

# Difference between role of treasurer and controller



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Difference between Role of treasurer and controller with respect to Financial Corporate Governance

### **Organization Chart of the Financial Management**

The chief finance executive works directly under the president or the managing director of the company. Besides routine network, the person in charge keeps the Board of Directors informed about all the phases of business activity, including economics, social and political developments affecting the business behavior. He also furnishes information about the financial status of the company by reviewing it from time to time. The chief finance executive may have many officers under him to carry out his function. Broadly his functions are divided into two types:

1. Treasury function
2. Control functions

An illustrative organization chart of finance function of management in a big organization is shown below:

### **Organization of the Financial Management Function**

#### **Role of Treasurer**

The main role of Treasurer is that he refers to the financial officer and then looks at the task of financing and its related activities. Treasury always deals with liquid assets and so the main role of treasurer is to look at the cash and its other liquid assets.

Some important tasks of Treasurer are as follows:

- He formulate the whole capital structure of the organization in accordance to goals of the organization and then to implement it to the organization.
- He also manages the amount of liquid assets and all type of cash.
- He basically acts as a cashier.
- He plays the role of an authority signatory on payment cheques including the authority to approve such cheques.
- Reconciliation in bank accounts.
- He manages the overall credit function of the firm.
- He also has the authority to utilize the surplus cash of the company whenever there is any type of short term beneficial investments.
- He also makes the companies policies according to decision on trade discounts and vendor payment.
- He also maintains relationships with bankers and vendors.

All of the above mentioned functions of treasurer are implemented with the help of cash manger, finance manager and credit manager.

### **Role of controller**

As we have already seen that the treasurer deals with liquid assets, the controller of the organization has to record the transactions of these liquid assets. It is the combined and effective working of both the departments that give rise to an effective system of internal controls. Controller is a financial officer responsible for accounting and control.

He does the following functions:

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- Records all the transactions in the general ledger, the accounts receivables and the accounts payables, sub-ledger, transaction with respect to fixed assets such as depreciation, inventory control, etc.
- He looks into the aspects of taxes and insurance.
- He also keeps track of company's short term investments by recording and reconciling the transaction with those of the brokerage firms.
- He carefully looks into the regulatory aspects and implementation of the company's policy on trade discounts and receivables aging.
- He always acts as the planning director.
- He keeps a record of the attendance of the employees, their movement timings so as to facilitate in preparing the payroll.
- He reports information to the management.

The office bearer who assists the controller in accomplishing the above tasks is: tax manager, data processing manager, cost accounting manager and accounting manager. Thus the functions of financial accounting, internal audit, taxation, management accountings and control, budget-planning and control are accomplished in this manner.

### **Controller's and Treasurer's functions in the Indian Context**

The controller and the treasurer are essentially American terms. Basically the American pattern of dividing the financial executive's functions is not being widely followed in India. We do have a number of companies having officers with the designation of the controller. The controller or the financial controller in India, by and large performs the function of a chief accountant

or management accountant. The officer with the title of treasurer can also be found in a few companies in India.

The controllership functions can prove to be useful under the Indian context, but presently some of these duties are performed by the company secretary in India. His duties, for example includes asset control and protection, maintaining records and preparing reports and government reporting. The economic appraisal function is generally performed at the top level in India. Some other functions, such as internal audit, can be brought within the fold of the controllership functions, if this concept is developed in the Indian context.

It should be realized that the financial controller does not control finances; he or she develops, uses and interpret information- some of which will be financial - for management control and planning. For this reason, the financial controller may simply be called as controller. Management of finance or money is a separate and important activity. Traditionally, the accountants have been involved in managing money in India. But the difference in managing money resources should be appreciated.

In the American business, the management of finance is treated as a separate activity and is being performed by the treasurer. The title of treasurer has not found favor in India to the extent the controller has. Some of the functions performed by the treasurer in the American context are again discharged by the company secretary in India. Insurance coverage is an example in this regard. The function of maintaining relations with

investors may now assume significance in India because of the development in the Indian capital markets and the increasing awareness among investors.

The general title, financial manager, seems to more popular in India. This title is also better than the title of treasurer since it conveys the functions involved. The main function of the financial manager in India should be the management's of company's funds. The financial duties may often be combined with others. But the significance of not combining the financial manager's duties with others should be realized. The managing of funds- a very valuable resource- is a business activity requiring extraordinary skill on the part of financial manager. He should ensure the optimum use of money under various constraints. He should, therefore be allowed to devote his full energy and time in managing the money resources only.

### **Functions of Treasurer and the Controller**

#### **CASE STUDY**

The role of the corporate treasurers has changed from a traditional one of securing funds and managing financial risk to a strategic one of driving overall business initiatives. In this new role, treasurers have the prime responsibility of advocating better corporate governance principles in the company, both as a means to improve the shareholder value and to enhance investor confidence. This has become very important because the corporate governance practices of the companies are being placed under heavy scrutiny from the regulators and investors following revelations of corporate malfeasance, deception and fraud. This article discusses the role of the treasurers in building a sound governance structure in the companies.

**Description**

The debacle in Satyam Computers Limited, India's fourth largest software company, has brought the issue of corporate governance in limelight more particularly in India. It is however unfortunate that such important issues gain prominence only after incidents of corporate frauds. The issue of corporate governance was earlier debated when the developments at Enron and WorldCom rocked the world.

As India is on a growth trajectory and is having ambitions of being ranked in the counters of the developed economies, the issue of corporate governance only being surfaced after the Satyam scam is a grave concern. We may claim that the Satyam scam is an isolated case in corporate India, but it is more important to see how the rest of world assesses our seriousness towards the ethics of corporate governance. Do we take the ethics of corporate governance seriously and deeply and drift it away from its ornamental value to run an enterprise towards the principal goal for which the corporate governance term was coined? Largely the practice is to decorate the board, which is at the helm of affairs of corporate governance, with people whom the promoters of the company believe will add some ornamental value to the enterprise. Many a times the promoters induct known people onto the board. Having said that companies prefer the decorative value of the board over its usefulness. Thus one can easily conclude that the Satyam fiasco is nothing but a true reflection of what routinely and pervasively passes for corporate governance.

The role of treasurer is crucial to today's business especially in ensuring that the company has the cash that it needs to operate the business, adequate

risk management systems are in place and finally ensuring that the company complies with the various international standards. The treasurer and cash have a consanguineous relationship and the recent fiasco of Satyam Computers reveals a story of siphoning the cash from the company's balance sheet which puts the role of the treasurer or CFO nothing but on dubious distinction. By the mere definition of a treasurer one understands that wherever there is cash in the company, the treasurer has to be present there. Though the Satyam fraud appears to be a systemic fraud by the senior management, nevertheless such frauds can be mitigated to some extent if corporate governance is compiled by the treasurer. In such a scenario it becomes altogether more important for corporate treasurers to revisit the basics of corporate governance and their role in inculcating the principles of corporate governance in a company. This article highlights and revisits the role played by the treasurers or CFO in the compliance of corporate governance.

### **Treasurer in Detail**

The Treasurer's role is the second most important function on the Board after that of the Chair. Financial accountability is fundamental to not-for-profit organisations. If your members have no confidence in your ability to control and account for finances, they will have no confidence in the organisation as a whole.

The Treasurer may find a reluctance amongst non-financially trained board members to take any responsibility for finance. As a Board or governing committee however, the group as a whole has to share responsibility and decision-making and it will therefore be an important part of the Treasurer's



role to ensure that others understand the information that is being presented and the implications thereof. It is particularly important that the Treasurer attends meetings regularly in order that others can ask questions and be sure that they have a full understanding of the association's financial position.

### **Purpose**

To manage and report on the association's finances.

### **Responsibilities**

- To carry out the responsibilities of a member of the Board of Directors.
- To lead budget planning and preparations.
- To monitor the budget and inform the Board as to whether projections are turning out as predicted in order that joint decisions can be made on appropriate adjustments.
- To ensure the Board's financial policies are being followed.
- To report to the Board of Directors and the general membership on finances.
- To prepare any required financial reporting forms.
- To ensure tax regulations are complied with VAT.
- To manage and maintain bank accounts, ensuring the association is getting the best rate of return for funds held and moving money between accounts as
- To oversee all financial transactions.
- To sign cheques (with a second signatory from the Board or staff).

- To chair finance sub-committee, if one exists.

### **TREASURER WORKING WITH A BOOKKEEPER.**

Most treasurers do not have bookkeeping expertise, and they need not – and ideally should not – spend their time on day-to-day financial administration.

Wherever possible, a suitably experienced/qualified paid (or volunteer) bookkeeper should be responsible for banking, for processing payments, for keeping full and accurate accounts of all receipts and expenditure and for producing financial reports.

This leaves the Treasurer's time for the more strategic and managerial aspects of the role, in particular budgeting and planning. The Treasurer does however need to monitor the work of the bookkeeper as ultimate responsibility for the accuracy of records lies with his or her role.

If your association needs to submit formal annual statements to tax or other government authorities, these may be prepared by your bookkeeper or by external accountants. Requirements will vary in different countries. In the UK, all limited companies must have their final accounts prepared by a chartered accountant.

### **Becoming a Good Treasurer**

A treasurer does not have to study accounting or business in order to do well at this position.

A good treasurer will be characterized by the following traits:

1. **Honesty and Integrity:** As treasurer you are not given free liberty to do whatever you like. Rather, you are accountable to God, the fellowship and the committee. Therefore, perform your task properly and professionally.
2. **Carefulness:** This characteristic will help you maintain accurate and up-to-date records. Be careful to record all transactions. Be careful when handling money because ultimately this money belongs to God.
3. **Common sense:** Common sense is necessary in order to catch errors early.
4. **Open books:** It is good to maintain an open book policy concerning financial matters. Any member of the fellowship, after consultation with the committee, should be able to see the financial state of the fellowship. This will help build accountability and credibility for the entire fellowship.
5. **Watchful eye:** The treasurer needs to be vigilant in tracking income and expenses. These amounts should be compared with the current budget.
6. **Faithfulness to God:** Ultimately, the treasurer brings honor to God by the proper exercise of his/her task. Therefore, view your position of treasurer as a way to show your faithfulness to God. Here's an excellent maxim: God's work done in God's time will receive God's provision.

### **Controller Vs Treasurer**

While the term Controller is used differently in Sweden than in America, there is reason for a clear explanation of the differences between Controller and Treasurer. The fact that a Controller in Sweden has a broader role than the Controller in America can be explained largely by the function of the treasurer that has those duties overlapping those of the Swedish Controller.

In large firms, the financial operations overseen by the CFO will split into two branches, with one headed by the treasurer and the other by the controller.

The Controller's responsibility are primarily accounting in nature. Costs accounting as well as budgets and forecast concerning internal consumptions, lies within the area of the Controller.

The treasurer's responsibility fall into the decision areas most commonly associated with financial management, invest financing and asset management. The organization chart may give you false impression that a clear splits exists between controller and treasurer responsibilities. In a well-functioning firm, information will flow easily back and forth between both branches. In small firms the treasurer and controller functions may be combined into one position with a resulting commingling of activities.

Traditionally the role of controller has been that of a number cruncher, computing financial data in order to prepare reports. The assignment associated with the controller role is in no way set in stone, different organizations have different duties attached to the Controller.

The final statement where the controller should be seen as a long range developer of executives, hints at a prominent role when it comes to developing human resources within organizations. In order for the controller's department to become developers of accounting and operating executives they have to have an intimate relation to the personnel of the organization.