Evaluation Guide
Version 2

IBM

Management and Financial Reporting

Information Management

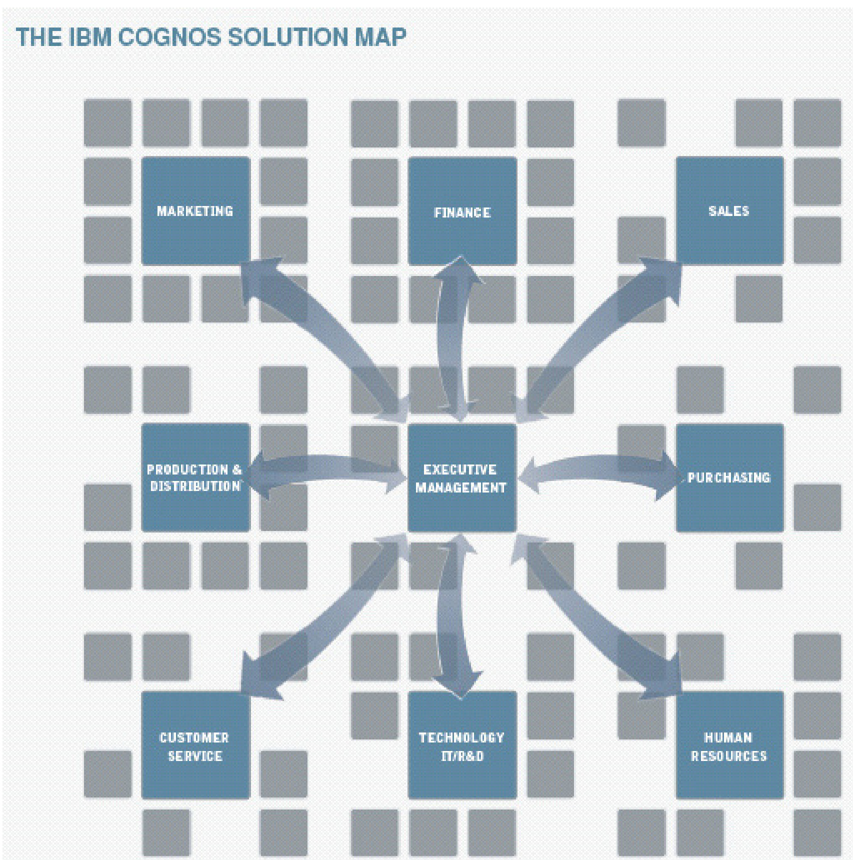
Cognos. software

Financial consolidation is fundamental to performance management.

Financial consolidation is fundamental to managing corporate performance. It enables an internal enterprise view of financial information that provides insight into performance overall and serves as an alert system to variances from plan. Executive management uses consolidated financial information to both understand performance and run the business.

Consolidation also facilitates sharing of financial performance information with external stakeholders such as regulators, shareholders, and financial analysts.

Transparency, timeliness, and reliability are key components of sound corporate governance. An enterprise with a quick, quality close process, along with compliance to international standards like IFRS or US GAAP, exemplifies solid senior management and a quality finance organization– which helps attract both capital and investors.



Financial Consolidation and Corporate Reporting: Challenges and Solutions

In the current global business environment, the consolidation and reporting process is challenging. Because of ever-increasing complexity, doing "business as usual" with outdated, ineffective approaches and tools is a shortcut to disaster. And simply automating dysfunctional processes is of minimal value.

Smart companies:

- Integrate management and statutory consolidation and reporting across processes and systems.
- Apply accepted best practices supported by cutting-edge technology.
- Leverage reporting and analysis platforms for enhanced management and corporate reporting.
- Boost shareholder confidence by improving on external reporting cycles and degree of transparency.

The goals of improved process and technology are to:

- Mitigate risk during implementation phase.
- Increase efficiency in the financial consolidation process.
- Increase effectiveness in the corporate reporting process to improve content.
- Secure a higher return on investment

Financial (Management and Statutory) Consolidation

Management and statutory consolidation provides a timely, accurate view of financial and operational performance, along with analysis of variance from targets, plans, and actuals.

In the consolidation process:

Data capture goes beyond collecting numbers. It has auditable standards, ensures authority, and has a clear trail back to sources. Best practices dictate that data collection is monitored, tracked, and aligned with corporate expectation.

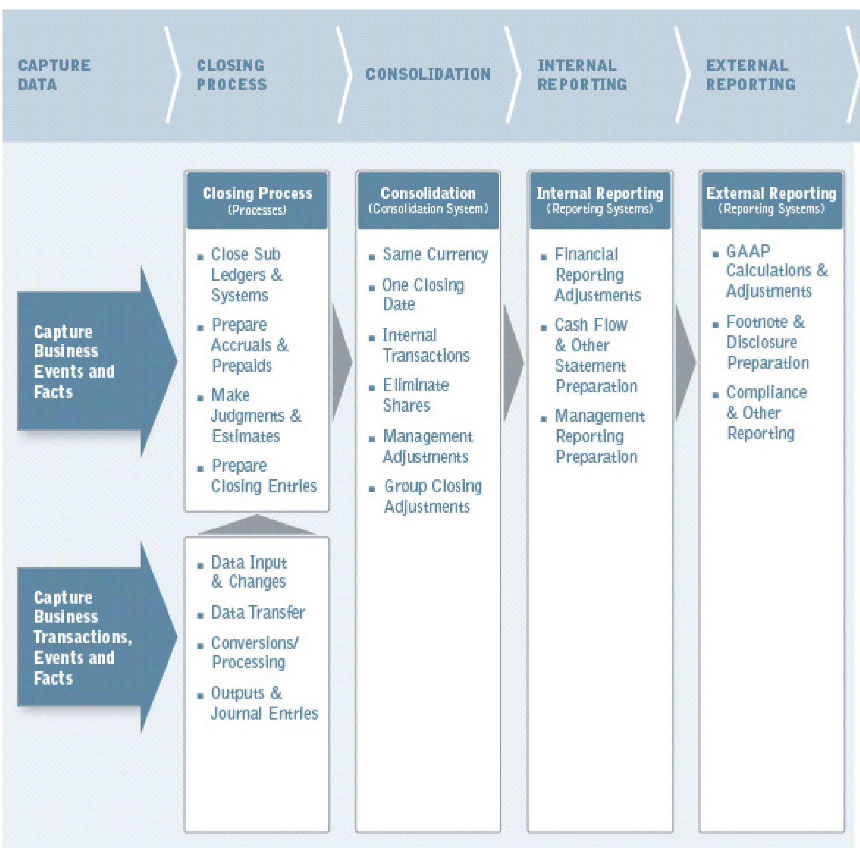
- *Business models are increasingly complex, while reporting processes cannot keep pace.*
- *Information demand increases as tools become more sophisticated.*
- *Mergers and acquisitions result in disparate systems and multiple business models to report against.*
- *Tax strategies and globalization create multiple statutory and regulatory requirements for financial information.*
- *Decentralization to improve responsiveness and encourage entrepreneurship frustrates process decentralization*
- *Point solutions may address specific industry or operational needs, but do not always integrate with central financial reporting processes and underlying systems.*

Closing is a multi-step process which

- Ensures that data collection and rollup adhere to current legal and statutory reporting requirements.
- Adjusts accounts and converts currency.
- Creates a single set of statutory data.
- Executes preparatory steps for consolidation.

Consolidation is not just aggregating data. It creates a single view of the organization supported by multiple legal and business views to deliver corporate, subsidiary, or divisional insight.

Consolidated data is the raw material for internal and external analysis and presentation.



Consolidation best practices require careful preparation for close and a rigorous data gathering process.

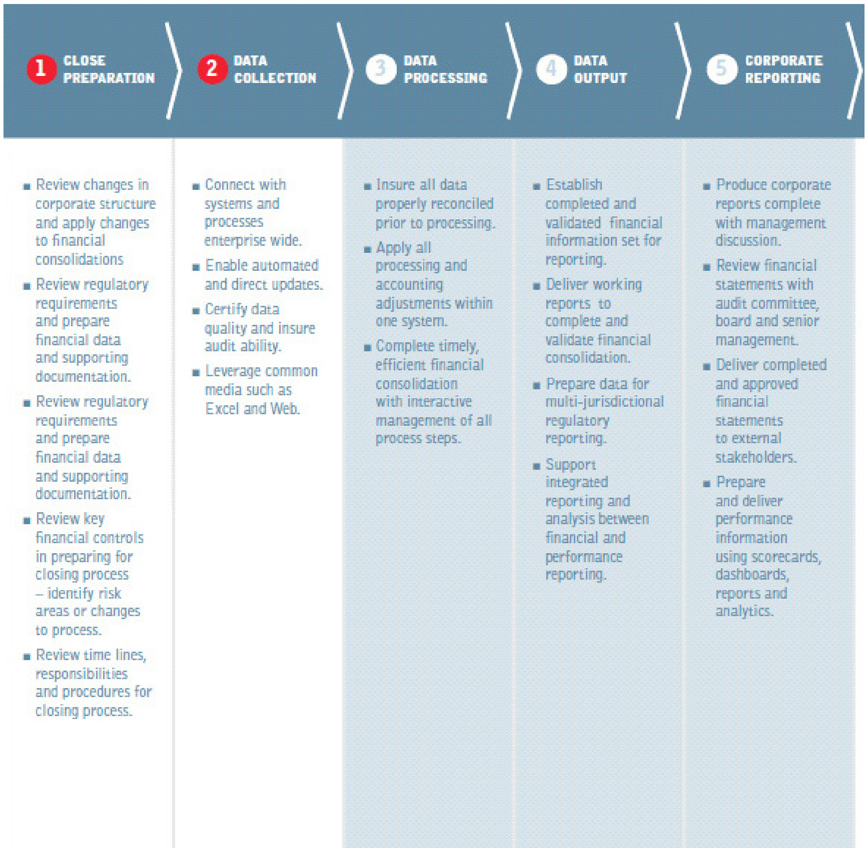
Consolidation goes far beyond adding up numbers, formatting results, and printing reports.

Close preparation. Decisions concerning corporate structure are made, the most current regulatory requirements are reviewed, key risk areas and process changes are identified, and process timelines are specified.

Data Collection. Subsidiaries close their books and submit data to a central collection point. Many organizations have multiple G/L and ERP systems across subsidiaries, divisions, and geographies, each with its own chart of accounts. Data collected in local currencies across disparate entities and systems must be translated into a common chart of accounts and currency.

Entering data by business area, product, or customer allows consolidation with elimination of internal transactions, providing a complete income account for each dimension. Statutory consolidation and accounts are based on the same data, but more highly aggregated and in different dimensions.

In addition, non-financial data residing in various transaction systems–including sales statistics and headcount information–is captured and aggregated, and data from company acquisitions and disposals is also collected to create consolidated cash flow analyses.



Data processing begins when information is collected and reduced to a common currency and chart of accounts.

Data from entities and subsidiaries must be collected and transformed into a common currency and chart of accounts. Both statutory and management consolidation require:

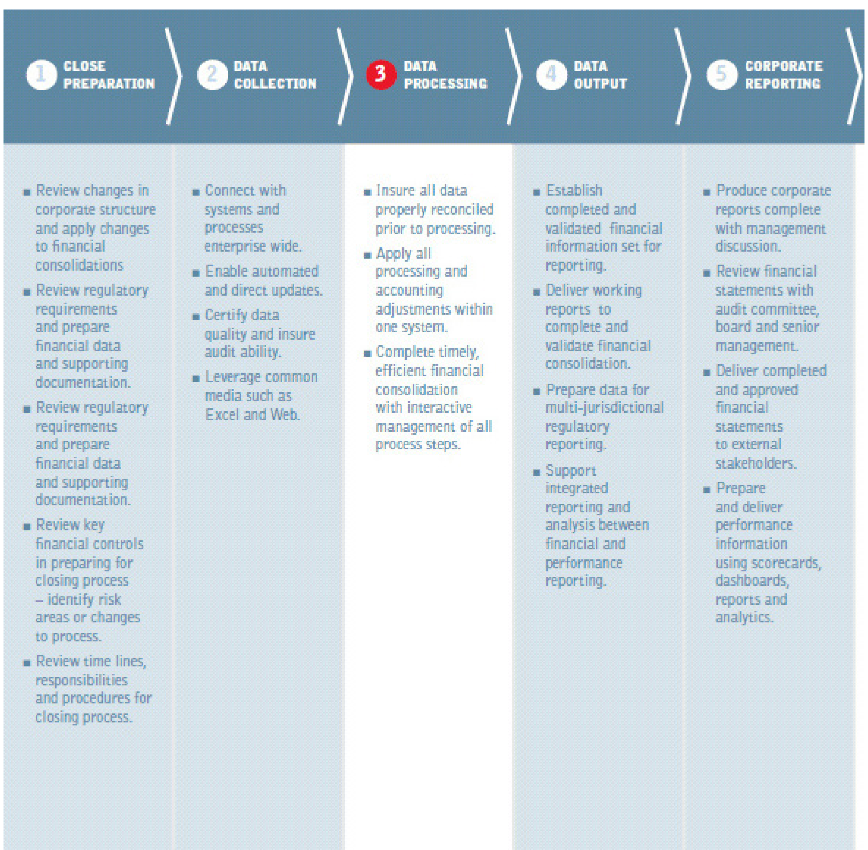
- One group closing date.
- Elimination of internal transactions, like sales and profits between subsidiaries.

Management Consolidation

- Management revaluation adjustments, e.g. reallocation of costs.
- Management versions of the Income Statement where accounts are reordered, new subtotals added, or accounts such as “cost of sales” detailed.
- Group closing adjustments of corporate overheads are allocated by business areas and profit centers.
- Entity structure organized by business model such as divisions or geographies.
- Management commentary from entities.

Statutory Consolidation

Other group closing adjustments due to differences in value methods between local GAAPs and international principles and internal differences in accounting rules for a company and group.



After iterative review, adjustment, and reconciliation, final results are generated. Consolidation is typically an iterative process, with review, adjustment, and reconciliation before generating final results.

Data output feeds many levels of decision- making. Data must be tied back to accounting adjustments. All working reports and data elements are available for financial analysts to certify final consolidated values. Consolidated statutory accounts are the ultimate financial performance measure.

Executive management uses this information to communicate financial KPIs, interim-, and annual reports to shareholders, financial institutions, regulators, analysts, and other external stakeholders.

1 CLOSE PREPARATION	2 DATA COLLECTION	3 DATA PROCESSING	4 DATA OUTPUT	5 CORPORATE REPORTING
▪ Review changes in corporate structure and apply changes to financial consolidations ▪ Review regulatory requirements and prepare financial data and supporting documentation. ▪ Review regulatory requirements and prepare financial data and supporting documentation. ▪ Review key financial controls in preparing for closing process – identify risk areas or changes to process. ▪ Review time lines, responsibilities and procedures for closing process.	▪ Connect with systems and processes enterprise wide. ▪ Enable automated and direct updates. ▪ Certify data quality and insure audit ability. ▪ Leverage common media such as Excel and Web.	▪ Insure all data properly reconciled prior to processing. ▪ Apply all processing and accounting adjustments within one system. ▪ Complete timely, efficient financial consolidation with interactive management of all process steps.	▪ Establish completed and validated financial information set for reporting. ▪ Deliver working reports to complete and validate financial consolidation. ▪ Prepare data for multi-jurisdictional regulatory reporting. ▪ Support integrated reporting and analysis between financial and performance reporting.	▪ Produce corporate reports complete with management discussion. ▪ Review financial statements with audit committee, board and senior management. ▪ Deliver completed and approved financial statements to external stakeholders. ▪ Prepare and deliver performance information using scorecards, dashboards, reports and analytics.

Reporting connects users to data and is critical to driving performance.
Executive management needs a timely, accurate, relevant view of the enterprise to identify under-performing entities, projects, or activities, to set benchmarks using the performance of successful entities, and to make quicker, better-informed decisions.

Internal reports provide management information for internal stakeholders like executive management and line-of-business managers. In most cases, corporate analysis is exception-based, analyzing variance from target, budget, the current forecast, and last year's performance.

External reports support SEC, credit, and ownership understanding of financial performance. Reports are delivered in standard, formatted documents well understood by all constituents.

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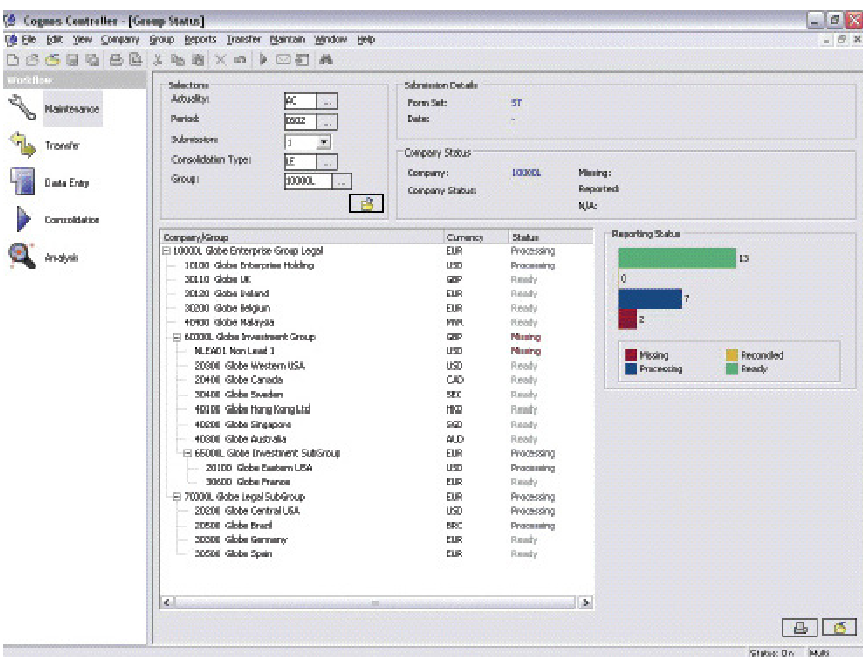
IBM Cognos Controller Workflow – Streamlined support for managing consolidation processes.

IBM Cognos® Controller provides built-in process management functionality and predefined working reports that incorporate best practices for financial consolidation and both internal and external reporting.

Controller simplifies consolidation, enables real-time adjustment, offers adaptability to business-or regulatory changes, and reduces time-to-close.

Best practices ensure a timely, efficient, and cost-effective process from end to end. From the moment the close period begins and data is collected to the review of first consolidated results two days later, each step is carefully monitored, and results are passed quickly on to subsequent steps.

Combined with IBM Cognos reporting and analysis functionalities, Controller enables deep visibility into business and management controls for enhanced decision support. In addition, many best-practice companies use the IBM Cognos data warehouse as the foundation for corporate reporting and analysis.



Current reporting approaches can meet basic information needs.

Who are the users?

- Corporate executives
- Business controllers
- Line-of-business managers
- Division managers
- Board of directors

What do they need?

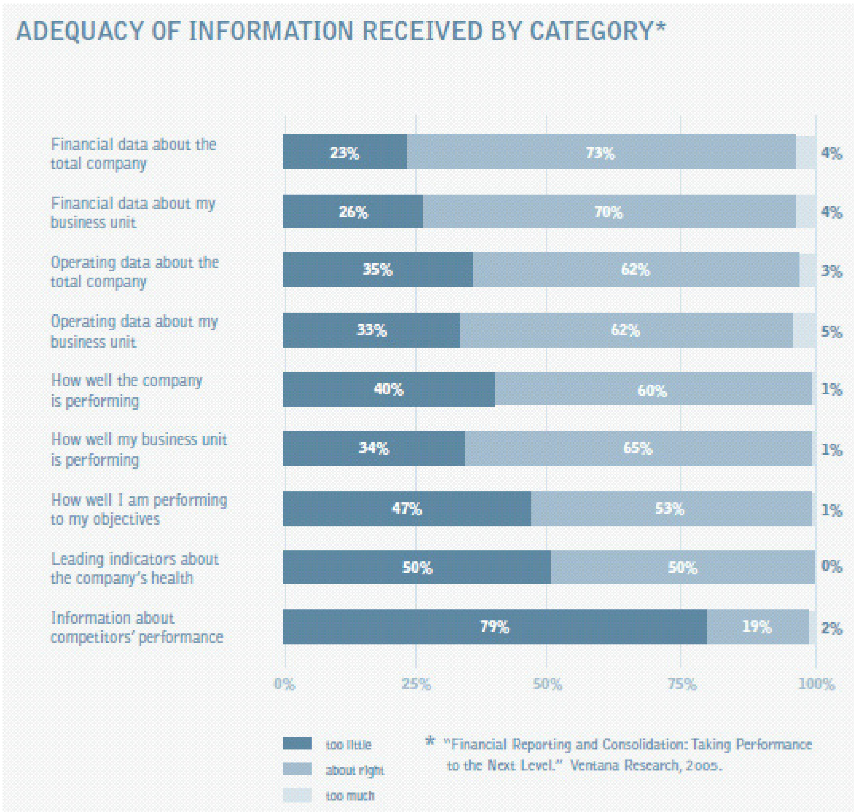
- Financial data such as consolidated income statement, balance sheet, and cash flow by group, company, business area, customer, product, or other management dimension.
- Group operational data of strategic importance.
- Relevant metrics linked to missions and goals based on rigorous methodology.
- People-related data.

When do they need it?

- Depending on what and who, it will vary from daily to monthly.

How do they transmit it?

- Meetings
- Paper reports
- Electronic reports
- Adobe® PDF® files via e-mail
- Exception-based alerts
- Interactive analysis tools

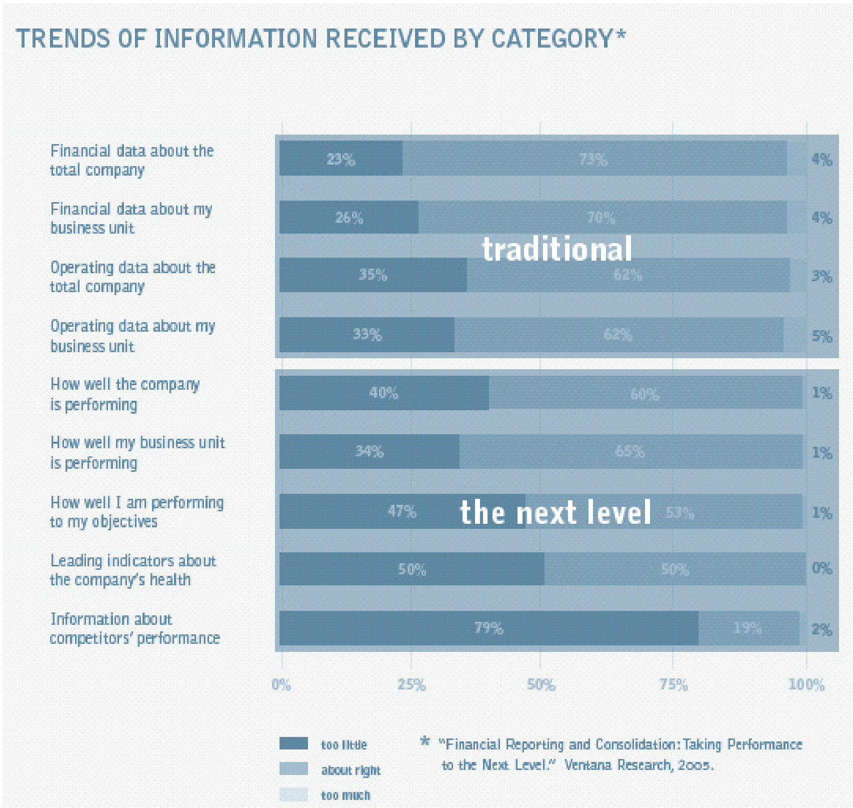


Next-practice reporting answers the tougher questions.

- Executive managers need a holistic view of enterprise performance. They need corporate results reported in a timely, relevant, and accurate manner. For a better understanding and support for decision-making, managers must be able to deep-dive into entities, projects, or activities that do not perform according to expectations.

- The CFO owns and controls most of the data and processes that form the foundation for performance management. Consequently, the finance team is the natural overseer of corporate reporting and performance management, which should include processes for financial reporting, management reporting, key corporate performance indicators, operational and financial analysis.

- Reinventing the finance organization from a support function to an agent of real business improvement is a challenge for CFOs. A next-practice approach to reporting answers key questions like: "How are we doing?" "Am I meeting my objectives?" "How healthy is the company?" "How is the competition doing?"



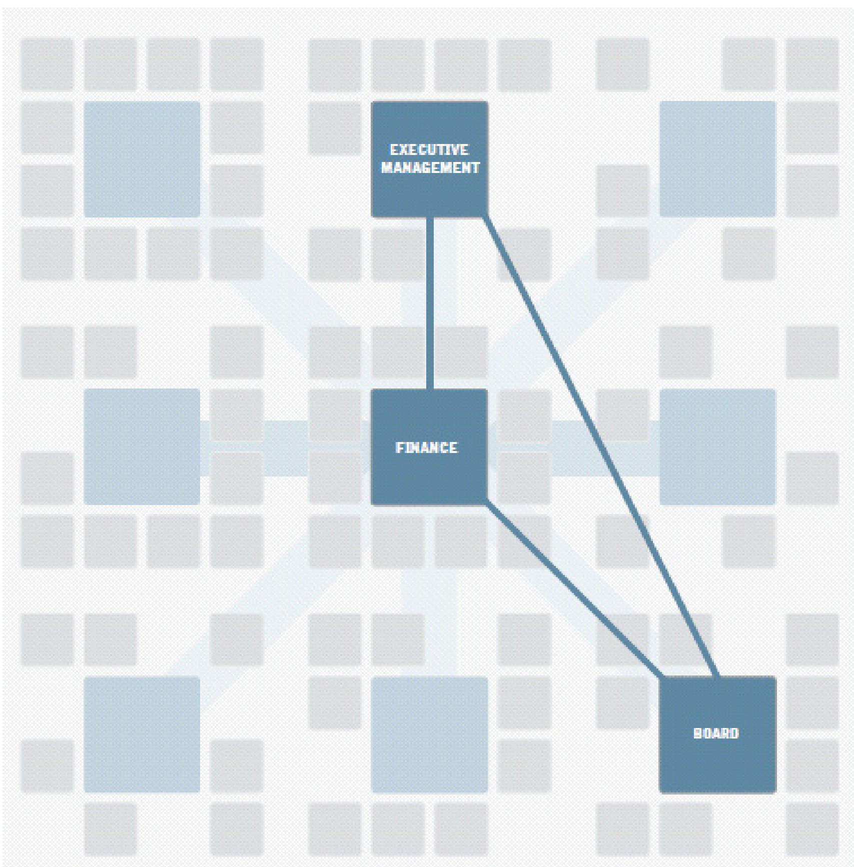
The IBM Cognos Performance Blueprint for Management and Financial Reporting

IBM Cognos Performance Blueprints offer the visibility and control you need to identify trends, to adapt, and to proactively address change–both internal and external–quickly and effectively. Developed for a wide variety of functions and industries, Performance Blueprints are pre-defined data, process, and policy models based on proven best practices in financial management and control or enterprise planning.

The IBM Cognos Management and Financial Reporting Blueprint improves external reporting cycles and degree of perceived transparency, and ensures that statutory and management consolidation align with corporate reporting.

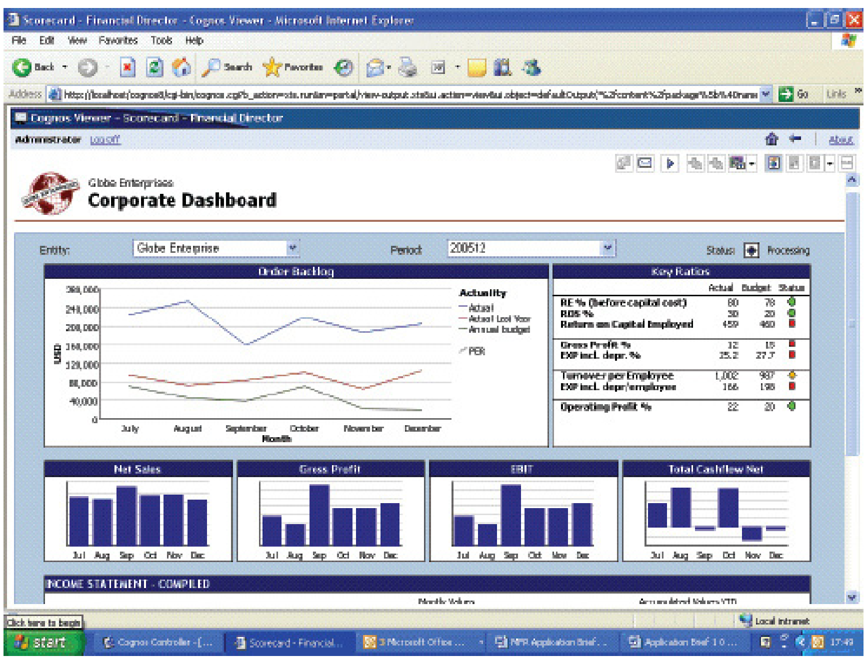
The Blueprint:

- Automatically leverages in-place financial consolidation processes.
- Reduces risk and speeds solution deployment with pre-defined statutory and performance reports.
- Integrates financial consolidation and performance reporting.
- Delivers financial reports tailored to needs of internal and external stakeholders.
- Distributes enterprise-wide financial and performance reports based on audience information needs.
- Provides integrated reports, scorecards, dashboards, and analytics for easy visibility into performance.



IBM Cognos Management and Financial Reporting Blueprint Benefits

- Best-practice applications for financial consolidation and corporate reporting drive information capture, processing, and reporting.
- Web portals offer rapid information access for smarter, faster decision-making.
- Access to closing versions in local and group GAAPs with local adjustment via automatic reports.
- Different structure and rollups for legal, management, and local statutory reporting; ensures all reports for consolidation are generated from a single source.



About the IBM Cognos Innovation Center for Performance Management

The IBM Cognos Innovation Center for Performance Management is dedicated to the understanding, adoption, and implementation of next-generation practices in planning, analytics, performance management, and business intelligence competency. It is a consortium of industry leaders, practitioners, thought leaders, forward-looking executives, and technology experts experienced in, and committed to, the advancement and successful application of technology-enabled performance management best practices. The Innovation Center seeks to assist organizations in optimizing the alignment of their plans, processes, and resources with corporate goals and strategies.

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

For further information or to reach a representative: www.ibm.com/cognos

Request a call

To request a call or to ask a question, go to www.ibm.com/cognos/contactus. An IBM Cognos representative will respond to your enquiry within two business days.

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