

# CFO Duties and Responsibilities



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A chief financial officer is part of the senior management team and works closely with the finance department and other senior executives such as the chief operations officer (COO) and chief executive officer (CEO).

Once found strictly in large corporations, today, even smaller businesses are recognizing the value that a CFO brings to their business.

A good CFO provides the strategic thinking skills needed to maintain the fiscal health of a business while guiding the business into the future by embracing the

latest technology.

If you're not exactly sure what the CFO role is and what makes a good CFO, we'll provide the answers.

## **What Are the Roles and Responsibilities of the CFO?**

The CFO is the highest-ranking financial professional in the organization and carries the responsibility of creating and maintaining the fiscal health of a business.

More traditionally, a CFO's responsibilities centered on financial management, with the CFO overseeing teams handling day-to-day accounting tasks including accounts payable and accounts receivable management, journal entries, bank and account reconciliation, and running financial reports.

Beyond a supervisory role, CFOs are also responsible for handling more high-level duties such as financial reporting analysis, company regulatory compliance, and risk management.

CFOs also work closely with the CEO and board of directors as a trusted advisor.

Over time, the role of the CFO has evolved from a strictly financial one to a more inclusive role which includes strategic planning, digital transformation, and a more hands-on approach to team-building.

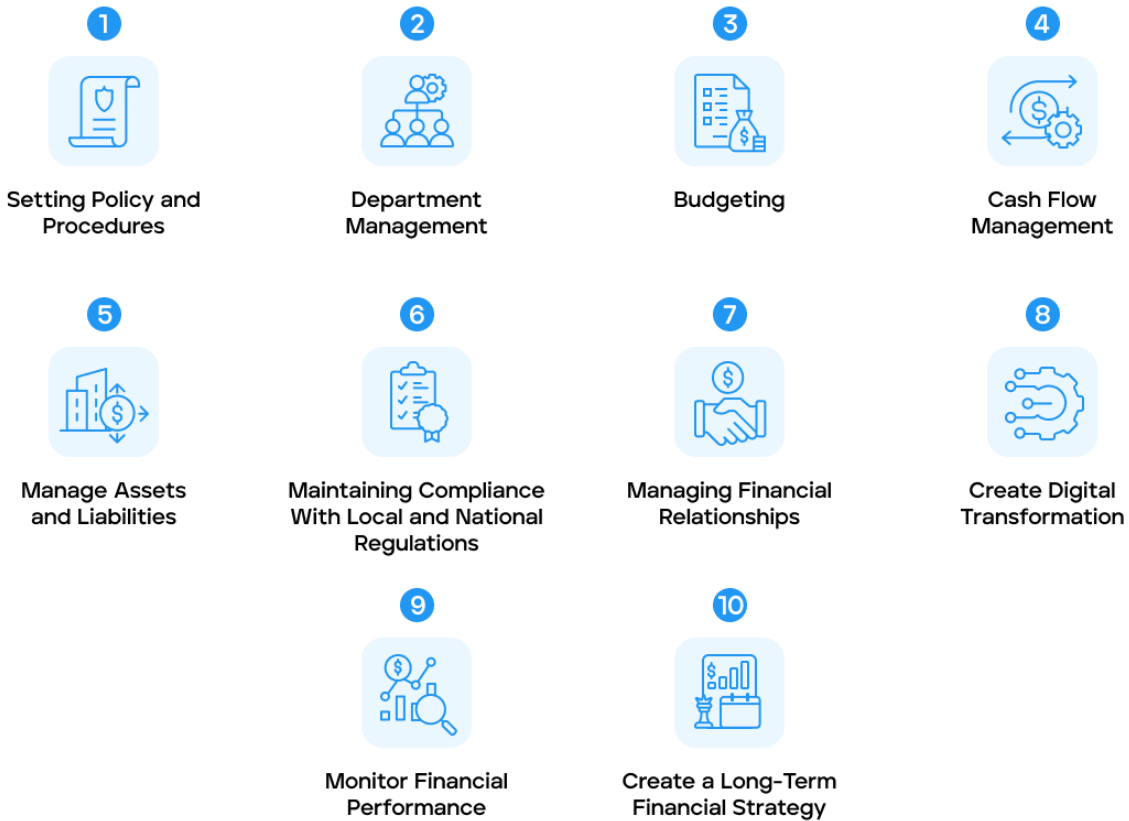
Instead of operating in a financial silo, CFOs are stepping up outreach and communications with other departments to make more impactful financial decisions.

## **What Are the Top Ten CFO Responsibilities?**

Though CFO responsibilities remain primarily financial, they have expanded to include emerging technology such as data analytics, artificial intelligence, and machine learning, and how they can benefit an organization.

Today, CFOs are responsible for the following:

## ■ The Top Ten CFO Responsibilities



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### 1. **Setting Policy and Procedures**

Setting policies and procedures around financial operations is one of the key responsibilities of a CFO.

This includes implementing best practices for the accounting department and developing a method to ensure that the established practices are being adhered to regularly.

### 2. **Department Management**

Depending on the size of the organization, a CFO may directly supervise

the accounting staff, while in larger organizations, there is typically a controller or department manager who directly supervises the accounting staff and the company's finance team.

CFOs also play a role in managing IT and any related software applications, and will also monitor human resources related tasks such as payroll and payroll tax payments.

In any case, the CFO is directly responsible for staffing, even if indirectly, and sets the direction of the department.

### 3. **Budgeting**

A CFO plays a key role in budget development and financial forecasting, setting goals, and tracking company performance while making any adjustments as needed.

Accurate budgeting is also an important part of a CFO's job.

Together with the CEO, the CFO reviews financial data and uses various forecasting methods to make key decisions about the company's future.

### 4. **Cash Flow Management**

A junior accountant is usually responsible for daily cash management, but it's the job of the CFO to drill down into the details.

For example, while an accounting clerk can run a cash flow report, the CFO needs to know where the company's cash flow comes from, why it's high or low, and identify the source of any potential issues.

This can include the examination of current company collection methods and credit terms and monitoring expenses.

### 5. **Manage Assets and Liabilities**

The job of a CFO includes reviewing company assets and liabilities regularly.

This includes the examination of cash streams and enhancing or adding to them as needed.

CFOs also manage company assets, adding and disposing of assets at the appropriate time, and manage company liabilities including current contracts, loans, and expenses for validity.

## 6. **Maintaining Compliance With Local and National Regulations**

CFOs must be familiar with current legal and regulatory requirements such as the Sarbanes Oxley Act implemented in the U.S. in 2002.

CFOs also have to understand GAAP and IFRS requirements.

Not only is non-compliance costly, but it also directly impacts the financial worth of the company and often determines whether investors will support the business or look for a more trustworthy business to invest in.

## 7. **Managing Financial Relationships**

The CFO is responsible for establishing and maintaining relationships with investment bankers, investors, and other valuable stakeholders.

The CFO is also responsible for managing any current investments the company may have as well as researching future investment opportunities.

## 8. **Create Digital Transformation**

The role of the CFO should include providing the accounting department with the latest technology and tools they need to perform their jobs more accurately and efficiently.

Staying up to date on accounting automation, artificial intelligence, and machine learning and the benefits that they bring to the business is essential.

## 9. **Monitor Financial Performance**

It's the CFO's job to monitor the financial performance of the business using a combination of financial reports and financial ratios.

CFOs must also view and analyze financial information to spot trends and make adjustments as needed.

## 10. **Create a Long-Term Financial Strategy**

Along with managing recurring financial transactions, CFOs also need to implement a long-term financial strategy for the business by working with other departments to create a cohesive plan that strengthens long-term investments and supports both innovation and company growth.

# **What Does a CFO Do Daily?**

The day-to-day tasks of a CFO vary based on the type of company the CFO is employed at.

A CFO at a smaller or private company may be more involved in routine accounting activities such as bookkeeping, accounts payable, and accounts receivable.

A CFO at a larger business or publicly held company usually has an accounting manager who handles routine bookkeeping and accounting, with the CFO responsible for project ROI, company liquidity, and financial forecasting.

One important role that the CFO is responsible for regardless of business size is the review and analysis of financial statements, both for accuracy and for identifying any issues that may need to be resolved.

A typical day for a CFO may look like this:

- Review daily financial reports
- Follow up on any questions or concerns regarding reporting totals
- Meet with department heads to discuss any issues
- Review budgets

- Preparing regulatory reports
- Meeting with financial advisors
- Work with CEO on strategic plan
- Review any new contracts or large purchases that are pending

This list will be different for every CFO.

## **What Skills Are Necessary for a Good CFO?**

Even though the role of CFO continues to evolve, financial acumen is one of the top skills needed, with a background in accounting or finance necessary.

Along with accounting or finance skills, a CFO should have good leadership skills, be an effective communicator, and have a visionary outlook.

Familiarity with fintech is also a much-needed skill for the modern CFO as the accounting and finance industry continues to introduce new technology.

Finally, a CFO should be familiar with rules and regulations governing the accounting industry including GAAP, and stay up to date on any changing regulations that are put into place.

Adequate schooling is also important with a bachelor's degree a necessity.

Today's CFO usually has an advanced degree in accounting, finance, or business, along with other relevant certifications.

## **What Are the Key Differences Between a CFO and a Controller?**

The responsibilities of a CFO and controller can overlap at times, with both responsible for producing and maintaining accurate financial records.

The main difference is that the controller likely spends more time directly supervising the accounting and bookkeeping staff while the CFO works with department heads company-wide to ensure budgetary and financial accuracy.

In simpler terms, the controller completes the transactions while the CFO uses the transactions for key decision-making.

## What Are the Key Performance Indicators (KPIs) for a CFO?

Along with financial statement analysis, KPIs or key performance indicators are an essential tool for CFOs.

KPIs including financial ratios are used to measure financial performance in a variety of areas and their use has become standard practice for most CFOs.

The most important KPIs include:

### ■ The Key Performance Indicators (KPIs) for a CFO



Quick Ratio



Current Ratio



Operating Cash Flow



Return on Investment



Return on Equity



Accounts Payable Turnover



Gross Profit Margin

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### • Quick Ratio

The quick ratio measures a company's ability to cover current financial obligations in a short time.

The quick ratio formula is:  $(Cash + Accounts Receivable + Short-Term Securities) / Current Liabilities$

## ▪ **Current Ratio**

The current ratio, like the quick ratio measures the ability to cover financial obligations within a year, but includes inventory.

The current ratio formula is: *Current Assets / Current Liabilities*

## ▪ **Operating Cash Flow**

Properly managing cash flow is essential for the health of a business, making it a priority KPI for CFOs.

The direct method to calculate operating cash flow is: *Cash Revenue - Operating Expenses Paid in Cash*

## ▪ **Return on Investment**

Before a project begins, a CFO will likely calculate its possible return on investment or ROI to see if the investment is sound.

For example, if a \$1 million investment in a new company is expected to bring in \$1.5 million, you would calculate ROI as follows:

$$(\$1,500,000 - \$1,000,000) / \$1,000,000 = 50\% \text{ ROI}$$

## ▪ **Return on Equity**

Return on equity is used to measure how efficiently shareholder equity is used.

This formula is: *Net Income / Shareholder Equity*

## ▪ **Accounts Payable Turnover**

The accounts payable turnover ratio measures how quickly a company pays its bills.

The formula for calculating AP turnover is: *Total Credit Purchases / Average AP*

## • **Gross Profit Margin**

Gross profit margin focuses on production costs and does not include operational costs. An essential KPI for manufacturing companies, the result of this KPI lets CFOs know how efficient business operations are.

The formula to calculate gross profit margin is: *Revenue - Cost of Goods Sold (COGS)*

There are hundreds of additional KPIs and metrics that can be useful to CFOs depending on the nature of the business.

## **What Are the Key Duties of a CFO in a Large Corporation?**

A CFO in a large corporation will likely focus on regulatory compliance and investment potential.

For example, though all businesses are encouraged to follow GAAP rules, it's a requirement for any publicly held company, making it the responsibility of the CFO to ensure the business remains in compliance.

CFOs for large organizations also focus on potential investment opportunities, explore new revenue streams, and proactively ensure that company departments are adhering to budgetary guidelines company-wide.

## **The Road to Becoming a CFO**

If you're an accounting or finance professional ready to occupy the C-Suite, you may want to consider a career as a CFO.

CFOs typically rise through the ranks, spending time in a variety of finance and accounting positions including accounting manager, controller, and VP of finance before becoming a CFO.

Education plays an important role, with an advanced degree usually required for a CFO position.

Many CFOs are certified public accountants (CPAs), while others hold an MBA.

But equally important is the experience a CFO candidate garners over the years including familiarity with financial planning, data analysis, risk management, and information technology.

An aspiring CFO should also have the ability to adapt to a variety of scenarios, think on their feet, and be able to make top-level decisions that directly impact a business regularly.

While financial experience is vital, communication skills are also a necessity.

A CFO must be able to work with all levels of employees from accounting clerks to senior executives, and should be able to effectively communicate with all of them.

Good communication skills are also needed for creating a working relationship with stakeholders outside the business, including investors, board members, and financial institutions.

Finally, with technology playing an ever-growing role in finance, anyone desiring to be a CFO must have the background and experience in AI and machine learning to take their company into the future.

## **What Are the Benefits of Employing a CFO?**

Whether your business employs hundreds in the accounting department or has only a few employees, having a CFO on staff can provide major benefits for your business operations, including:

## ■ The Benefits of Employing a CFO



Leadership Skills



Industry Experience



Risk Management  
Experience



Growth Planning

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### ▪ **Leadership Skills**

You may only have a few accounting employees or you may employ hundreds.

Either way, the CFO can assemble and manage a team of employees with the necessary skills to keep your accounting and finance department running smoothly.

### ▪ **Industry Experience**

If you manufacture airplane parts, imagine how useful it would be to have a CFO who has airline or airplane industry experience.

That experience can translate into better performance against the competition as well as the built-in knowledge that can take a business from ordinary to top of the line.

### ▪ **Risk Management Experience**

CFOs can use their experience to provide a more thorough assessment of company liquidity and debt.

Consistently calculating and analyzing these financial ratios can identify potential investment opportunities as well as identify potential trouble spots before they become an issue.

## • **Growth Planning**

If your company plans include expansion, you'll want to have a CFO on board.

Having a CFO guide the business through the expansion process can minimize pain points.

## **The CFO Role Continues To Evolve**

Much more than an impressive job title, the role of the CFO continues to evolve.

Along with financial stewardship, today's CFO also works to identify and invest in cutting-edge technology while creating a sustainable financial strategy, ultimately steering a business toward sustained success.

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