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# **Community Impact Accountancy (CIA)**

## **ELEMENTS OF CIA**

**An introduction to Community Impact Accountancy**

**based on a slide presentation – April 2008**

**CAVEAT**

**A work in progress – rapid multiple changes are being made**

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# Community Impact Accountancy (CIA)

## ELEMENTS OF CIA

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# INTRODUCTION

## Community Impact Accountancy

### Why?

1.  
GAAP accounting has a focus on the organization.  
This is not enough. Community Impact Accountancy (CIA)  
provides an framework that goes beyond the organization.

2.  
CIA responds to rather poor performance of society as a whole  
with multi-billion people still in poverty, diseased and hungry.  
While there are metrics for corporate performance, there are  
no equivalent metrics that address the performance of  
society as a whole.

### Why? ...

There are no metrics that handle the complexities of modern socio-economic development that are easily available to the public.

Socio-economic performance has been poor with multi-billions still in poverty ... and socio-economic metrics do not provide the management information needed to improve the performance and end the abusive mis-allocation of scarce resources.

## Community Impact Accountancy

### What is CIA?

1.  
Community Impact Accountancy (CIA) is a system that uses  
basic GAAP accounting principles to collect data and report  
on all economic activities that impact the community

2.  
CIA provides a framework so that small amounts of data  
can be used to build up a complete picture of the impact  
that economic activities are having on the community,  
and how much resources are being used to achieve what  
results ... whether value adding or value destroying.

### What is CIA?

Community Impact Accountancy (CIA) is a system of analysis based on GAAP type accountancy that includes ALL economic activities and actors rather than just the organization activities.

CIA includes impact on society and the general public, and not merely the stockholders and the stakeholders of the organization.

CIA is to the community what the system of national accounts can be to a nation.

## Community Impact Accountancy

### How does CIA work?

1.  
CIA builds on the concepts of GAAP accounting ... using more  
the methodology of accounting than of economic statistics. It is  
more like cost accounting than, say, clinical research.

2.  
The community is the basic reporting unit ... not the corporate  
entity. The primary stakeholder is the public rather than the  
corporate stockholder. Data is accumulated as in any  
accounting system, and the data may be accessed for  
periodic analysis and reporting. Read on for details!

### How does it work?

CIA works very much like organization GAAP accounting, except that the all economic transactions are taken into consideration rather than just those that relate to the organization.

The concepts of double entry apply ... the rules for consolidating entities ... the idea of balance sheet and operating activities ... etc.

Data originates where economic activities are going on ... and are accumulated systematically using sound accountancy principles.

# COST, PRICE AND VALUE

<b>Community Impact Accountancy</b>	Cost, Price and Value ...
<b>Cost, Price and Value.</b>	Cost, price and value are three numbers that describe economic activity.
<b>Cost</b> What it takes to make, or, in the case of a service, to deliver	The relationship between these numbers determines the performance of almost any economic activity.
<b>Price</b> What the item or the service is sold for.	All of these measures are important ... any one missing and the understanding of the society impact is compromised.
<b>Value</b> What the recipient thinks it is worth.	

<b>Community Impact Accountancy</b>	Productivity, profit and impact on society ...
<b>Three Critical Indicators.</b>	These measures are all derived from cost, profit and value.
<b>Productivity</b> Productivity improves when less cost produces more goods or services.	Productivity is a derivative of cost ...
<b>Profit</b> Profitability improves when price is increased and cost is decreased.	Profit is the relationship between cost and price, and has an impact on the stakeholders of the organization.
<b>Impact on Society</b> Impact improves when the value increases and cost is decreased.	Impact on society is a function of value and cost, but also price which determines the share of value that accrues to society.

<b>Community Impact Accountancy</b>	How do you measure?
<b>How do you measure?</b>	Cost is easy.
<b>1.</b> The question of how do you measure is important, and central to making any accounting system work and be of value. Within accountancy this matter has been addressed frequently.	Price is easy.
<b>2.</b> Cost is easy ... how much resources have been consumed. Price is also easy ... how much money was exchanged. Value is more difficult ... value is more subjective, and all the more reason to have it included in the system, and to have reporting that looks at results from alternative perspectives.	Value is more difficult ... and all the more reason for having it central to the analysis system, and being able to prepare reports that look at results from different perspectives.
	While making absolute determinations of value ... it is common for relative determinations of value to be made, and this is included in CIA.

# ACCOUNTANCY CONCEPTS

## Community Impact Accountancy

### The Basic Double Entry Concept

1.  
There are two sorts of accounts that together balance:  
A. Balance Sheet Accounts  
B. Income and Expenditure Accounts

2.  
In organization GAAP accounting the balance is for the activities of the organization.  
In CIA accounting the balance is for the activities of the community.

The basic double entry concept ...

This is a powerful idea that has lost some of its importance with the use of computerized accountancy.

Worse, the aggressive use of financial engineering to create the appearance of value merely by re-presenting the reality. It may fool some of the time ... but not everyone all of the time.

## Community Impact Accountancy

### Balance Sheet

1.  
A balance sheet is accountancy shorthand that describes the financial condition of an organizational entity. It shows assets and liabilities and the difference between them.

2.  
A balance sheet shows with very few numbers the impact of thousands or millions of individual financial or economic transactions, and comparing the balance sheet from different dates makes it possible to measure progress very tangibly.

Balance Sheet ...

The balance sheet is one of the most powerful analysis tools in accountancy ... critical in corporate financial analysis ... but alas, missing in much of public sector financial reporting.

The balance sheet concept is embraced in the UN System of National Accounts ... and is a key part of the CIA system. By using CIA balance sheet analysis at the community level, tangible metrics about progress can be obtained and lessons learned.

## Community Impact Accountancy

### Operating Statement

1.  
An operating statement (profit and loss account or income and expenditure account) shows in summary form all the costs and all the revenues or income in an organized way.

2.  
The information from an operating statement shows the way in which the balance sheet. In GAAP accounting these data apply to the corporate organization ... in the CIA system, the data include value to the community and social impact.

Operating statement ...

... or profit and loss account, or income and expenditure account ... all serve to explain the use of resources and what was received in return.

While the balance sheet is useful in describing how much change has happened ... the operating statements serve to explain how the change happened. The operating statements can be in summary ... or in great detail depending on the need for analysis.

# THREE SEGMENTS ...

## Community Impact Accountancy

### Transactions.

1.

For organization accounting, all the financial transactions are recorded based on information that is flowing from all the different departments of the organization.

2.

For CIA, the financial and socio-economic transactions are recorded based on information that is flowing from all the different parts of the community.

### Transactions ...

Transactions are the source material for the preparation of accounts and financial reports.

Accounts are nothing more than a summary of transactions prepared in a common organized manner ... anything more, and the reports cannot be said to be a true and fair representation of the activities of the organization.

Transactions are the foundation of metrics based on accounting.

## Community Impact Accountancy

### Data Accumulation and Storage.

1.

For organization accounting, all the financial transactions are accumulated in "accounts" and the storage is usually in a relational database

2.

For CIA, the financial and socio-economic transactions are accumulated in an organized manner like "accounts", and stored in a relational database ... but not only numbers, also non-numerical facts of importance .

### Data accumulation and storage ...

Regular pre-computer accounting used day books and journals to record financial transactions and to start the process of accumulating the information. After compiling information in a daily record, the information was then "posted" to accounts where the data starts to have analytical meaning.

In a computerized world, storage is now electronic, but the concepts of organization do not change.

## Community Impact Accountancy

### Analysis and Reporting.

1.

For organization accounting, the analysis and reporting has a focus on the information required by the stockholders. Sometimes a supplementary report has information about Corporate Social Responsibility (CSR)

2.

For CIA, the analysis and reporting is about the community and how activities in the community have affected the progress of the community and the quality of life.

### Analysis and reporting ...

The process of collecting, organizing and storing data has a cost, and not much value. But analysis and reporting makes these data valuable and powerful.

Analysis may merely confirm that what was expected has happened ... or it may help to deepen understanding and facilitate new and better ways of creating value.

CIA data have the potential to become some of the most valuable data on the planet.

# MORE ON TRANSACTIONS

## Community Impact Accountancy

### Data Collection.

1.  
In the corporate setting data collection is done throughout the organization and recorded in a systematic way. CIA needs data collection from all parts of society.

2.  
Data collection can be done by anyone and everyone. If you know something, CIA provides a place for this information to be used as a part of the body of data that are needed to understand the way resources are used ... or wasted.

### Data collection

In a corporate setting, data collection is done throughout the organization, and recorded in a systematic way. For CIA data collection has to be done throughout society, and recorded in a systematic way.

Data collection can be done by anyone and everyone. If you know something, CIA provides a place for this information to be used as a part of the body of data that are needed for a universal system of CIA.

## Community Impact Accountancy

### Data Logistics.

1.  
Paper has been an effective way of recording and moving data, but modern electronic ways have the potential to be many thousand times more cost effective.

2.  
The deployment of CIA requires the collaboration of many to facilitate cost effective reliable movement of data to the CIA data store ... and central to this are organizations that have low cost access and use of the Internet.

### Data logistics

A key is getting data from the person that knows something to the CIA system.

The fall back system is for a piece of paper to move from a source location to a central place. But this can also be done using electronic means, including a mobile phone, an Internet message, floppy disks and CDs.

The key to use of technology is to ensure that the costs are low relative to the value of the data.

## Community Impact Accountancy

### Data Validation.

1.  
In regular GAAP accountancy and audit is used to provide an independent verification that reports prepared from the organization's accounts fairly present the state of affairs.

2.  
In the CIA system there is a need to validate the information being reported as well. This is done by encouraging multiple data flows that verify the underlying facts being recorded.

### Data validation

Data validation is critical. If the data are valid and respected, the data have power.

Data validation must be integral to the data collection and logistics of the system. Everything must be checked and controlled so that only good and valid data are used.

Audit is an independent exercise that can be used to confirm that the internal checks are sound and reliable ... nothing more.

# AUDIT, INTERNAL AUDIT AND M&E

<div data-bbox="232 268 760 308"><b>Community Impact Accountancy</b></div> <div data-bbox="440 333 547 369"><b>Audit.</b></div> <div data-bbox="227 405 760 493"> <p>1. In regular GAAP accountancy and audit is used to provide an independent verification that reports prepared from the organization's accounts fairly present the state of affairs.</p> </div> <div data-bbox="222 537 764 625"> <p>2. In the CIA system there is a need to validate the information being reported as well. This is done by encouraging multiple data flows that verify the underlying facts being recorded.</p> </div>	<div data-bbox="837 260 915 289"><b>Audit</b></div> <p data-bbox="837 304 1419 432">Independent audit is a requirement in most corporate settings. Government accounts are also subject to audit, and usually by government auditors.</p> <p data-bbox="837 447 1419 636">The aim of audit is to get an independent view of the accounting system and the reports being prepared for the stakeholders. However, it is weakened by conflict of interest and the need for accountants to continue being paid for their work.</p>
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<div data-bbox="232 789 760 829"><b>Community Impact Accountancy</b></div> <div data-bbox="375 854 612 890"><b>Internal Audit.</b></div> <div data-bbox="219 926 769 1014"> <p>1. Internal audit exists in many forms in the GAAP environment. Internal audit may serve as a way for an external audit to be done at less cost, or to ensure that internal rules are followed.</p> </div> <div data-bbox="206 1050 777 1159"> <p>2. Internal audit has a role in CIA. Every possible step has to be taken to help get the data as accurate as possible and as reliable as possible ... and for reports to reflect a responsible interpretation of what is going on and what could be improved.</p> </div>	<div data-bbox="837 781 1013 810"><b>Internal Audit</b></div> <p data-bbox="837 825 1419 1020">Internal audit helps to make the independent audit less costly, and can also help the management of the organization get alternative feedback about the performance of the accountants and the correctness of their reporting.</p> <p data-bbox="837 1035 1419 1159">In CIA an approach using internal audit is desirable, in large part because the success of CIA will depend largely on the reliability of the data and the reports being made.</p>
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<div data-bbox="232 1310 760 1350"><b>Community Impact Accountancy</b></div> <div data-bbox="272 1375 716 1415"><b>Monitoring and Evaluation.</b></div> <div data-bbox="227 1451 763 1537"> <p>1. Monitoring and evaluation (M&amp;E) is widely used as a way of showing funding agencies that an implementing entity has done the work responsibly. M&amp;E has serious weaknesses.</p> </div> <div data-bbox="237 1575 751 1680"> <p>2. In the CIA system, M&amp;E is not used, but rather there is a strong continuing system of data collection, analysis and reporting so that all the stakeholders are informed. CIA is very timely, in contrast to M&amp;E that is too little, too late.</p> </div>	<div data-bbox="837 1302 1164 1335"><b>Monitoring and Evaluation</b></div> <p data-bbox="837 1350 1419 1541">Monitoring and evaluation (M&amp;E) has been used in the international relief and development arena as a management tool. It has been used instead of adequate management accounting and related reports, and has been largely ineffective because M&amp;E is usually too little and too late.</p> <p data-bbox="837 1556 1419 1650">CIA will use some M&amp;E techniques but as part of a routine of timely management data collection, analysis and reporting.</p>
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# COST ACCOUNTING

## Community Impact Accountancy

### Cost Accounting.

1.

Cost accounting is a part of accounting that informs about how much things cost. In the corporate enterprise the cost systems are well developed and are used intensively.

2.

In the not for profit organization, cost systems are much less developed and analysis of costs is rarely integrated into the accounting systems, but done rather as "ad hoc" studies or as part of a monitoring and evaluation exercise.

Cost accounting ...

Corporate accounting systems usually have very effective cost accounting capability, but getting useful information from these systems is not always obvious.

More and more detail may not be the best answer ... ability to look at data in different ways may be more useful.

Cost accounting is a powerful tool ... but it needs to be in the hands of an expert.

## Community Impact Accountancy

### Cost Center.

1.

The cost center is a common technique in accounting regular GAAP accounting to cumulate costs so that they are easily understandable and can be related to a tangible entity.

2.

CIA also uses the cost center concept to pull together all the cost information about an activity or activities.

Cost center ...

A cost center is one way in which costs can be organized to help understand and control costs.

By pulling costs together within a unit called a cost center, it is possible to get information about a company's activities in a simple way.

## Community Impact Accountancy

### Profit Center.

1.

The profit center is similar to a cost center, except that the profit center also brings in the revenue side as well as the costs. Variants include using contribution instead of revenue.

2.

In CIA applications the goal is to link costs and value adding. The same concepts that link cost and revenue works also for costs and value. Where there is activity, it is possible to go to the activity value analysis using standard costs and values

Profit center ...

A profit center is a version of a cost center ... in this case not only costs are associated with the unit, but also the revenues of the unit. This may or may not be useful depending on the structure of the company and the internal value chains.

# MORE COST ACCOUNTING

## Community Impact Accountancy

### Department Accounting.

1.  
Department accounting is widespread in GAAP accounting. It informs about the costs of a department. Sometimes the costs are linked to revenues or activity levels.

2.  
In CIA applications, analysis of costs between activities in the community provides useful additional understanding. Department accounting and cost center accounting are similar, with cost centers often more detailed than the department.

Department accounting ...

Almost all companies will have department accounting so that the costs of a department can be understood and controlled.

A department may have multiple cost centers.

## Community Impact Accountancy

### Responsibility Accounting.

1.  
Responsibility accounting is a variant in GAAP accounting that aims to be very clear about who is responsible for the results being reported. Each page of a financial report is associated with a specific individual or team.

2.  
In CIA applications, a similar approach can be used to help the public to identify responsible individuals and units and to hold them responsible for performance.

Responsibility accounting ...

Responsibility accounting is the name given to accounting where the reports specifically identify the responsible managers. This is a useful technique for getting clarity about who is responsible for what ... and there is rarely much agreement.

Not easy for the accountants ... but can be very effective in getting the management team to stop dodging their role in poor performance.

## Community Impact Accountancy

### Materials, Labor and Equipment.

Materials ... the foundation for most economic activity, and sometimes a catalyst for improved performance.

Labor ... potentially both a contributor to production and a beneficiary of production.

Equipment ... often the catalyst for improved productivity.

Materials, Labor and Equipment ...

Materials, labor and equipment are the elements that go into most production activities ... and determine costs.

But these items also determine the behavior of costs and how costs can be improved.

The interaction of these three elements can be optimized not only with respect to cost, but also the quality and the value.

# STANDARD COST ACCOUNTING

## Community Impact Accountancy

### Standard Costs.

1.  
Standard costs are a way of making better use of cost data. With standard costing it is possible to compare the actual cost performance with what it should have been.

2.  
In CIA, the idea of standard cost is also applied to value and used in the determination of community progress or added value. This is very useful where "value" varies between different groups, and all views need to be taken into account.

Standard costs ...

Standard cost accounting is a tool that has helped cost accountants measure cost performance without getting deeply buried in detail.

Standard costs are the theoretical cost that an item or service should have ... and when the actual costs are different, then it is time to find out why.

## Community Impact Accountancy

### Standard Values.

1.  
In CIA, the idea of standard cost is also applied to value. The concept of standard value greatly simplifies the determination of community progress and added value.

2.  
Value is very subjective. A standard value provides for many different perspectives of value to be incorporated into analysis while also having some way to compare value adding in a common way across many communities.

Standard values ...

The same approach is used for value as for cost.

Every activity produces something ... what is the standard value of this output? This can be determined in an arbitrary manner, and then it can be used in an analytical framework, and compared to alternative values that are justified from different other perspectives.

The common standard allows comparison across geography and projects ... while not excluding alternative perspectives.

## Community Impact Accountancy

### Standard, actual and variance.

1.  
Standard, actual and variance is a basic of performance assessment ... and tells how actual results were relative to what the results were expected to be. It is powerful.

2.  
There are many ways of making the comparison, some of which are very detailed, some use comparison at a more aggregate level. The result of this type of analysis is usually significant additional information about cost performance and the potential for improvement.

Standard, actual and variance ...

Having cost standards may be interesting, but usually not very useful until they are compared in some way with the actual costs ... the variances analyzed.

When there is variance analysis, it is possible to find information that is simply wrong ... or performance that is quite different from what had been assumed. All interesting and important ... and a guide to what needs to be done to have improvement.

# BEHAVIOR OF COST, PRICE AND VALUE

## Community Impact Accountancy

### Behavior of Costs.

1.

In reality, very little is static, and very little is linear. In the corporate setting, there is a lot of analysis to understand the many variables that determine cost.

2.

The CIA system provides a framework for understanding the behavior of costs. What are the specific factors that impact costs in any specific community and how this impacts activities in the community and the values being derived from the costs.

### Behavior of costs ...

Corporate profit performance has been optimized by a deep understanding of the behavior of costs. Cost accounting and the analysis of cost behavior has a very long history in corporate management ... but its equivalent is practically non-existent in the public sector and in the international relief and development arena.

Understanding costs is essential ... and central in the analytics of CIA

## Community Impact Accountancy

### Behavior of Prices.

1.

Prices are a critical metric for corporate profit, for the functioning of a market and the value chain. Prices can be influenced by corporate decisions ... but market is important.

2.

Prices that are driven entirely by the market condition of supply and demand rarely reflect what is fair or best for society, rather what is best for those with the most power over market factors. This is dangerous and usually abused.

### Behavior of prices ...

The behavior of prices is complex, impacted by both market forces and issues of cost behavior, productivity and profitability.

Within the CIA analysis framework, prices are of less importance than in corporate financial analysis ... though prices do impact the behavior of the value chain, being the element that moves value from one entity to another.

## Community Impact Accountancy

### Behavior of Values.

1.

Value is a critical metric for community performance. Value is very subjective and varies depending on many factors: the location, the socio-economic situation, the state or need, etc.

2.

Because value is so central to socio-economic performance, and value is so variable, CIA makes the understanding and analysis of value central to the work. Just as different perspectives of value have facilitated capital market derivatives ... it should also facilitate development progress.

### Behavior of values ...

Value is a simple idea, but less simple to include in a universal system of accountancy.

Value behavior depends on many factors ... many of which vary quite rapidly. Food has a huge value when a person is starving ... and water when there is a drought ... and medical supplies when one is sick ... and a job when one is unemployed.

But the value is different when they are not needed. What is right? ... the answer is both!

# ABOUT CONSOLIDATIONS

## Community Impact Accountancy

### Consolidation.

1.

For organization accounting, the idea of consolidation is to be able to present one report reflecting the combined activities and results of many entities or units

2.

For CIA, the idea of consolidation is the same. A simplified consolidation report can summarize the outcome of many different activities and organizations in a community.

### Consolidation ...

The consolidation technique makes it possible for complex organizations to aggregate their financial reporting so that a single report gives a fair representation of the underlying operations.

As the organization becomes more complex, the scope for planned misrepresentation increases.

What is powerful and useful for the corporate style GAAP accounting is equally of importance and useful in developing metrics for community impact analysis.

## Community Impact Accountancy

### Consolidating Statements.

1.

In organization accounting, consolidating statements show how different units make up the consolidated results.

2.

For CIA, a consolidating statement shows similar information. A consolidating statement shows what is working, and what is not.

### Consolidating statements ...

In GAAP accounting a consolidating statement is used to help analysts understand how the data for the consolidated reports were aggregated, and to give a profile of the performance of the organization.

The same sort of report is useful in the community to show what entities in the community are creating wealth and which are not.

## Community Impact Accountancy

### Rules about Consolidations.

1.

The principles of consolidation accounting are quite clear. However, law and practical complexity make consolidation accounting difficult, and in turn, less and less useful.

2.

For CIA, the basic principles of consolidation accounting apply. CIA aims to keep complexity to a minimum so that reports can be understood and have value to the public.

### Rules about consolidations ...

In GAAP accounting there are strong rules about how consolidations are done ... but the strong rules are also complex and subject to many views about what is permitted. Where there is complexity it is possible for clarity to disappear.

Some of the same issues arise in CIA where the focus is on activities in a community. Under CIA, the aim is to highlight alternatives rather than to argue simply for the one approach.

# TIPS AND TRICKS

## Community Impact Accountancy

### Incomplete Records.

1.  
Because of the balancing principle it is possible to prepare a complete presentation without having all the data.  
It is also possible to validate the coherence of the data.

2.  
In practice this means that CIA can build a useful picture of community progress without having all the details.  
Result A is Value Adding minus Cost  
Result B is Increase in Value  
Result A = Result B

### Incomplete Records ...

The logic of double entry and the framework comprising balance sheet accounts and profit and loss accounts that describe status, change in status and the cost and value or revenue of activities makes it possible to draw conclusions about missing elements using what is known.

While it is better to have a complete set of data, important conclusions can be drawn from only a subset of all the data.

## Community Impact Accountancy

### Materiality.

1.  
Materiality is the concept that helps focus effort and analysis on issue that matter.  
The accountancy version of "Don't sweat the small things!"

2.  
Reports that include cents in multi-million dollar tables is a sign that the analyst does not understand materiality.  
Examples of materiality?

### Materiality ...

Modern society is drowned in information that tells us a lot about unimportant matters ... and there is very little reliable information about matters that are very important.

But many analysts do not realize how much time and effort they spend on matters that will have no impact on performance.

And if the analyst does not understand what is material ... what hope is there that they will understand anything.

## Community Impact Accountancy

### Modularity.

1.  
Modularity helps make something manageable ... and makes it useful more rapidly. This can be applied in the CIA system to make little things useful while waiting for the bigger system.

2.  
In the CIA framework the community balance sheet can be worked on section by section ... bits of the economic activity analysis can be done. Meaningful information can be gained from these efforts while the total framework is incomplete.

### Modularity ...

Modern society is drowned in information that tells us a lot about unimportant matters ... and there is very little reliable information about matters that are very important.

But many analysts do not realize how much time and effort they spend on matters that will have no impact on performance.

And if the analyst does not understand what is material ... what hope is there that they will understand anything.



# SUSTAINABILITY

<b>Community Impact Accountancy</b>	<b>Sustainability</b>
<p>1.</p> <p>One view of sustainability relates to the environment. Are economic activities doing excessive environmental damage or consuming too much of resources?</p>	<p>Sustainability</p> <p>Sustainability is a fashionable idea ... but with many meanings.</p> <p>One is that sustainability is to do with damage being done to the environment by the human race ... and the issues of the survival of our specie.</p>
<p>2.</p> <p>Another view relates to whether or not the activity will be financially sustainable. This often relates to whether or not a need can be met at a cost that allows for an affordable price that is modestly profitable.</p>	<p>Another is more pedestrian relating to the ability of a person or an organization to have enough financial resources to pay its bills and survive economically.</p>

<b>Community Impact Accountancy</b>	<b>Environmental Sustainability.</b>
<p>1.</p> <p>Environmental sustainability should not be ignored, and is going to have a critical impact on the future of mankind. What can be done to have an impact now?</p>	<p>Environmental sustainability</p> <p>There is more hysteria about sustainability as it relates to the environment ... and the issue should not be ignored, but it must be put in perspective, and the use of resources carefully understood.</p>
<p>2.</p> <p>CIA helps to get the issue of environmental sustainability on the agenda at the community level where people live. People and the way more than 6 billion people behave is the single most important root cause of environmental degradation.</p>	<p>People are a root cause of environmental degradation, and poor people do damage as well as the economically rich ... but have no other choice. Economic wealth can be used to do things that will have environmental benefit.</p>

<b>Community Impact Accountancy</b>	<b>Socio-Economic Sustainability.</b>
<p>1.</p> <p>Modern enterprise in science, technology and in the corporate world has shown that there are amazing possibilities, but the potential benefits have not reached the BOP.</p>	<p>Socio-economic sustainability</p> <p>The welfare model of support for socio-economic development is rarely sustainable ... it takes value creation to ensure sustainability as well as a cost – price – value relationship that is affordable for the market.</p>
<p>2.</p> <p>The Bottom of the Pyramid (BOP) can be better served, but systemic issues have to be addressed so that there is much more socio-economic sustainability for the BOP individuals and SMEs that are work hard but make too little progress.</p>	<p>Most profit maximizing business is sustainable but only operates in wealthy markets ... leaving the multi-billion BOP underserved. Social business that is low cost, low price, valuable and affordable is key to sustainable progress.</p>

# TIME SERIES ANALYSIS

## Community Impact Accountancy

### Times Series Analysis.

1.  
Times series analysis answers the all important questions of change over time.

2.  
While it may not be possible to have absolute numbers about many important things ... time series analysis helps to show whether progress is being made or not, and something about how fast change is happening.

Time series analysis ...

Time series analysis has all sorts of uses ... it may not be easy to know exactly about something ... but it is easier to tell whether the direction is right or not.

Time series analysis helps to explain what is happening, especially if the time series can be related to something that is tangible and recognizable.

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### Times Series of Prices.

1.  
Times series of prices are very powerful. Every major market has time series data about prices, whether the market is for financial instruments, commodities or engineered items.

2.  
Price information is also used in small markets ... and is just as powerful. More of the small market data need to be collected and put into accessible form. The outcome will be interesting.

Prices

Price time series have historic value in putting current prices in perspective ... but prices are also a key indicator of what might be going to happen in the immediate future, or over a longer time span.

A big part of the theory of economics concerns itself with prices and behavior in the market. It is very interesting, however, to try to understand what is happening to prices based on real world facts about costs, demands and structure.

## Community Impact Accountancy

### Times Series of Costs.

1.  
Times series of costs may be very different from a time series of prices. Costs reflect productivity, and it is cost that has the most impact on the socio-economic status of the planet..

2.  
Cost has multiple components, and one of the most useful data points for cost is the one that eliminates all the profit elements from the cost value chain. The socio-economic success of the last two centuries has been reduction in cost.

Costs

Cost time series are very interesting ... but much less accessible than price time series.

Cost is a result of productivity ... which in turn is a result of science, technology, organization, training and investment.

Modern economic society has been blessed with amazing progress in science and technology that has translated into low costs for valuable things. But also high profit and low value for society as a while.



# ISSUES, METRICS AND ANALYSIS

## Community Impact Accountancy

### Economic Value Adding

1.  
Economic Value Adding is used in the standard GAAP accounting world to optimize stockholder value. Impact on society is not taken into consideration.

2.  
Economic Value Adding in the CIA framework is concerned with the impact on society. Are economic activities contributing to the quality of life of the community at large.

### Economic Value Adding ...

This has become a very powerful tool in the management of wealth creation, but it is only used in the process of personal wealth creation and ignores the impact that personal wealth creation activities are having on society as a whole.

CIA uses a similar accounting methodology to EVA but including all the impacts that economic activities of all sorts are having on the society

## Community Impact Accountancy

### Multiplier.

1.  
The Keynesian multiplier refers to the economic mechanism whereby money spent by one person becomes money earned by another. Cost for one is income for another.

2.  
CIA takes into consideration the impact of the Keynesian multiplier in relating costs to value for the community. The multiplier effect changes the development dynamic, and makes compounding community progress possible.

### Multiplier ...

The multiplier effect is perhaps the most important mechanism in economic theory ... yet is rarely talked about in development economics.

CIA does not ignore the multiplier effect and uses it better to understand the behavior of community progress in the face of all the local and external economic activities.

## Community Impact Accountancy

### Constraints.

1.  
Progress and performance is never unlimited ... something is a constraining factor ... or many things.

2.  
CIA aims to put these items into the community balance sheet as liabilities. Progress is made as these constraining factors are reduced and eliminated.

### Constraints ...

The progress of development has been much less than was expected 50 years ago ... not because science and technology does not exist ... not because the world is short of wealth and knowhow ... but because there are constraints.

The constraints to success and rapid progress are many ... institutional, traditional, cultural, governmental, etc., etc.

CIA identifies some of these and helps get them addressed.

# VALUE CHAIN

## Community Impact Accountancy

### Value Chain Analysis.

1.

For organization accounting, value chain analysis helps in the understanding of how profit contribution is being spread between the various organizations in the supply chain.

2.

For CIA, value chain analysis helps in the understanding of flow of value between various entities in the community, and with the world beyond the community

Value chain analysis ...

The value chain has been a critical element in value creation associated with globalization.

But in addition to value creation, there has also been much transfer of value adding from one location. While this has facilitated substantial profit augmentation and benefit to corporate stockholders, it has often come at the expense of value destruction in some societies, and not taken into account in general GAAP accounting.

## Community Impact Accountancy

### Winners and Losers.

1.

Value chain analysis shows who are winners ... those that have small cost and high price. But costs are usually based on simple GAAP concepts and not on CIA analysis

2.

When cost is based on the consumption of CIA value rather than the consumption of GAAP cost and value adding and value destruction instead of profit, there are different results.

Winners and losers

Value chain analysis shows who are the winners and losers.

Cost and price determine profit.

Price for the seller becomes cost for the buyer. This next buyer sells for a new price, and profit is again the difference between cost and price.

Where are the big profits? Where are the losses?

How do valuable raw materials create profit with little benefit to the community of origin?

## Community Impact Accountancy

### Transfer Pricing.

1.

In value chain analysis, the transfer price determines how the value adding is shared between the entities in the chain. It is very important.

2.

Because of its importance, very little information is available about transfer prices. The idea that the "market" determines the price assumes a high degree of information and this is rarely the case. Transfer pricing serves those that the control.

Transfer prices

Prices are critical in economic analysis and the determination of profit and value to any entity.

But we know rather little about prices ... often prices are hidden and prices are kept secret.

And even where there is publicity about prices, it is not always clear what the information really means ... price disinformation is as common as price information.

# OTHER MATTERS

## Community Impact Accountancy

### The Cost of CIA.

1.

A good accounting system does not come free, but it should not be excessively expensive. Good design, especially of analytical codes, helps to reduce cost without sacrificing analytical power.

2.

A CIA system can be deployed with very low costs making use of existing available infrastructure. Good design, together with effective use of the Internet and relational database systems makes CIA much lower in cost than it is in value.

The cost of CIA ...

The cost of CIA must be small relative to the economic activities that are going on.

Because CIA aims to be useful in low income communities, the cost of CIA is designed to be very very low ... and using only ultra low cost technology and systems.

This is possible ...

By building on a huge history of GAAP accounting, Community Impact Accountancy (CIA) has access to a professional community that can very rapidly put depth into the initiative.

There is no need to explain basic accounting concepts from scratch ... merely to explain the potential of expanding the concepts to the community as a whole rather than simply to the organizational entity.