MOUCHEL PROFIT BLOW

DBAS 3021 Metadata Management

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# Case Study:

Outsourcing specialists Mouchel had to endure a £4.3 million profits write down due to a spreadsheet error in a pension fund deficit caused by an outside firm of actuaries. Not only did Mouchel’s profits take a huge hit but it also caused their share price to drop and their chairman to resign amid fears they would break their banking agreements.

# What happened[[1]](#footnote-2)

Mouchel, an outsourcing specialist took a large blow to its profits. According to analysts, the firm was in danger of breaking banking agreements on debt. This was caused by a mistake in the spreadsheet done by the outside firm of actuaries. This caused the drop in the share price and led to the resignation of the chief executive, Richard Cuthbert. Their banking agreements reduced the profits for full year (more than 8.5 million to below 6 million).

# Why it happened

It was mainly due to a spreadsheet error by the outside actuaries. The pension fund deficit had been wrongly valued. As a result of this, Mouchel had to write down profits by 4.3million Euro. Mouchel was also warned about this by the outside actuary only a day before the profit warning.

* It is possible that they were not ensuring that the banking agreements have been followed.

**POSSIBLE CAUSES OF THE SPREADSHEET ERROR:**

* It is possible that they made some mistakes during data entry.
* It is possible that there were different versions, different scales used.
* The built-in functions could have been misused.
* There could have been a mistake with the math or equations used.
* There could have been omission error.

# What was in Place to stop it from Happening

* The spreadsheet has some rules to follow before outsourcing the sources to the outside organizations.
* The finance director and auditors could have reviewed the documents before.
* Mouchel could have avoided the breaching by reviewing the business profit warning with its lenders before.
* The banking agreement should have been given more importance by continuously checking and ensuring that the company is following it.
* Like what the finance director, Rod Harris, did when he took up post in June, he increased provisions against contract risks and accounting claims by £4million.[[2]](#footnote-3)
* Always have the accurate idea of the functioning process of the accounting.
* Always check the math/equations used.
* Have version control.
* Ensure that the data inputted is accurate to achieve high quality of data.

# Lessons Learned

* Ensure spreadsheet information from third parties is accurate.
* Have proper resources to manage system.
* Review the business profit warning with the lenders timely.
* Have a detailed report of the common financial problems.
* Management of the information system by using resources from the internet.
* Surety of troubling errors occur in spreadsheet.
* Ensure that the documents are reviewed, and errors are fixed timely.
* Always stay on top of what is currently happening in the company. Ensure that all the departments, including outside parties, are functioning well.
* Always have someone double check your work.
* Ensure that you always account the possible risks that way you can prepare for them as much as you can.

# References

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1. Referenced from (Daily Express Reporter, 2011) [↑](#footnote-ref-2)
2. Referenced from: (Lovell, 2011) [↑](#footnote-ref-3)