



Risk management increases as credit crisis continues

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The global credit crisis is already changing the way business is conducted. Accounting professionals are becoming far more cautious and as credit becomes tighter, risk management and cash flow will take a much higher prominence.

Transcript

PHILLIP LASKER: The crisis in world markets, even if brought under control, is already changing the way business is conducted.

Accounting professionals are becoming far more cautious to meet the challenge of tougher times.

As credit becomes tighter, risk management and cash flow will be top priority.

Michael Troy reports.

MICHAEL TROY: The call to lunch and battle has been sounded with accountants and finance officials all around the country preparing to confront the financial crisis.

RON SWITZER, DIRECTOR, CPA AUSTRALIA: It's worrying for a lot of people out there but it is exciting. It brings all our training and skills to bear and as we say now we really need to think plus create to bring the right solutions.

MICHAEL TROY: The accountants seem to sense they are on a war footing and invited one of CNN's most famous war correspondents to give the luncheon address.

Mike Chinoy was CNN's Asian bureau chief for many years and believes the whole American capitalism model is at fault.

MIKE CHINOY, PACIFIC COUNCIL ON INTERNATIONAL POLICY: This was a case of greed and people living beyond their means and the people who should have been in charge in Washington, the Federal Reserve and Congress everybody was either unwilling or unable to notice the problems until it got too late.

MICHAEL TROY: Mr Chinoy also cast doubt on the hope that China would be a safe haven, outlining how much China had changed in the last 30 years but only because it had integrated itself into the international system to great benefit.

MIKE CHINOY: The Chinese Communist Party has based its hold on power on an implicit bargain with the people you let us hold onto power and we'll let you get rich, and if the Chinese people see that slipping away there could be all sorts of political consequences.

MICHAEL TROY: For the next four days, 2,500 finance, business and accounting leaders will attend the various sessions of the CPA Congress, where the emphasis will be on the key accounting tactics of "cash flow" and "risk management".

RON SWITZER: Cash flow has never been so important as in this environment but not only more traditional ways inventories at payment terms and so on but innovative solutions for the credit crisis.

MARK VITNER, SENIOR ECONOMISTS, WACHOVIA CORP: Folks have to pay a lot more attention to risk

management they have to ask what if and weigh possibilities, they would have assumed would not happen.

MICHAEL TROY: Keynote speaker Mark Vitner is the senior economist at Wachovia Corporation in the United States. His company was one of the early victims of the financial crisis, crippled by exposure to the now infamous subprime loans.

MARK VITNER: It's amazing how quick it happened. One week we were mentioned as an acquirer of Morgan Stanley and the next week we were sold at a bargain basement price.

MICHAEL TROY: Wachovia was the 4th largest US bank and has been merged with Wells Fargo to create the premier financial services company in the US.

While Mr Vitner is out here to promote a business as usual attitude. He told the audience he escaped the World Trade Tower on September 11 and he can see a similar fear in many people's faces.

MARK VITNER: This is a similar event to September 11. It's an economic September 11 fear you are seeing in the small and medium business that have everything tied up and if their business goes down they lose everything.

MICHAEL TROY: CPA Australia though is more optimistic here and believes the tactics thrashed out in the next few days will complement the Government's response so far.

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