# Achieve A Faster Year-End Close

Many finance departments accept that month-end and year-end close are stressful times. Employees are expected to work overtime hours for days or weeks at a time. In many cases, senior executives are required to 'watch over' the process because of inherent trust issues due to the lack of standardized accounting processes across the entire organization, particularly when sub-divisions exist.

So, why is faster year-end close important? A faster close is a good indication of how well a company's financial systems and procedures are performing. In today's competitive market, the accounting function needs to improve existing processes and infrastructure to achieve greater efficiency and accuracy. When properly implemented, sound financial processes will improve information and deliver accurate data to decision-makers throughout the entire year.

# Inside this document

# Why is a Faster Year-end Close Important?

A faster year-end close is a good indication of how well a company's financial systems and procedures are performing. An efficient close saves time and resources and minimizes re-work. Time saved directly translates to time dedicated to performing value-added activities that benefit the organization.

However, there are numerous challenges to achieving a faster close. This guide has suggestions on how to mitigate those challenges. As we discuss in this report, there is further opportunity to innovate with the tools available in today's marketplace. These tools have been created to specifically address pain felt by finance departments in regards to year-end close.

It is important to note that the principles discussed in this document should be implemented throughout the year and not just at year-end. The production of timely and accurate financial information is essential all year round, driving the need for systems, processes, and procedures that facilitate year- and month-end reporting, annual budgeting, tax and audit preparation, product profitability analysis, and quarter- or mid-year forecasting.

Corporate Performance Management (CPM) software has been designed to include project management capabilities, automated reporting, report templates and in-depth analysis tools, all of which can benefit the closing process.

CPM software can also track changes and is auditor-friendly. These types of solutions consolidate many sources of information and track when reports have been viewed and approved by senior management. CPM software is very effective in encouraging collaboration across the entire enterprise bi-directionally and supporting various reporting types and formats, all while enabling strong financial control.

# Challenges to a Faster Year-end Close

Although every organization is unique, a number of common challenges to faster closing can be identified. These challenges limit a department's ability to complete their tasks promptly and reduces the potential benefits of new or existing systems.

## Lack of Training

Ensuring staff are trained in the proper use of software, systems, and procedures is an essential part of a faster close. Certain tasks that are required only once a year are often the tasks that are most prone to error. Training staff on year-end processes is vital for new staff but an annual refresher will also remind existing employees how to properly perform the required procedures. A training session is also a good place to remind staff of the latest corporate or government mandates.

## Passive Support by Senior Management

The support of senior management is crucial to the success or failure of a faster close. Without explicit senior support, staff will not see the value of a faster close, discouraging them from actively participating in the necessary processes and procedures.

## Minimal Department Buy-in

A good performance management system can provide tools that benefit departments outside of finance. When all departments use the same system, organizational data becomes transparent and conducting analysis becomes easier and less error-prone. When departments continue to manage their budgets and plans outside of larger company systems, false assumptions, poor quality data, and insufficient information can prevail.

## Inadequate Systems

Many departments have encountered difficulties with the operation of disparate systems, resulting in the need for time-consuming manual intervention. CPM software exists to automate consolidation, including currency, inter-company eliminations, journal entries, and eliminates the need to work in source systems directly. Using a good system mitigates the need to create detailed procedures and can automate the steps involved in creating year-end reports.

## Failing to Communicate

Failing to engage with staff from across the organization, both in terms of seeking their input on how processes could change and not communicating with them throughout the year-end close process, can lead to confusion and time delays.

## Poor Communication with Auditors

There are many benefits of holding regular meetings with auditors and senior management. These meetings ensure that any potentially contentious issues are discussed at an early stage.

# Achieving a Faster Close

Delivering timely, error-free, and auditable financial statements indicates that your organization and finance departments have a sound financial management system in place. Internal and external auditors can spend less time tracing results and are able to use the tools in place to conduct deep analysis without disturbing their day-to-day activities. This section outlines the steps required to overcome the aforementioned challenges to achieving a faster close.

In general, implementing a CPM software allows for better visibility of divisional performance and makes it easier to share information across the business. It also significantly reduces the time it takes to close the books and report externally, with additional opportunities to speed this process up even further. CPM software can also reduce reliance on local systems to complete local consolidation and reporting activities.

Before implementing new software and procedures, a change in policy can help shorten the time it takes to produce monthly management and statutory reports. This approach can be organized into three streams:

**Finance** should be designated to review, revise, and update divisional and group chart of accounts. This will involve working closely with each division to ensure the newly designed chart of accounts is both useful to local management and if applicable, consistent across operating entities. In addition, finance should be responsible for developing the management reports required both locally and centrally.

**IT** should be involved in the implementation of a new consolidation and reporting system by linking it to local financial ledgers and ERP systems. IT should also upgrade the organization's network to allow direct access to an on-premise or cloud solution.reports required both locally and centrally.

**Organization-wide** those involved in the year-end process will need to undergo training, create a business transition plan, and develop an approach to stakeholder management at all levels of the organization. The close process should be reviewed and revised around the new consolidation and reporting system.

Each stream should be managed with a high-level project structure and a clearly defined implementation roadmap, which will ensure that the management and tracking of the project is both effective and visible. Regular steering committees should help with representation from the wider finance community, IT, project team, and external auditors.

Senior management must also act upon the information that is reported. This ensures staff are aware of the importance of the information they provide. Reports should be reviewed on a regular basis and delays or slippages can be followed up with immediately. Senior management can also act as a point of quality control.

There are also a number of additional steps that can be taken to expedite year-end close:

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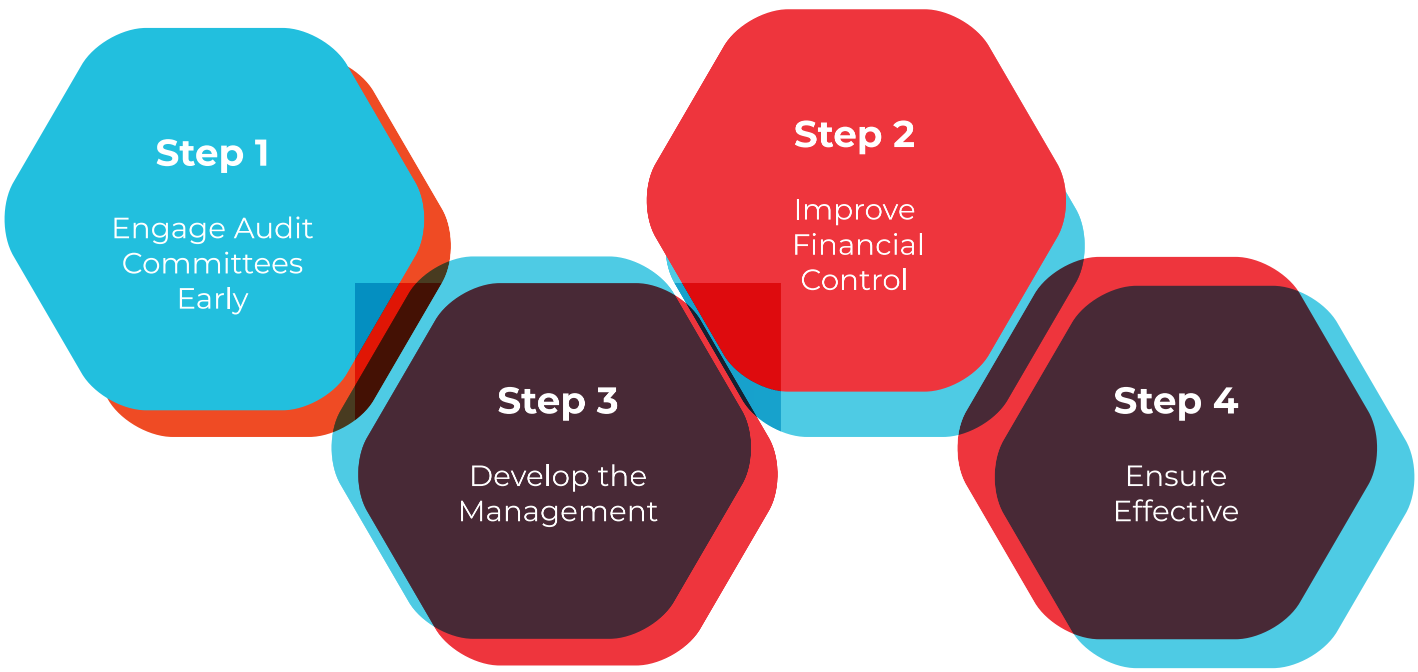


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## Engage Audit Committees Early

An audit committee can provide process direction and guidance on best practices. Engaging auditors, both internal and external, early in the process will help avoid pitfalls. Auditors can provide regular feedback throughout implementation and can challenge staff on delays. In addition to guidance, auditors can provide feedback on the quality of the data and the systems in place.

## 2 Improve Financial Control

Implementation of a control system will provide a means of assessing how a company will react and mitigate risks. When auditors deem that the controls are operating properly, only small sample sets will be tested, as opposed to thoroughly examining large samples of transactions. An important test of the financial control system is preparing monthly and quarterly statements.

## 3 Develop the Management Reporting Function

Regular management reports have numerous advantages. Producing information throughout the year makes preparing year-end reports easier and it also helps departments track their resources and expenses throughout the year. This improved approach should, in turn, facilitate better decision-making year round. Up-to-date management reports will also allow departments to re-allocate and re-prioritize their resources during the year to ensure corporate goals are met. This will not only benefit a faster close at year-end but more effective management throughout the year, as well as improved accuracy and efficiency.

## 4 Ensure Effective Project Management

Project planning should be part of the system used to manage and deliver year-end reports.

# Benefits of a Faster Year-end Close

The software, processes, procedures, and systems outlined above to achieve a faster year-end close also aid in overall resource management. If the proper systems are in place to monitor and manage changes, then business/data variability will have minimal impact on your finance department.

Finance staff will be able to adapt quickly to corporate changes and will not need to spend extra time revising reports, business models, or analysis tools.

Some Corporate Performance Management tools adapt automatically to these types of business model changes. As a result, all departments are able to assess their performance on a daily basis, making corrections throughout the year instead of at year-end. Another benefit of CPM software is that departments can track budgets throughout the year, enhancing their ability to plan. CPM software can also provide error-free results in-year to senior management. As a direct result, strategic decisions are taken with more confidence, mitigating risk.

The earlier that information is made available, the greater relevance it will have to the users of the reports and statements. Department managers can make informed decisions about their departments' performance, and the department can make future decisions based on historical data.

Overall, when the proper finance systems are in place, the seasonal demands of year-end planning, or even month-end, are balanced throughout the year. Staff are given the opportunity to provide other value-added services, making a bigger impact on the organization overall and adding to individual motivation. The following table illustrates the benefits of a faster close achieved using CPM software:

| Business Unit Level | Corporate Consolidated Level | Financial and Management Reporting |
|---|---|---|
| • Detailed close calendar<br>• Communication and workflow procedures<br>• Accelerated cut-off dates and time to perform account reconciliations<br>• Established and documented processes<br>• Automated journal entries pre-close<br>• Automated processes within close<br>• Defined/updated corporate policies/procedures to promote consistent quality of earnings | • Detailed procedures to perform inter-company cut-off and reconciliation<br>• Reduced inter-company complexity<br>• Established analysis and reviews to ensure consistent quality of information prior to data submission for consolidation<br>• Increased adherence to closing timetable<br>• Established day-to-day task plans to execute and monitor consolidation activities and coordination with business units<br>• Standardized consolidation practices | • Aligned financial and management reporting needs across the organization<br>• Established common language and types of analysis to communicate results across all layers of the organization<br>• Eliminate redundant reporting streams that deliver conflicting information<br>• Automated reports<br>• Proactively prepare reporting packages<br>• Established common financial and management reporting templates<br>• Established review meetings to enable appropriate analysis and review |

# Conclusion

Faster year-end close indicates that an organization takes responsibility for its financial position, both internally and externally. It also provides evidence of sound financial systems and procedures. Properly implemented techniques to achieve faster close will bring improved financial information to decision-makers throughout the year.

## The benefits of a faster close are summarized below:

- Reliable financial information for users is available earlier. Knowing the real financial position allows management to make prompt, informed, and effective decisions; and internal management can be better equipped in the planning process.
- Weaknesses in financial systems can be identified and corrected at the earliest opportunity, and the preparation and audit of financial statements can provide a major opportunity for building this assurance about financial reports.
- Improvements in financial procedures and systems necessary for an earlier close can have a much wider benefit for administration and management.
- The production of financial statements with an unqualified audit report provides everyone with assurance of good financial governance.
- An early compilation of the financial statements allows members and officers to concentrate on current-year financial matters and future plans.

## About Prophix

Your business is evolving. Your systems should evolve too. Achieve your goals more successfully with Prophix's innovative Corporate Performance Management (CPM) software. Improve profitability and minimize risk when you automate repetitive tasks and focus on what matters. Budget, plan, consolidate and report automatically. Whether in the cloud or on-premise, Prophix supports your future with a platform that flexes to suit your strategic realities, today and tomorrow.


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