White Paper

Streamlining the Financial Close, Consolidation and Reporting Process

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Introduction

In today's volatile and sometimes disruptive economic environment, CFOs and finance organizations must lead organizational decision-making processes with insight, speed and confidence. Yet many finance organizations are still bogged down by inefficiencies in routine processes such as the period-end financial close and reporting cycle, making it difficult to shift time to value-added analysis and decision support.

This white paper highlights the financial close and reporting challenges, the trade-offs between various software tools and the results organizations gain by using modern, cloud-based software applications that are purpose-built to conquer the complexity of the financial close.

Navigating the Financial Close and Reporting Process

The financial close, consolidation and reporting process can be relatively easy in a small enterprise using a single, centralized GL/ERP system, a single currency and a simple legal entity structure. As organizations grow and evolve in sophistication, however, the process can become quite complex. In a mid-sized to large enterprise, the financial close and reporting process spans the following activities: (Figure 1)

- Closing out the sub-ledgers (e.g., accounts payable, accounts receivable, fixed assets) and general ledgers (GLs) at multiple locations
- Collecting and consolidating financial results from multiple locations and systems
- Performing account reconciliations, booking the tax provision
- Producing financial and management reports
- Completing statutory reporting and filings to regulators

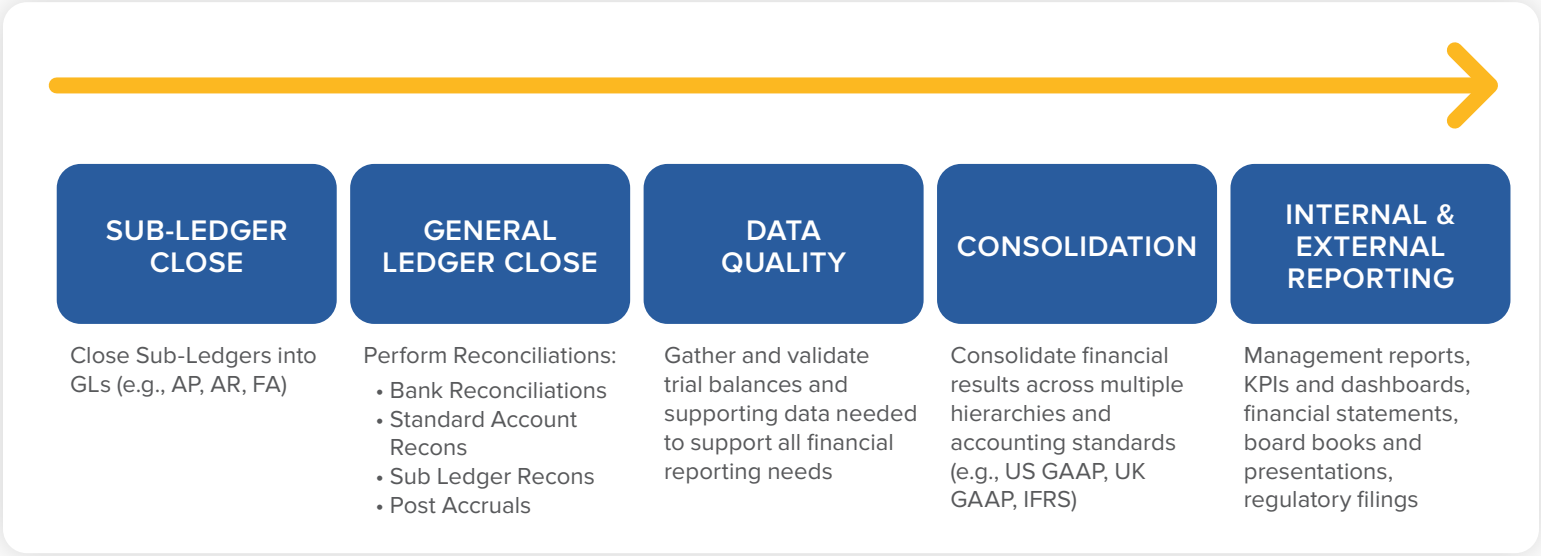


Figure 1: The Financial Close, Consolidation and Reporting Process

As highlighted above, as organizations grow and evolve in complexity, the financial close and reporting process can cross multiple locations and departments, involve multiple systems and consume a great deal of the finance team's time and resources. Most organizations execute the financial close and reporting process on a monthly basis with additional tasks and even more rigor on a quarterly basis. The year-end close then requires yet even more time and effort.

Any time and resources freed up from the mechanics of the process can be allocated to value-added activities, such as analyzing financial/operating results and supporting strategic business decisions across the enterprise. So how much time and effort are organizations spending on the financial close and reporting process?

State of the Financial Close Process

According to the Ventana Research 2019 Office of Finance Benchmark, roughly half (52%) of the companies surveyed close their books within six business days. This figure represented a slight improvement over the 2014 benchmark survey, in which 43% were completing the financial close process in six days or less. While this is good news, the bad news is that 25% of organizations surveyed take 11 business days or more to close the books. Worse yet, 24% take seven to 10 business days. In other words, there's plenty of room for improvement. (Figure 2)

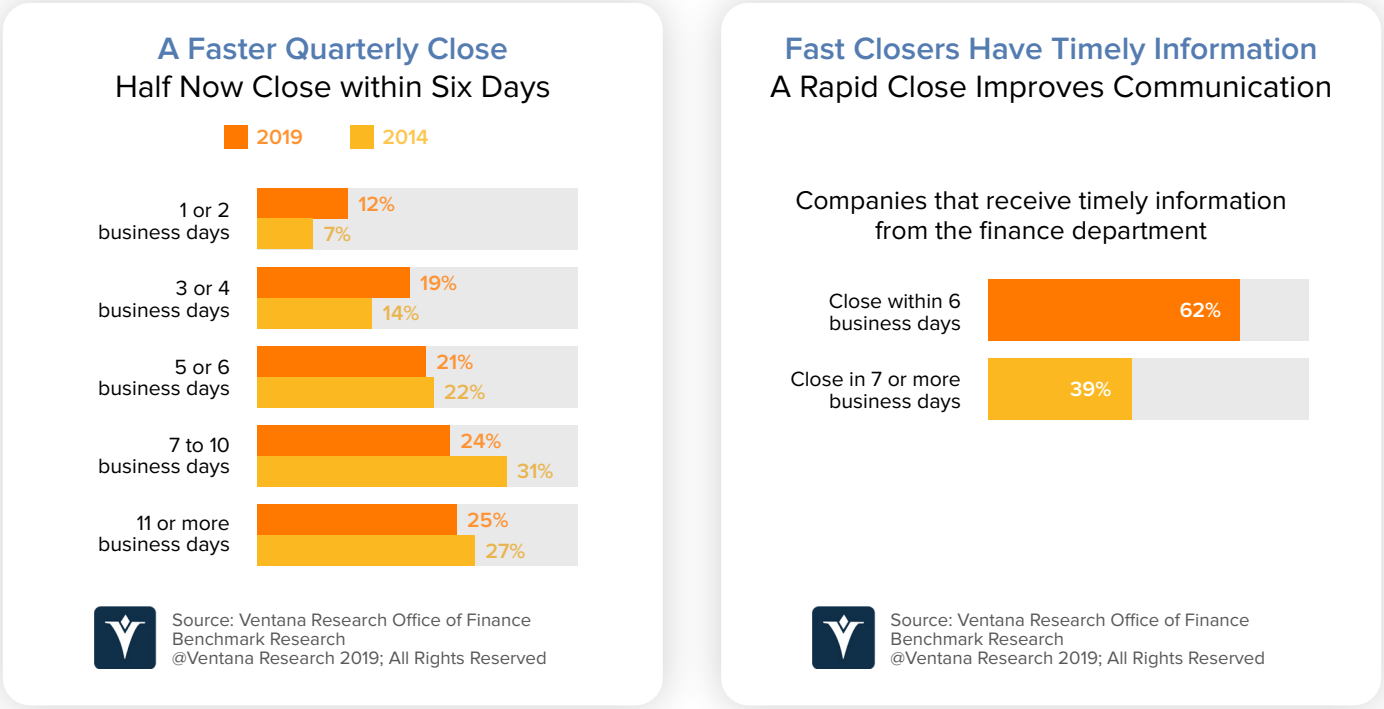


Figure 2: State of the Financial Close Process

A key advantage of executing a faster period-end close process is that executives and managers across the organization gain access to the timely financial and operating results needed to make sound decisions. This is borne out in the 2019 Ventana benchmark research, which found that nearly two-thirds of those companies (62%) that close within six business days say they provide timely information to their stakeholders, compared to 39% of those that take longer.

Moreover, executing an efficient financial close and delivering timely and accurate financial and operating results allows CFOs and finance executives to lead the organizational decision-making processes with insight, speed and confidence.

Challenges in Financial Close and Reporting

Some activities in the period-end financial close, consolidation and reporting process also have inherent complexities and challenges, especially in a mid-sized to large enterprise with global operations.

Here are just a few of those key complexities and challenges:

Integrating and Validating Data from Multiple Sources	The systems used by various subsidiaries and geographic divisions typically have different charts of accounts, operate in different currencies and sometimes even have different fiscal years. All of this data must be mapped and harmonized to corporate standards.
Currency Translation and Impact Analysis	Financial results collected in local currencies need to be translated to the reporting currency at current exchange rates. Actual results may also need to be translated at budget rates for comparison purposes.
Intercompany Eliminations	Enterprises with multiple locations or subsidiaries that sell goods and services to each other must eliminate all intercompany transactions and balances through the financial consolidation process. The more subsidiaries and intercompany transactions, the more complex this process.
Partial and Cross-Ownership	In enterprises with complex ownership structures, the financial consolidation process must correctly account for various levels of ownership and control the parent company or subsidiaries may have over other entities in the corporate hierarchy.
Journal Adjustments and Allocations	While reviewing period-end financial results, finance teams often need to make top-side journal adjustments, as well as allocations of costs to support the reporting of operating profit by division or product line.
Account Reconciliations	During the financial close process, account reconciliations are performed to ensure financial statement account balances are correct. This can span 100's to 1000's of accounts.
Tax Provision	As part of the period-end close a provision must be recorded for the estimated amount that an enterprise expects to pay in income taxes for the current year, for global operations in all geographies.

Supporting Multiple Reporting Standards	Enterprises with operations in multiple geographies may be subject to reporting financial results in accordance with multiple accounting standards (e.g., US GAAP, UK GAAP, IFRS, etc.) to support not only corporate reporting but also local tax and statutory reporting requirements.
Financial, Statutory and Management Reporting	Financial results often need to be reported for multiple purposes, using multiple rollup hierarchies for management legal, geographical, division, or other purposes.

Effectively addressing all these complexities in a global enterprise is critical to delivering accurate and auditable financial results. And efficiently executing the financial close process requires full visibility into the process. To achieve an efficient close process, CFOs and other senior finance executives need the ability to define the close calendar, then orchestrate and monitor the process on a day-by-day basis. Doing this requires real-time visibility into what tasks or processes have been completed by whom, with the ability to identify bottlenecks and quickly take action to resolve them.

Historically, the task of financial close process management was performed via a wall chart/closing calendar or set of binders and checklists laying out all the closing processes, tasks and responsibilities. But over the past 20–25 years, various software solutions have become available to help manage the close process and automate financial consolidation and reporting tasks.

Software Options and Trade-offs

While accounting departments manually performed consolidation and reporting for many years, in today's world there are various software tools (figure 3) used to support these processes:

TOOL	PROS	CONS
Spreadsheets	Cheap and widely available; familiar and easy to use	Error-prone, missing key functionality, no audit trails
GL / ERP	GL is available as part of ERP system and has currency translation, journals, basic intercompany eliminations	Not designed to integrate data from other GLs, doesn't support multiple consolidation hierarchies, limited reporting capabilities
Purpose-Built CPM Apps	Integrates data from multiple sources, has advanced consolidation features, robust reporting, full audit trails	Requires extra license in addition to GL / ERPs

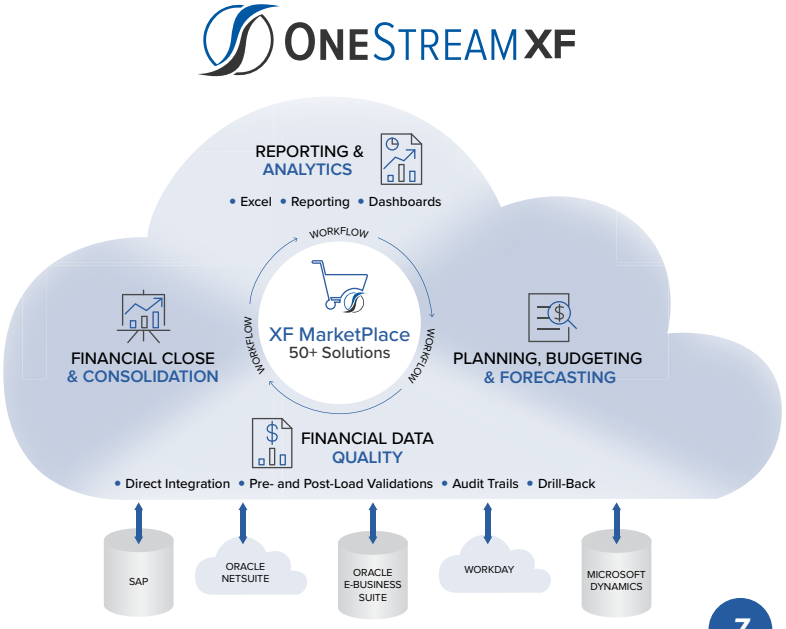
Figure 3: Software Tools for Financial Close, Consolidation and Reporting

- **Spreadsheets** – While spreadsheets are widely used by finance and accounting professionals, they weren't designed to support a complex process, such as financial close, consolidation and reporting. Loading data from different systems is a manual process using spreadsheets. And with hundreds of tabs being consolidated in a workbook, the spreadsheet can become difficult to maintain, and performance will degrade. Undetected errors can easily occur with the lack of adequate controls. Spreadsheets also don't provide adequate audit trails regarding changes to financial results.
- **General Ledger System/ERP** – The general ledger (GL) module of today's enterprise resource planning (ERP) systems typically has many of the required features for financial consolidation and reporting. That all works well if an organization has a single ERP system deployed across all subsidiaries or entities. But this approach can become cumbersome if there is a need to collect and consolidate financial results from multiple systems used by different locations or subsidiaries—especially if they have different charts of accounts. And GLs don't provide the flexibility to consolidate and report financial results across multiple hierarchies (e.g., legal, management, tax), or to support what-if analysis for potential mergers or acquisitions.
- **Purpose-Built Applications** – Purpose-built financial close, consolidation and reporting applications found in today's corporate performance management (CPM) software solutions are becoming the preferred approach for mid-sized to larger enterprises. These applications are designed to integrate data from multiple sources, have specific functionality built in to handle the complexities of financial close and consolidation, and typically have all the required security and audit trails. And they provide easy-to-use reporting tools that can automatically generate consolidated financial statements, as well as management reports, dashboards, board books, presentations and spreadsheet-based analysis—none of which is possible in a transactional system.

While purpose-built systems have historically been deployed in on-premises data centers, they are now available as cloud or software as a service (SaaS) offerings, making them easier than ever to deploy and manage. OneStream XF is a good example of a purpose-built application for financial close, consolidation, reporting and more.

OneStream's Unified SmartCPM™ Platform

OneStream software provides a modern, unified SmartCPM™ platform that simplifies financial close and consolidation, planning, reporting, analytics and financial data quality for sophisticated organizations. Deployed via the cloud or on-premise, OneStream's unified platform enables organizations to modernize finance, replace multiple legacy applications and reduce the total cost of ownership for financial systems. OneStream unleashes finance teams to spend less time on the mechanics of managing finance processes and more time focusing on driving business performance.



The OneStream XF platform can also be easily extended with solutions from the XF MarketPlace. These downloadable solutions are fully battle-tested and optimized for the OneStream XF platform, allowing customers to easily extend the value of their CPM platform to meet the changing needs of finance and operations. More than 50 solutions—including Close Management, Account Reconciliations, Transaction Matching, Tax Provision, Lease Accounting and others—are available on the OneStream XF MarketPlace and in use by customers.

Customer Benefits

More than 500 organizations globally have implemented OneStream's unified platform, replacing spreadsheets or multiple legacy applications for not only financial close, consolidation and reporting but also planning, forecasting and analysis. By automating manual tasks, connecting directly to source systems and eliminating multiple points of maintenance and data integration, these organizations are experiencing improvements (figure 4) to their finance processes and their businesses.

FINANCE PROCESS IMPROVEMENTS	BUSINESS IMPACTS
Accelerate data integration and consolidation	Increased confidence in the accuracy of financial results
Speed account reconciliations and tax provisioning	Ability to quickly address new compliance requirements
Streamline the financial close process	Alignment of financial close and reporting with planning and analytics
Deliver timely and accurate results to stakeholders	Reduced cost of ownership for financial systems

Figure 4: Finance Process Improvements and Business Impacts

Conclusion

Supporting an efficient period-end financial close process is essential to producing timely and accurate financial and operating results for any internal and external stakeholders that require agile decision-making. This might sound easy on the surface, but in a large global enterprise, the process can be very complex. Such a process includes collecting and consolidating financial results from multiple systems, managing currency translations, handling intercompany eliminations, accounting for partial ownerships and reporting in accordance with multiple reporting standards.

Purpose-built software applications to support the financial close and reporting process have been available for over 20 years. Yet many organizations struggle in managing this complex process with spreadsheets and manual work, or legacy financial applications that are inflexible and no longer meet current business requirements.

Organizations that have adopted modern, cloud-based applications for financial close, consolidation, reporting and other processes have been more successful in streamlining the process, ensuring the accuracy of their financial results. And perhaps most importantly, such organizations have gained the agility needed to adopt quickly to changing business and industry requirements.

To learn more, visit **OneStreamsoftware.com** or contact your local OneStream account representative.

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