5.6.5 Treasury Performance Measurement Exercise

Unit: Unit 1 – Treasury Strategy

Module: Module 5 – Treasury structure

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Summary: Performance measurement may emphasise elements such as efficiency of operation, customer satisfaction and shareholder value addition. These tend to be initiatives that actively add value to the business.

Keywords: treasury, performance, cost centre, profit centre, value-added centre.

Sysventure SA is a multinational engineering company with turnover of EUR 4 billion based in France but has three major divisions, each of which have a subsidiary, or occasionally a division, in the most important trading nations in the world.

Thus in India, for example, each division has a trading subsidiary and two divisions have established further subsidiaries to manage the development of software which is crucial to their research and development process. Similarly, most Latin American and Far Eastern countries also have at least two subsidiaries and China and the major western countries have several.

The treasury offers four major services to these operations, namely:

Service	Delivery method	Banking services used	How treasury is paid for services
FX execution services	Requests made by phone or e-mail	Central FX dealing lines	No payment, rates achieved are passed on
Funding through intercompany loans	Automatic through cash concentration mechanisms or by phone or e-mail. Intercompany funding reports web based.	Pooling and (predominantly zero balancing)	Rates on intercompany loans set according to instructions of tax department, no accounting for contribution
Intercompany netting	Delivery all on line	Only FX dealing lines	Treasury keeps bid-offer spread on netted transactions
Trade finance service of letters of credit and bank guarantees	Delivery all on line but with substantial e-mail correspondence	Central trade finance facility	Costs on products passed on as incurred plus margin as advised according to instructions of tax department, no accounting for contribution

It also offers banking services by virtue of the cash concentration products that it uses in various countries. It does not use cash concentration techniques in every country.

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Analyse the treasury or its components into the ‘Response to Risk’ dimension of treasury organisation. Suggest ways in which performance in the four areas might be measured in its current modus operandi and then think how the future should look for its treasury and consider the implications of that for its measurement. Thus consider the ‘accounting, economic, probabilistic and portfolio’ approaches.