting. It relates to how well the business has been doing. This means it relates to the past. A small business will have quite simple accounts. Once it becomes a limited company, there are laws, which say it must produce certain accounts. These accounts may be open to people outside the company:

- Balance sheets show what the business owns and owes
  - Profit and loss account
- and for plcs
- Cashflow statement shows flows of cash in and out.

### Management accounting

A business must also look to the future. These figures and forecasts are used by management accountants. They advise companies on forward planning. The main tools they use are ratios, budgets and forecasts. They use internal data as well as financial accounts.

The main ratios they use are

- Efficiency - show whether or not the business can pay its debts;
- Gearing - show the long term position of the business;
- Performance - show how much profit is being made.

Other tools they use include:

- future flows of costs and revenues i.e. cashflow forecasts;
- planning for the future and planning in different parts of the business using budgets;
- variances which show the difference between a forecast and what did happen;
- investment appraisal to decide if an investment is worthwhile.

### Strategy

There are three main types of decision in business:

- Strategic - taken at the highest level of management. They concern the future of the business.
- Tactical - made by senior managers
- Operational -concern the day-to-day running of the business.

Management accountants help a business at the strategic level. They collect and analyse data. They pass on their findings, plan change and then monitor outcomes.

### CIMA members in practice

CIMA management accountants are found in the top layers of many leading companies. For instance:

- Matthew Parker is Retail Finance Manager at Topshop. He enjoys being involved in shaping the future direction of the business.
- Gajen Ganandran is a financial analyst with Aviva, which owns Norwich Union. He travels widely and



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uses his degree knowledge of computers to analyse data.

- Tom Pearce is Finance Director of Nintendo UK. He is responsible for decisions affecting sales of over £600 million.
- Sharon Bhachu is a Training Coordinator at Cadbury Schweppes, a CIMA Training Quality Partner. She makes strategic decisions about products and ranges.

## **Conclusion**

Financial accountants are vital to keeping business accounts and records. Management accountants focus on making forecasts. They play a more strategic role in management. It is an exciting and forward-looking career. It can lead to top roles with market leaders.