





Global Economic Outlook 2013.

AGENDA

- About ACCA & The Edinburgh Group
- Global economic briefing - 2013
- ACCA/IMA Global survey of finance professionals - Observations
- The Indonesian Outlook
- What this means for our profession

About ACCA.

The global body for professional accountants





About ACCA

- ***the* global body for professional accountants**
- **core values of opportunity, diversity, innovation, integrity and accountability**
- **supporting our 154,000 members and 432,000 students in 170 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers.**



The Edinburgh Group.

The global body for professional accountants





Vision of the Edinburgh Group



- To provide a forum of exchange of views between parties interested in the international advancement of the accounting profession (with the emphasis on SMPs/SMEs and developing countries).
- To ensure that the proper balance of interests between the sectors of the profession is represented at IFAC.
- To explore collaboration between the members of the Group in the interest of their constituents.
- To develop policy on key issues of interest to the Group which IFAC should be addressing but is not yet doing so.
- To act as the spokesperson for the profession on SMP/SMEs and SMP/SME related issues.
- To promote the interests of developing countries global body for professional accountants



Global Economic Briefing - 2013.

In 2008.



**Why did nobody
notice it?
(the financial crisis)**

(only) four years later!

3 reasons:

1. Financial crises were like earthquakes and flu pandemics and, because they are rare events, they are difficult to predict.

2. There was a new paradigm where people thought that markets were efficient and risks could be managed better than before. People thought markets were efficient, people thought regulation wasn't necessary. Because the economy was stable there was this growing complacency.

3. People didn't realise just how interconnected the system had become

**Sujeet Kapadia,
Bank of England**



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Predictions for 2013?

- **OECD**

- Revised outlook for 2013 – growth only expected to be 1.4% (down from previous expected levels of 2.2%)
- Unemployment to rise to 8.2% globally (from 8.0% in 2012)
- Declining inflation from 2.1%
- Economic prospects very uncertain and highly dependent of a number of policy risks and systemic issues

- **IMF**

- Projected global growth of 3.6% in 2013
- Output expected to be sluggish in advanced economies but relatively solid in many emerging and developing economies.
- Unemployment to remain elevated
- 1 in 6 chance that global growth falls below 2%

- **UN**

- Global growth prediction of 2.4% in 2013 (down from 2.7% 6 months ago)
- South East Asia – expected 6% growth in 2013 (only 5.5% in 2012)

So why all the different predictions?



Answer:

Uncertainty



Some causes of the uncertainty

- The persistent Eurozone challenges and the debt crisis
- US Fiscal Cliff
- Continuing high unemployment
- Hard landing in China?



ACCA/IMA Global Survey of Finance Leaders - Observations.

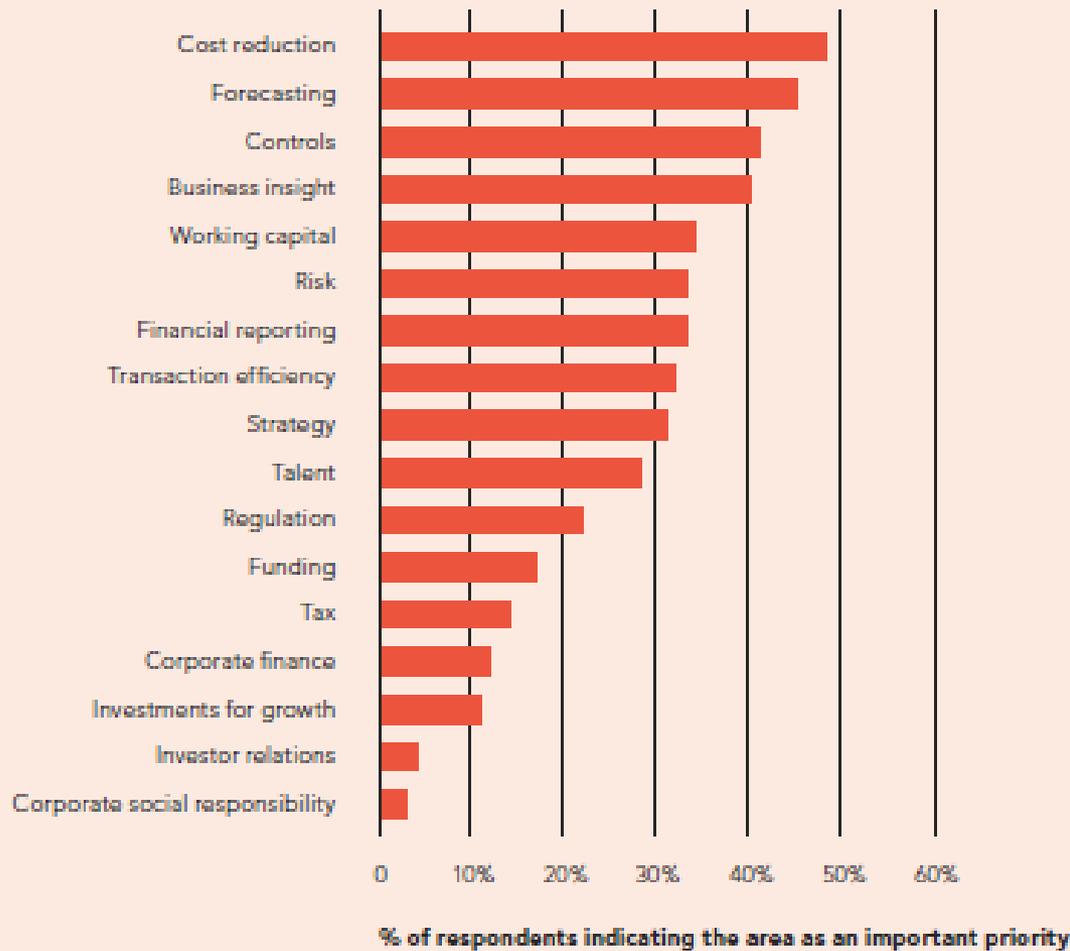


Views sought on six key issues:

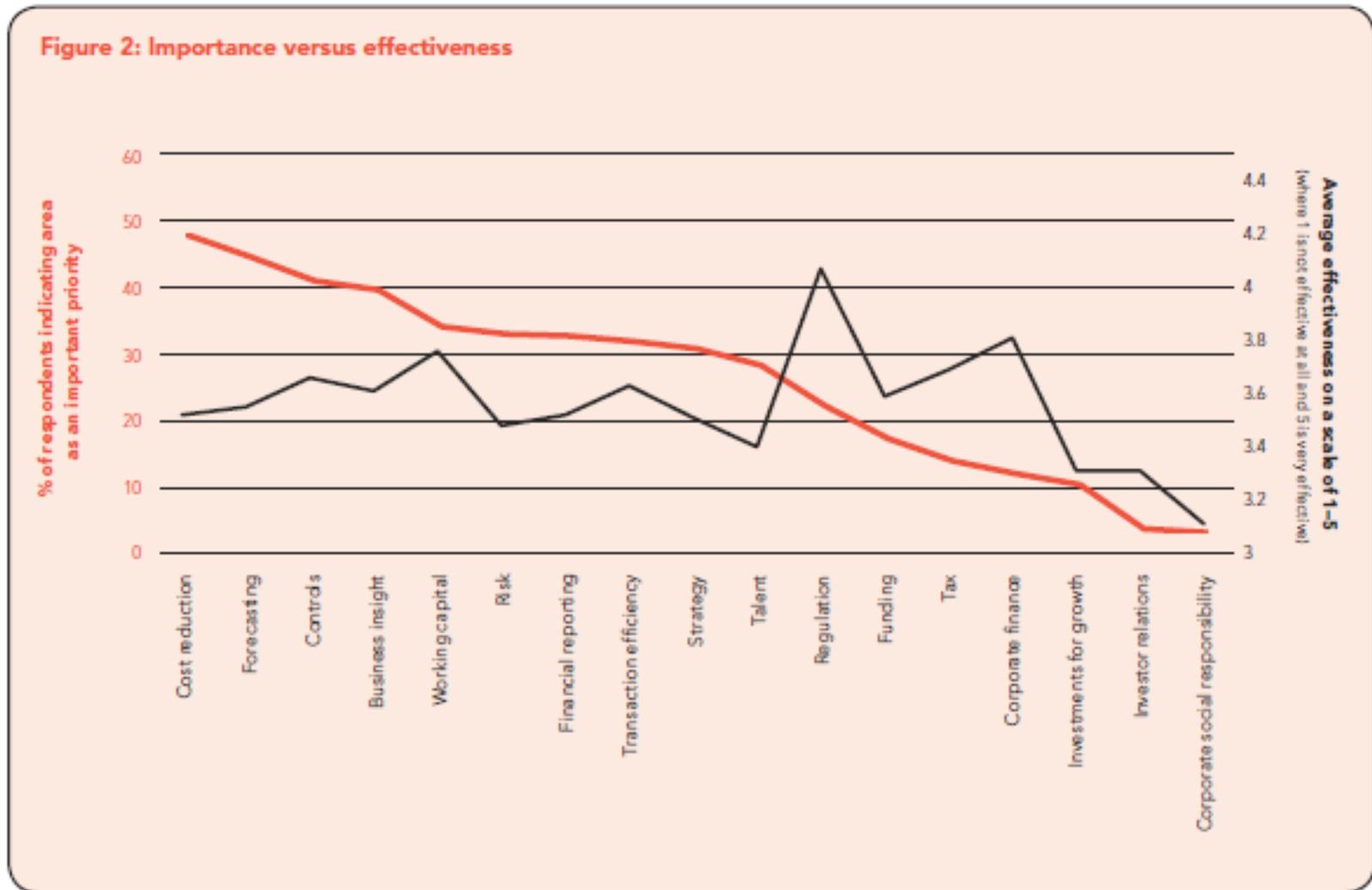
1. current priorities in the finance function
2. the effectiveness of the finance function
3. finance function challenges
4. the importance of different skills
5. identification of key stakeholders
6. how finance leaders apportion their time.

finance function priorities

Figure 1: The current priorities of the finance function

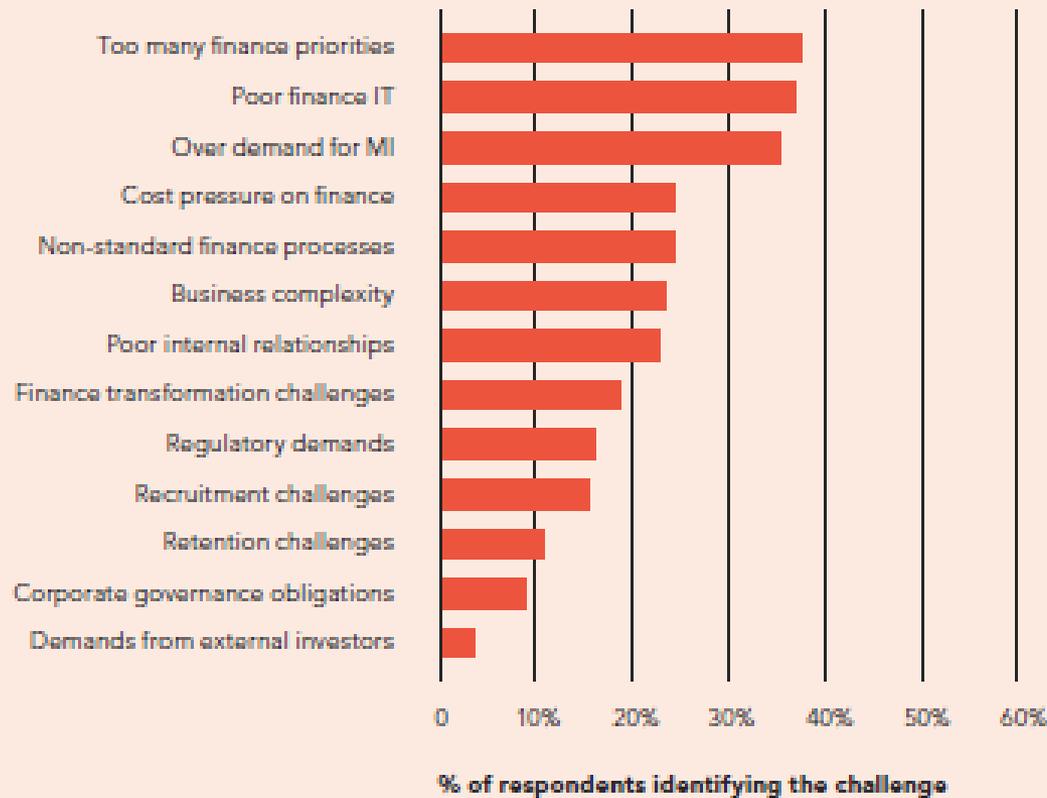


effectiveness of the finance function



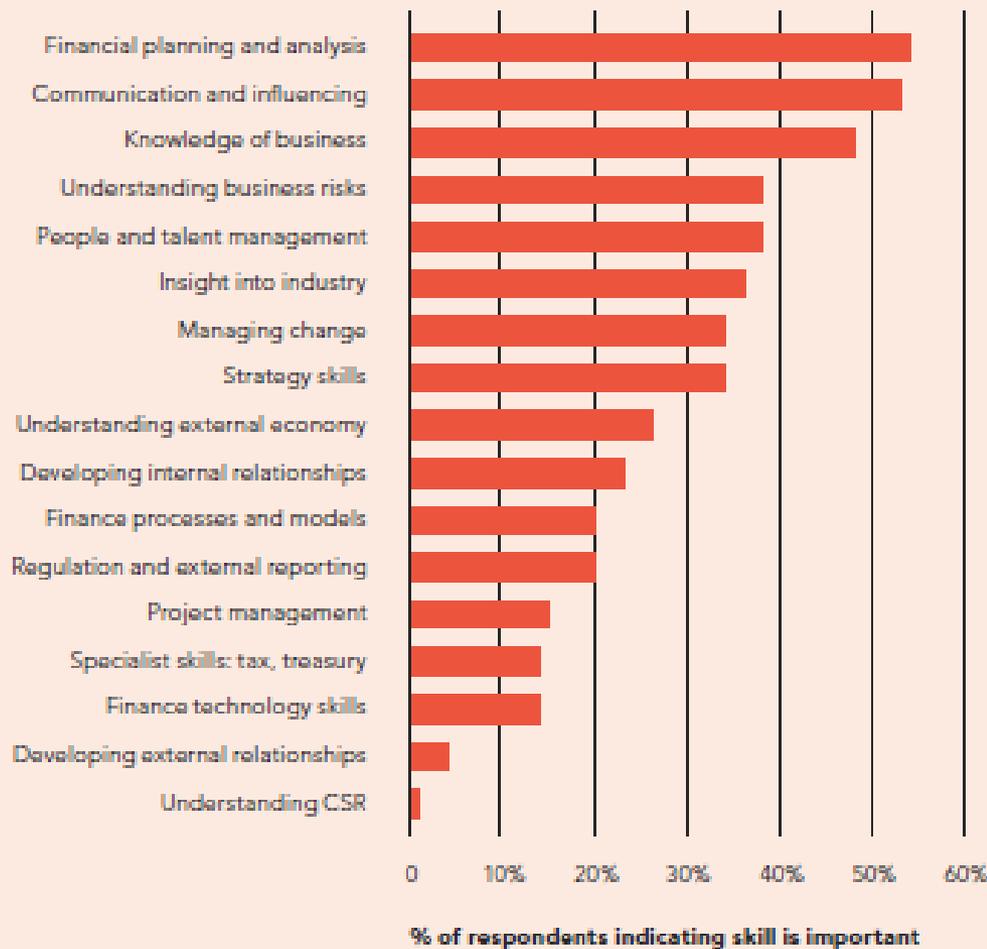
finance function challenges

Figure 3: Finance function challenges



importance of different skills

Figure 4: The importance of different finance skills for finance leaders





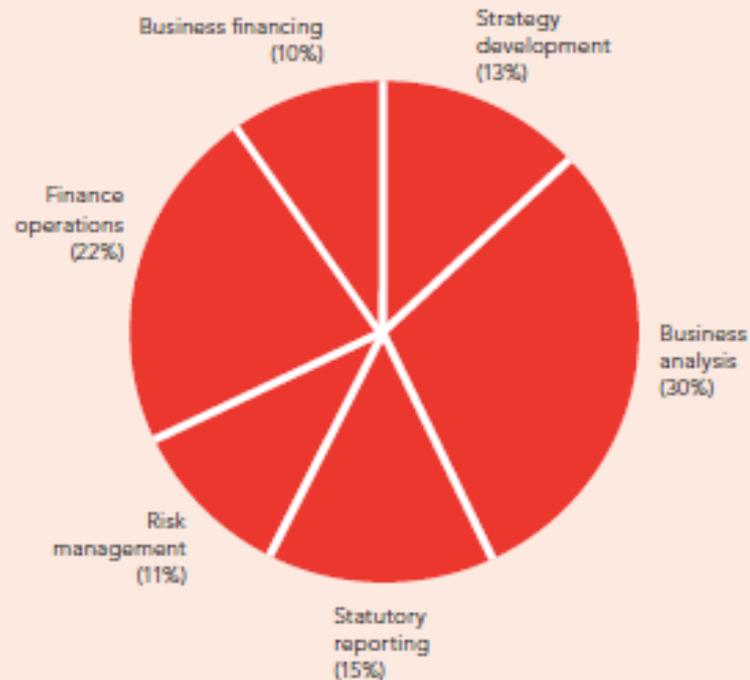
key stakeholders

Figure 5: The most important stakeholder relationships

1. Auditors
2. Bankers
3. Customers
4. Suppliers
5. Investors
6. Tax authorities
7. Regulators
8. Government
9. Analysts
10. Regulators
11. Media
12. CSR groups

how finance leaders apportion their time

Figure 6: How finance leaders apportion their time across finance activities





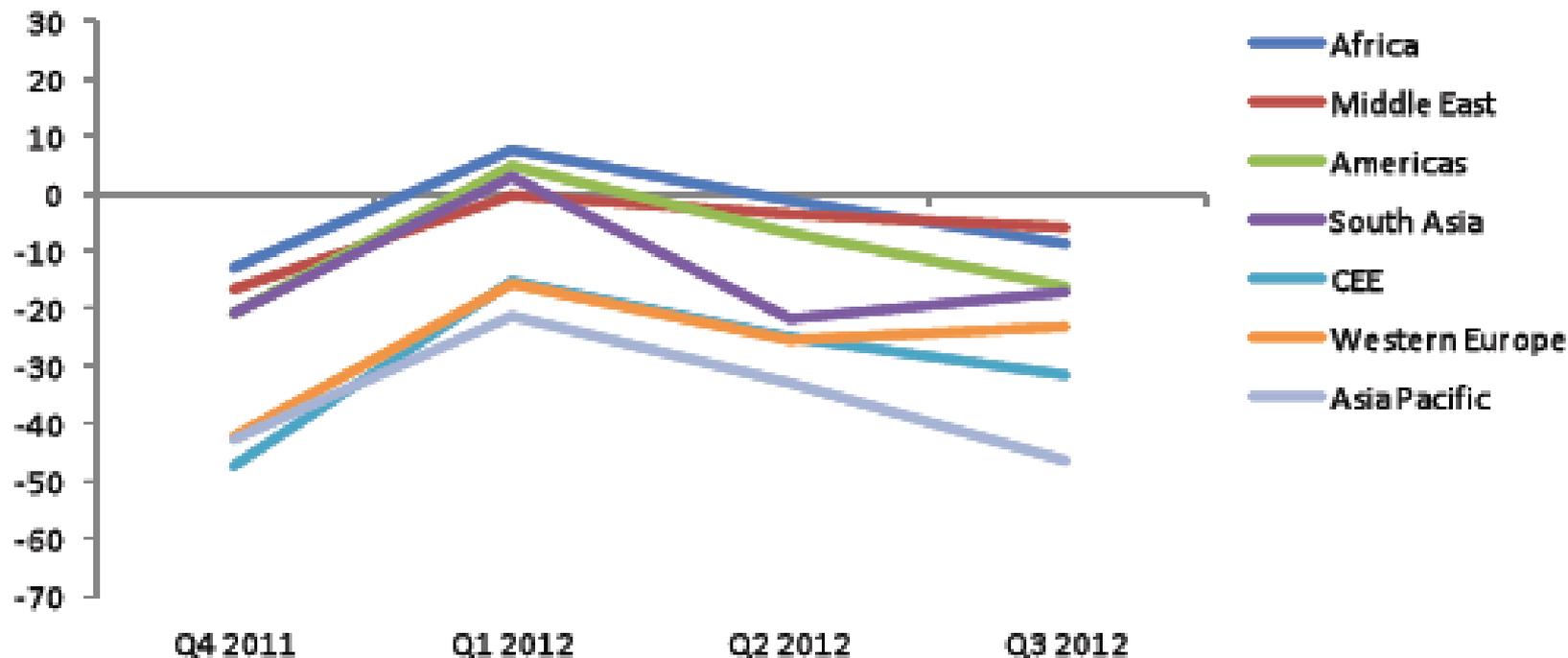
ACCA/IMA Global Economic Conditions Survey.



business confidence falls again as the real economy takes a hit

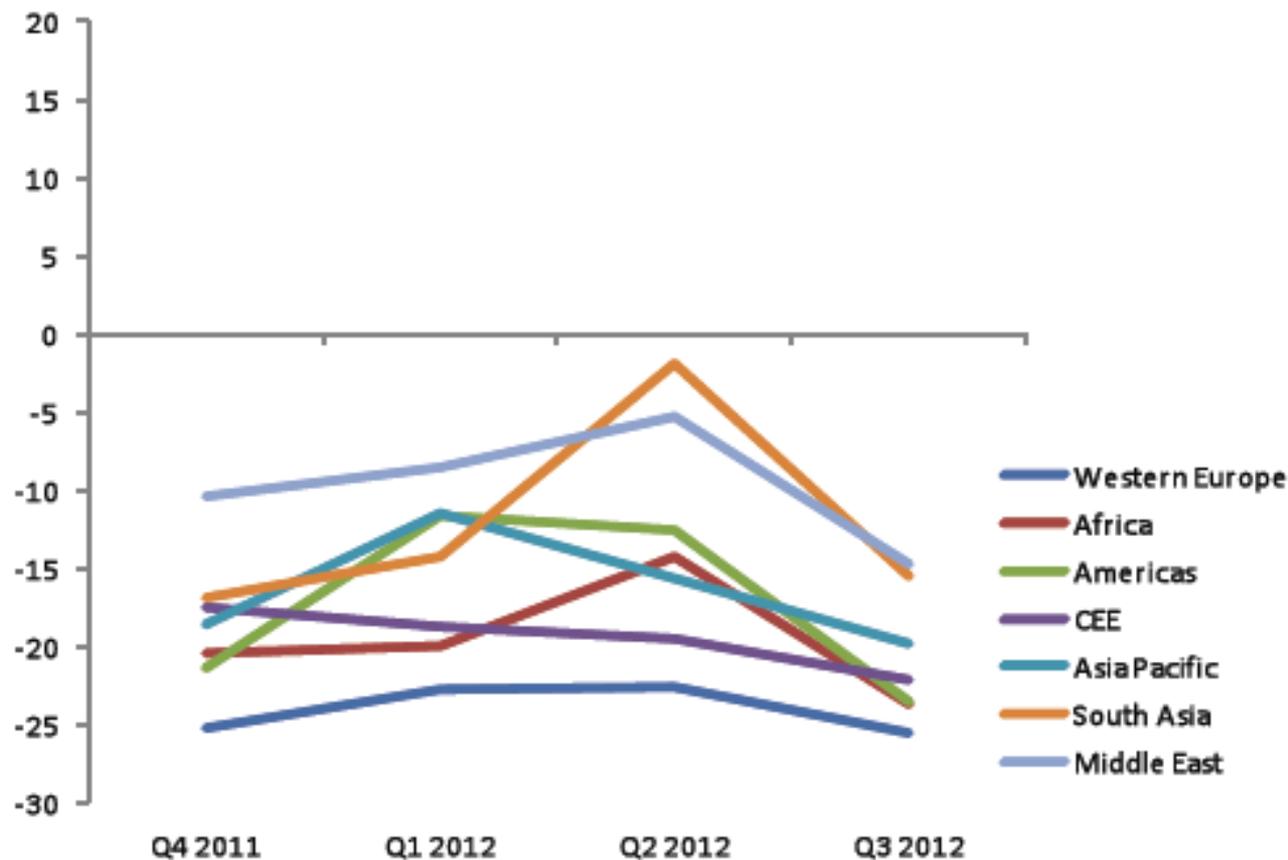
continued uncertainty in Asia but a glimmer of hope in Europe

Figure 2: GECS confidence index time series by region (see Annex for historical series)



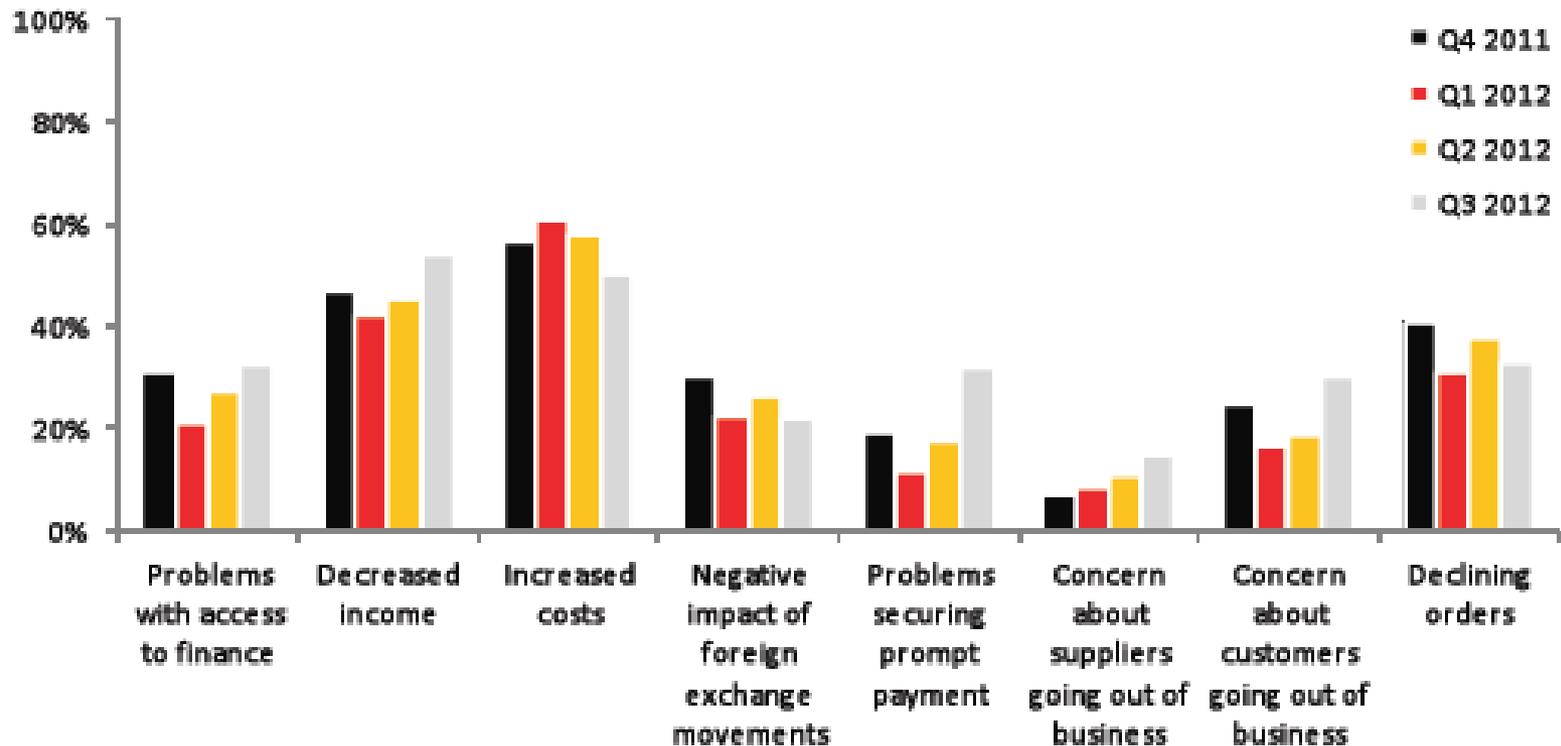
investment falls across the region but promising signs emerge

Figure 5: Capital spending index values in major regions



businesses face global cash flow squeeze

Figure 7: Incidence of business challenges

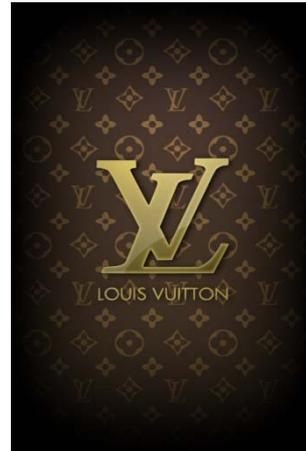
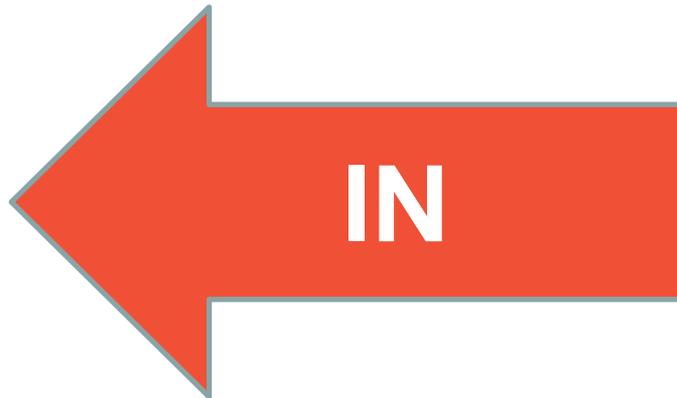
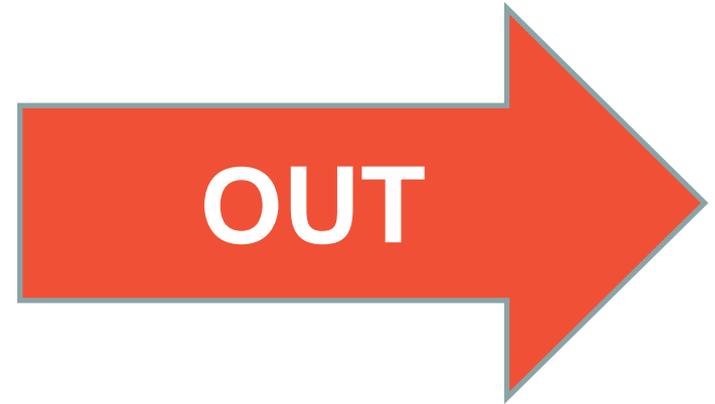




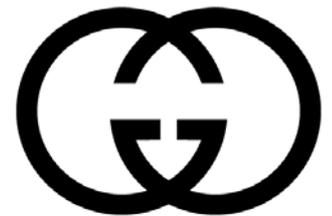
final remarks about the latest edition of the Global Economics Conditions Survey – Q3/2012

The Indonesian Outlook.

but first, an observation.



GUCCI





Indonesia in 2013

- Expecting 6.8% growth (Ministry of Finance) – the World Bank expects 6.3%
- Strong domestic consumption and investment will be the main drivers of growth
- FDI reached an all time high in Q2 of 2012 to Rp56 trillion (up 30% from same period last year)
- Inflation to be between 4.3% and 4.9% (as per KEN) – BI predicts 3.5% to 5.9%
- Exports will remain muted between 0 to 0.2% of growth



Challenges Indonesia must navigate

- World Bank argues that government should redirect spending to capital and social expenditures – instead of unsustainable fuel subsidies
- Rising income inequality
- Infrastructure improvements required
- Ensure high quality human resource
- Protect the environment
- Maintaining resilience amidst global slowdown
- World Bank emphasizes need for a “pro-growth; pro-jobs; pro-poor and pro-environment” path



What this means for our profession.



Key matters for consideration

- Development, adoption and implementation of high-quality international standards
- Urgent focus on improved public sector reporting
- Enhanced focus on corporate governance
- The rise of integrated reporting
- Continued capacity building



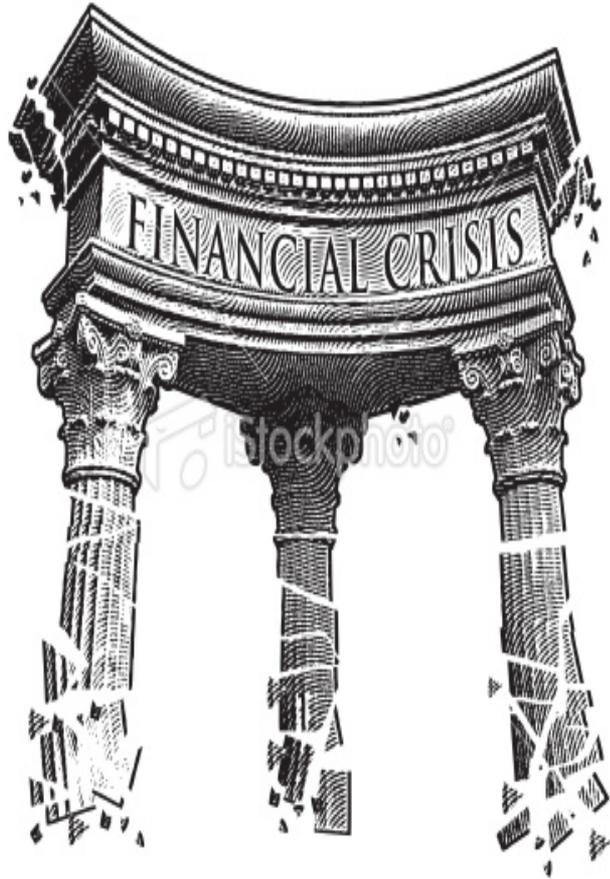
THE ROLE GLOBAL STANDARDS PLAY

- Global standards drive innovation and contribute to growth of markets.
- Global standards' value have come into sharper focus in this age of globalisation.
- Global convergence is a critical part of finding global solutions.



Accounting and Auditing Standards Convergence.

Need for standardised reporting



- **Lessons from Asian crisis in 1997**
- **Current turbulent financial crisis have raised needs for greater transparency and credibility in reporting.**
- **Increased interdependence of financial markets**
- **Cooperation around the world is vital!**



The role of the public sector.



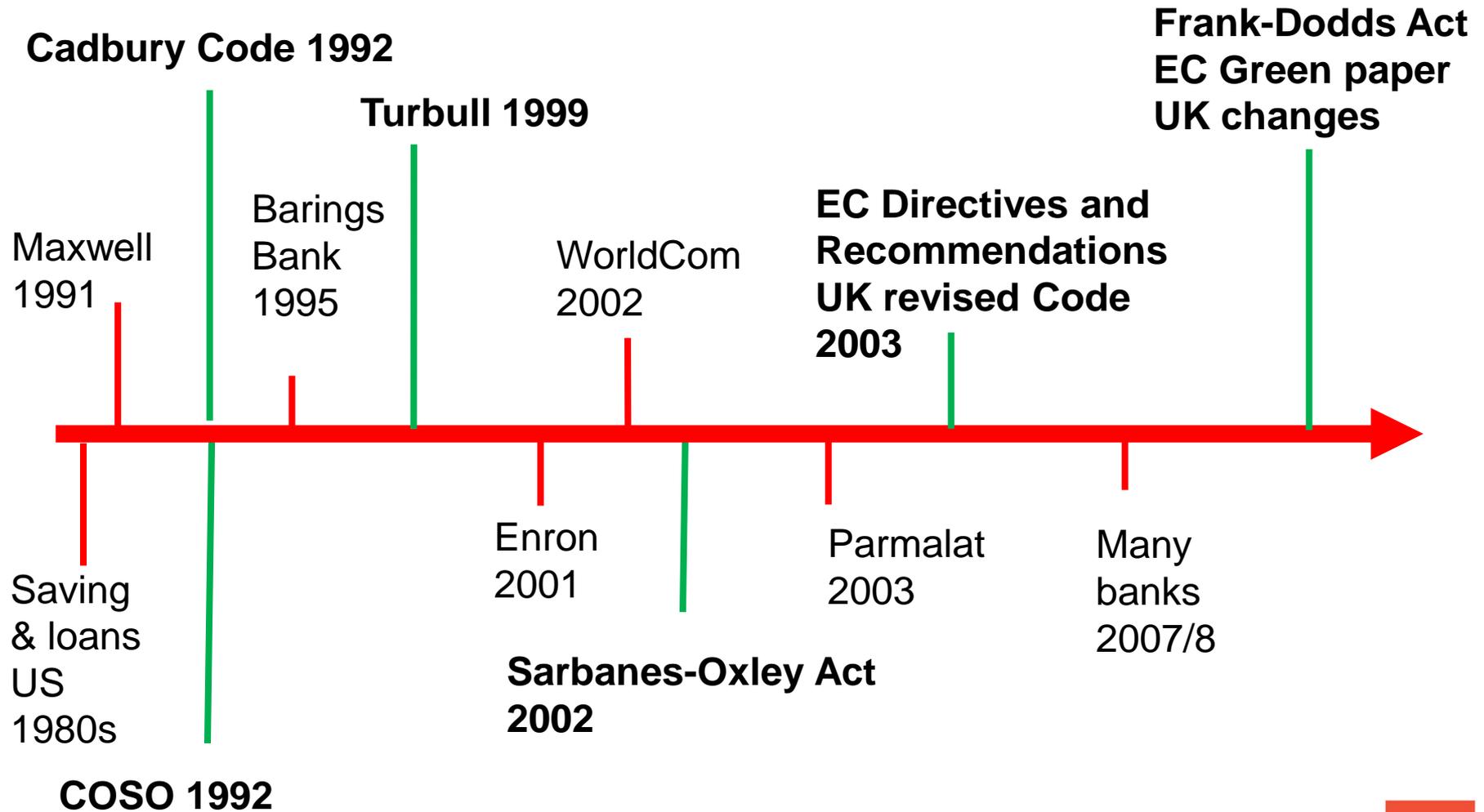
INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

- The adoption of accrual-based accounting by governments and public sector institutions – promoting greater transparency and accountability
- Adoption and implementation of IPSAS.
- Global adoption of IPSAS will improve the resource allocation, accountability and long-term sustainability of the public sector.



Enhancing Corporate Governance.

GOVERNANCE CORPORATE EVENTS AND REGULATORY RESPONSE



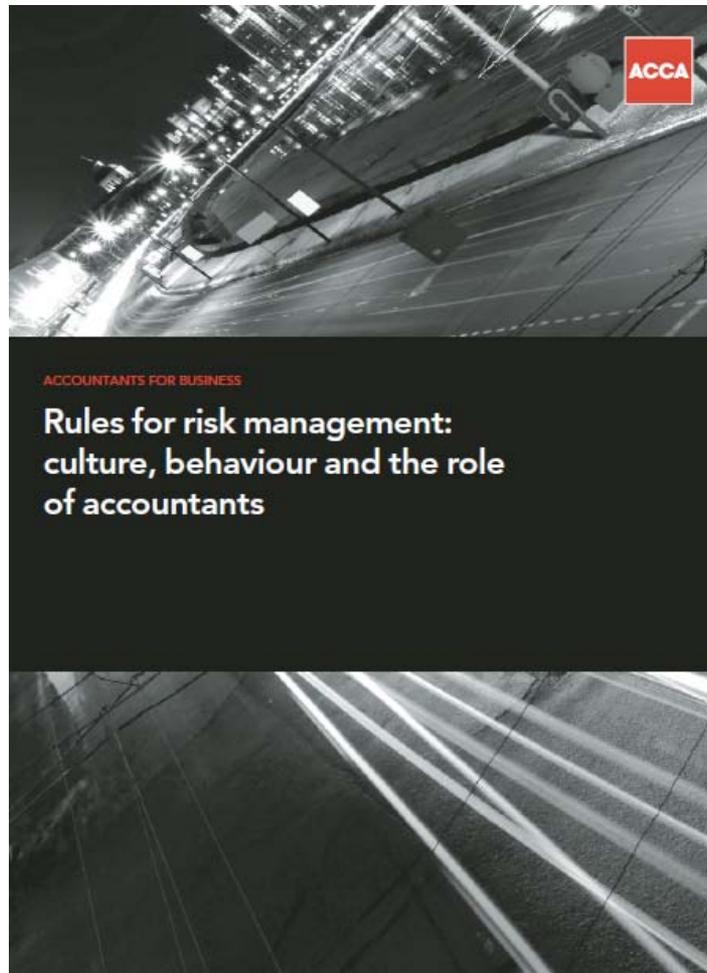
ACCA AND CORPORATE GOVERNANCE



The global body for professional accountants

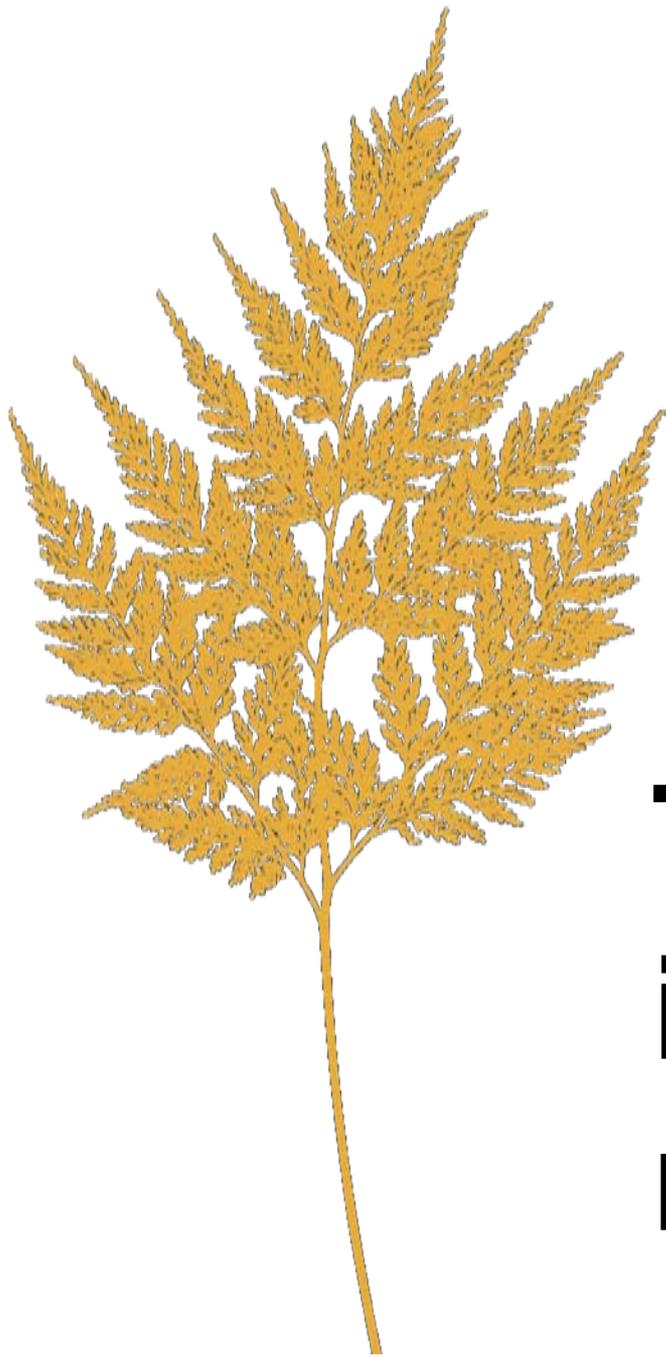
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ACCA AND RISK MANAGEMENT



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The rise of integrated reporting

The global body for professional accountants

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“...development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Brundtland Report (1987)

What is *integrated reporting*?

- It refers to the integrated representation of a company's performance in terms of both financial and non-financial results.
- It addresses companies' performance for a comprehensive set of factors – economic as well as social, environmental and governance and other relevant factors
- Integrated reporting provides greater context for performance data, clarifies how sustainability fits into the operations.
- It is **not** the mere combining of an annual report with a sustainability report!

In a nutshell

holistic reporting

connected reporting

integrated reporting

= FR + CSR + ESG

= financial + non-financial

Why integrated reporting is essential

Reflects interconnected nature of ESG and financial factors

Links market context, company strategy & financial performance

Ensure sustainability is embedded into and aligned with business

Ensure non-financial factors are taken into long term considerations

Prevent undue reliance on short-term financial metrics

Provides a signalling effect within the organisation and to the market



“ ...The objective of the integrated reporting framework is to assist companies in enhancing the quality of their corporate reports so as to provide a more strategic picture of the issues that are critical to a company’s long term sustainability and success. ”

**Paul Druckman, Advisory Group,
Princes’ Accounting for Sustainability**

In the words of the Prince of Wales, we are at present, “battling to meet 21st century challenges with, at best, 20th century decision making and reporting systems”.



Ethics & The value of audit.

Generating value from audit



- One of ACCA's core research themes
- Audit needs to develop further.
- The profession needs to develop its approach to larger entity audits by paying more attention to a wider circle of stakeholders.
- Business should view extension of audit as an opportunity and not as a threat.

Ethics is key



- **Ethics is vital for audit to be effective.**
- **Success of ethical rules and principles is entirely dependent on those who are supposed to abide by them.**
- **Fundamental to eradicating corruption.**

Continued capacity building.



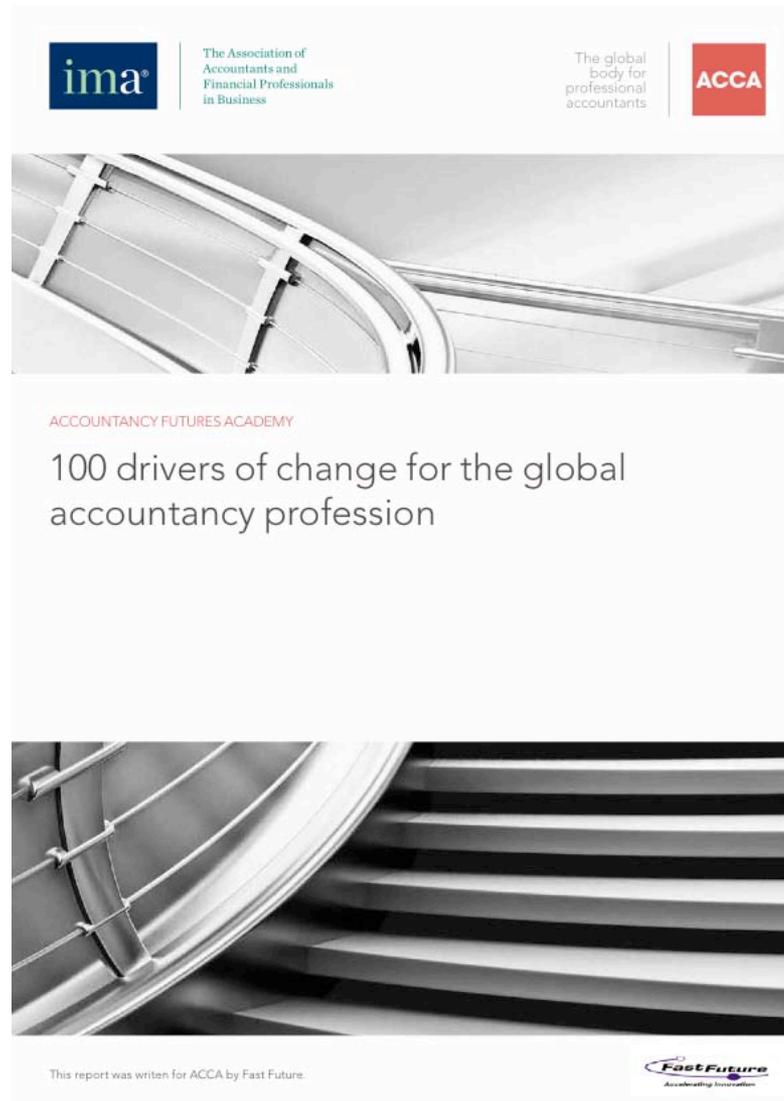
Key areas of focus

- People skills should be commensurate with economic growth and to move up the value chain – from agriculture to manufacturing and services
- Training and development of people to ensure the country has the right people to support development
- A strong and sustainable national body and regulators supported by the Ministry of Finance
- In Indonesia – Public Accountants Bill and proposed Financial Reporting Act
- Continued collaboration and partnership
- Promote the profession to the youth of today to attract the brightest talent



The future.

100 DRIVERS OF CHANGE



The global body for professional accountants





FORCES SHAPING THE PROFESSION

1. Trust and reporting
2. Regulatory expectations
3. Standards and practices
4. Intelligent systems and big data
5. Organisational remit



5 IMPERATIVES FOR THE GLOBAL ACCOUNTANCY PROFESSION

1. Embrace an enlarged strategic and commercial role
2. Establish trust and ethical leadership
3. Focus on a holistic view of complexity, risk and performance
4. Develop a global orientation
5. Reinvent the talent pool



Conclusion.

Thanks!

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