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Update Summary

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Update 58

OCTOBER 2013

THE FINANCIAL ANALYSIS AND CASHFLOW PRACTICE MANUAL

D Cartney

Highlights

- A new section in Vol 2, "Incentive schemes and performance" (13-7100 etc), has been added.

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NEW SECTION

A new section titled “Incentive schemes and performance” has been added. This particular update deals with the following topic: “Setting bonuses and remuneration to aligning senior management with financial performance and Strategic KPIs” (13-7100 – 13-7480).

This new update notes that senior management incentive schemes need to align with the requirements of business owners or shareholders to increase both shareholder value and meet financial targets. Any discussion needs to look at the senior management in terms of salary packages and short and long-term incentive packages.

This update will address these requirements and show how to align the senior management incentives with growth in business value and also the EBIT, ROCE and net cashflow in the context of setting senior management bonus schemes and performance targets.