



CASE STUDY
ACCOUNTING DUE DILIGENCE

BACKGROUND OF THE CASE

Our client is a very well-known European company established in Bangalore, India since 2008. They operate in the field of marketing, sales and service of stone cutting machinery and spare parts. The holding company of our client was facing two problems: not being able to ascertain their operating margins on a business segment basis and two, not understanding some doubtful transactions undertaken by the key management personnel (KMP) in India.

HOW DID OCTAGONA INDIA HELP?

- Octagona India put together a team that visited the client and understood the nature of the problem being faced by the shareholders. This "on-site" discussion helped us to understand the business segments in which the client was operating and also the division of manpower across these segments.
- We created various segments in their accounting software used by the company and explained the reason for doing so. We assisted the client to start segment wise accounting. With the help of segment wise accounting, correct profit & loss could be ascertained from each segment. Octagona India also suggest the changes in MIS reporting to ensure that these reports gave a holistic view of the company's business position.
- For the second problem, using the bank statements provided by the company we earmarked doubtful transactions and held an enquiry session with the local KMP.
- Based on the explanations received from the KMP, we prepared a Due Diligence report highlighting the transactions that were not as per the Indian Accounting Standards and risk to the Company due to these transactions.

FINAL OUTCOME

Our intervention, as above, helped the shareholders first to understand the internal margins on various business segments of the Company and take steps to improve upon it. In the second case, the shareholders realised that the local KMP had undertaken cash transactions that could create future problems for the company and sought legal advise to resolve the matter at the earliest.



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