Financial Consolidation
- Optimising the accounting close

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Agenda

- **Introduction**

- **Challenges**

- **Technological and practical solutions**

- **Additional information**

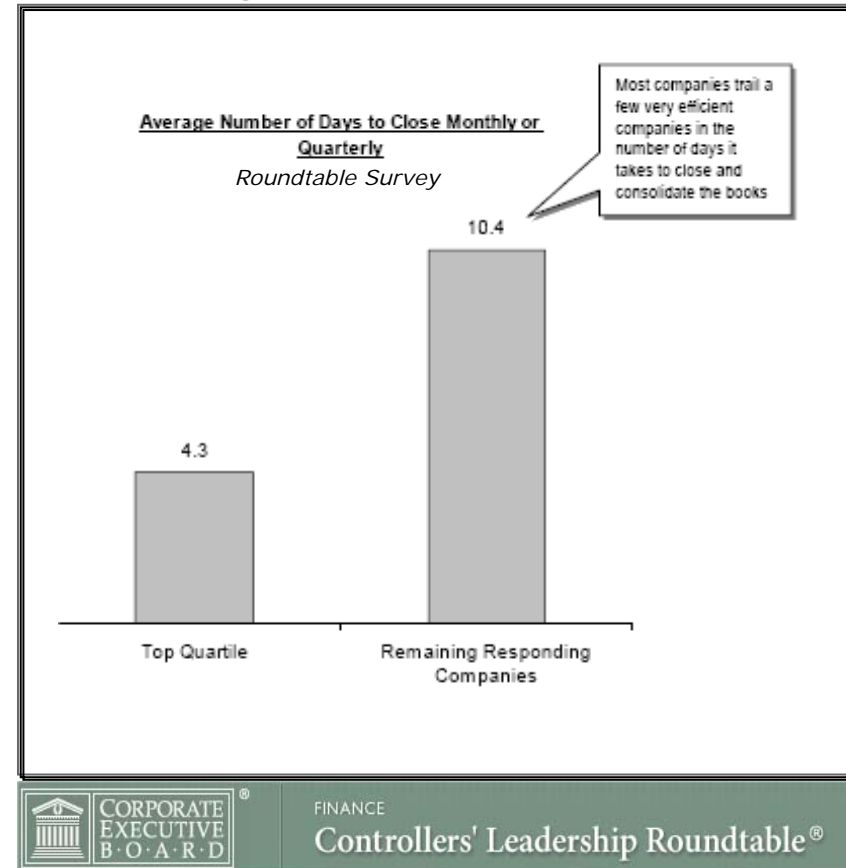## *Customer challenge #1: Length of time to close*

Controller

Top Concerns:

- Direct correlation between time to close and availability of results

- Extended time to close compresses other activities in the close cycle: e.g review and audit, report preparation

- Extended close may mask other deficiencies

- Best in class organizations target completed close cycles in 6 days

Length of time to close.

Average Number of Days to Close Monthly or Quarterly
Roundtable Survey

Most companies trail a few very efficient companies in the number of days it takes to close and consolidate the books

10.4

4.3

Top Quartile

Remaining Responding Companies

CORPORATE EXECUTIVE B·O·A·R·D ®

FINANCE
Controllers' Leadership Roundtable®

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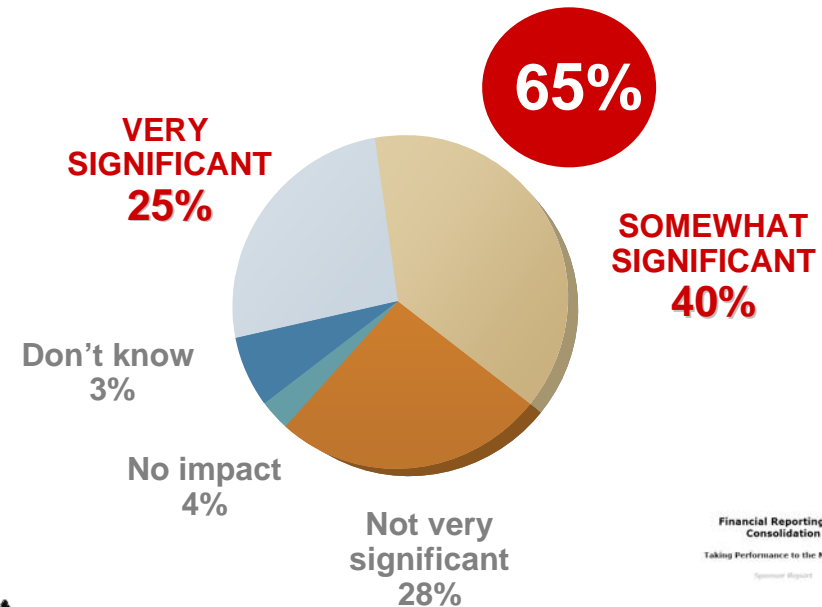# Customer challenge #2: Ensuring financial data quality & accuracy

Controller

Top Concerns:

- Possibility of misstatement

- Direct correlation with data collection and reconciliation errors

- Transaction and balance accuracy – AR/AP/GL – for close cycle and performance measurement

- Audit and compliance issues and internal control failures

Do you have concerns issues regarding financial data quality & accuracy in your close process

65%

VERY SIGNIFICANT 25%

SOMEWHAT SIGNIFICANT 40%

Don't know 3%

No impact 4%

Not very significant 28%

VENTANA RESEARCH

Financial Reporting and Consolidation

Taking Performance to the Next Level

VENTANA RESEARCH

Asked of 300 senor finance and IT executives

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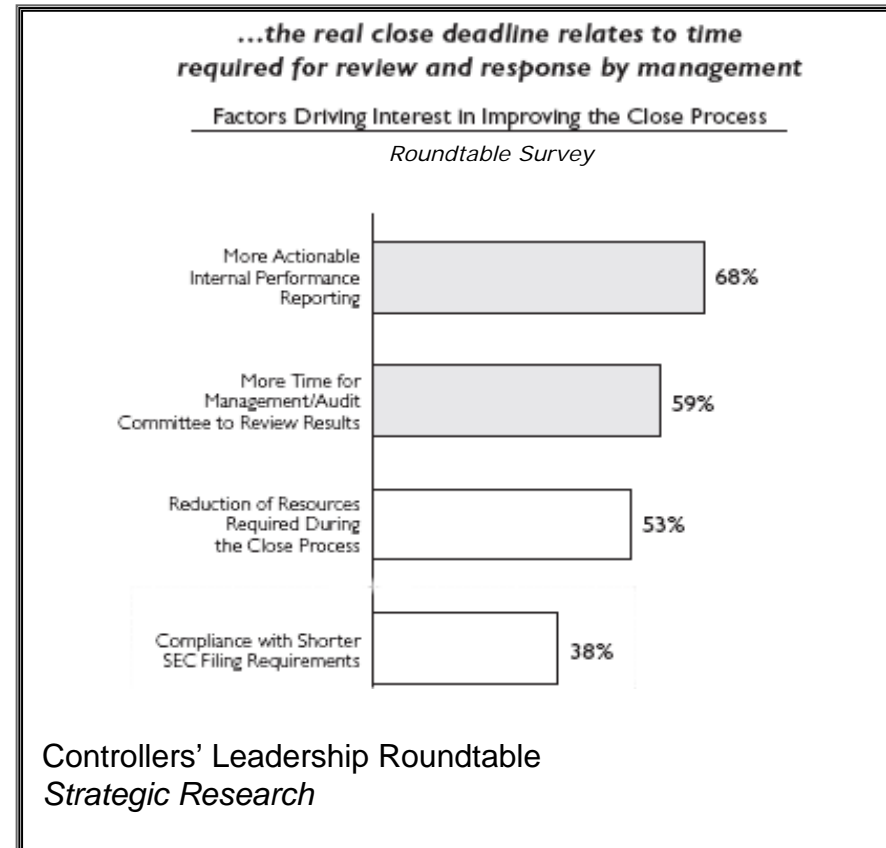
Customer challenge #3: Supporting performance management

Top Concerns:

- Delivering *timely and accurate* financial reports to business stakeholders, managers and executives

- Ensuring financial results are centralized, auditable and certified

- Providing time for review and adjustment

- Delivering fully documented financial statements to internal and external stakeholders

Controller

Actionable performance management

...the real close deadline relates to time required for review and response by management

Factors Driving Interest in Improving the Close Process
Roundtable Survey

Factor	Percent
More Actionable Internal Performance Reporting	68%
More Time for Management/Audit Committee to Review Results	59%
Reduction of Resources Required During the Close Process	53%
Compliance with Shorter SEC Filing Requirements	38%

Controllers' Leadership Roundtable
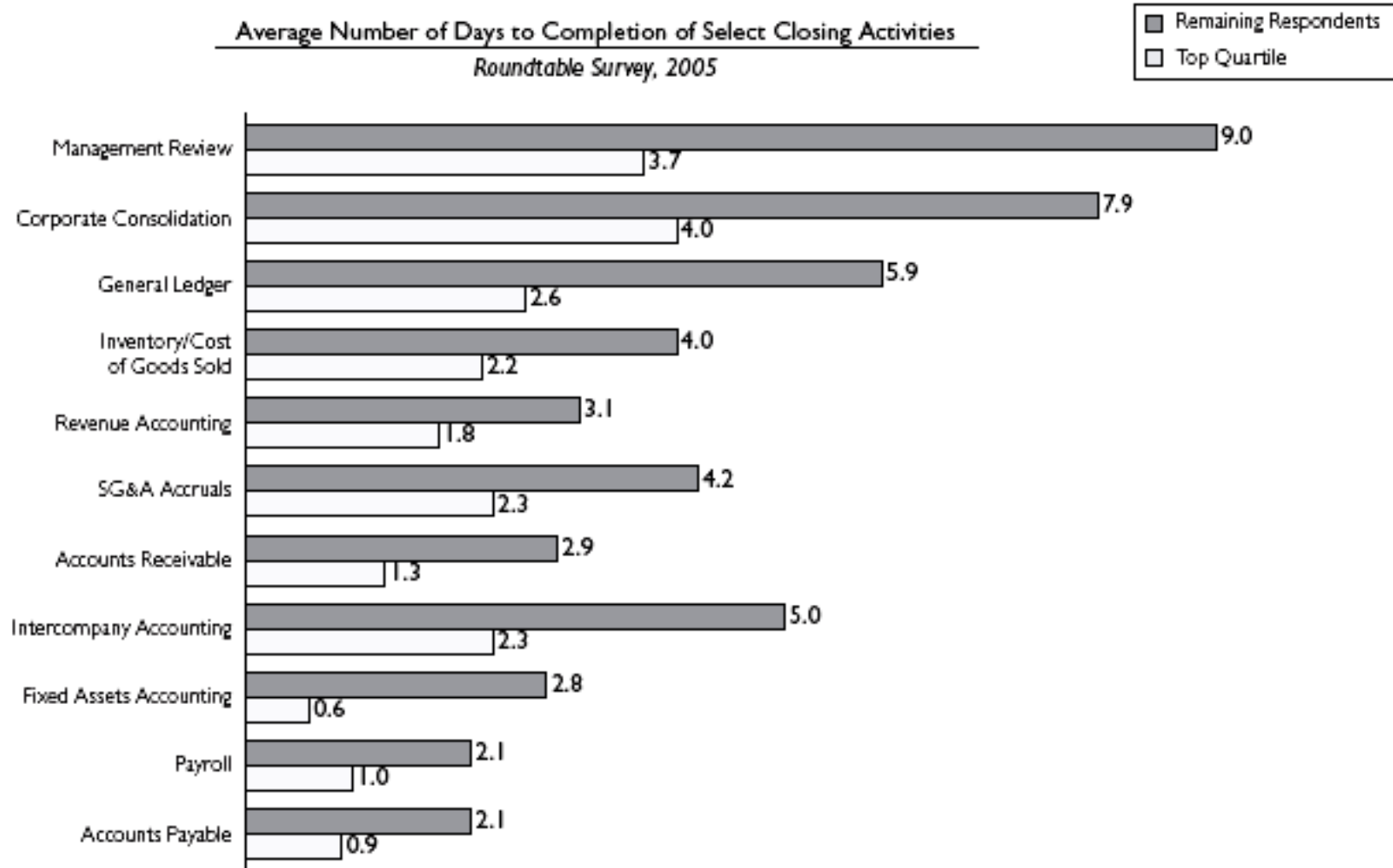*Strategic Research*

CORPORATE EXECUTIVE B·O·A·R·D ®   FINANCE
Controllers' Leadership Roundtable ®

Asked of senior finance and IT leadership

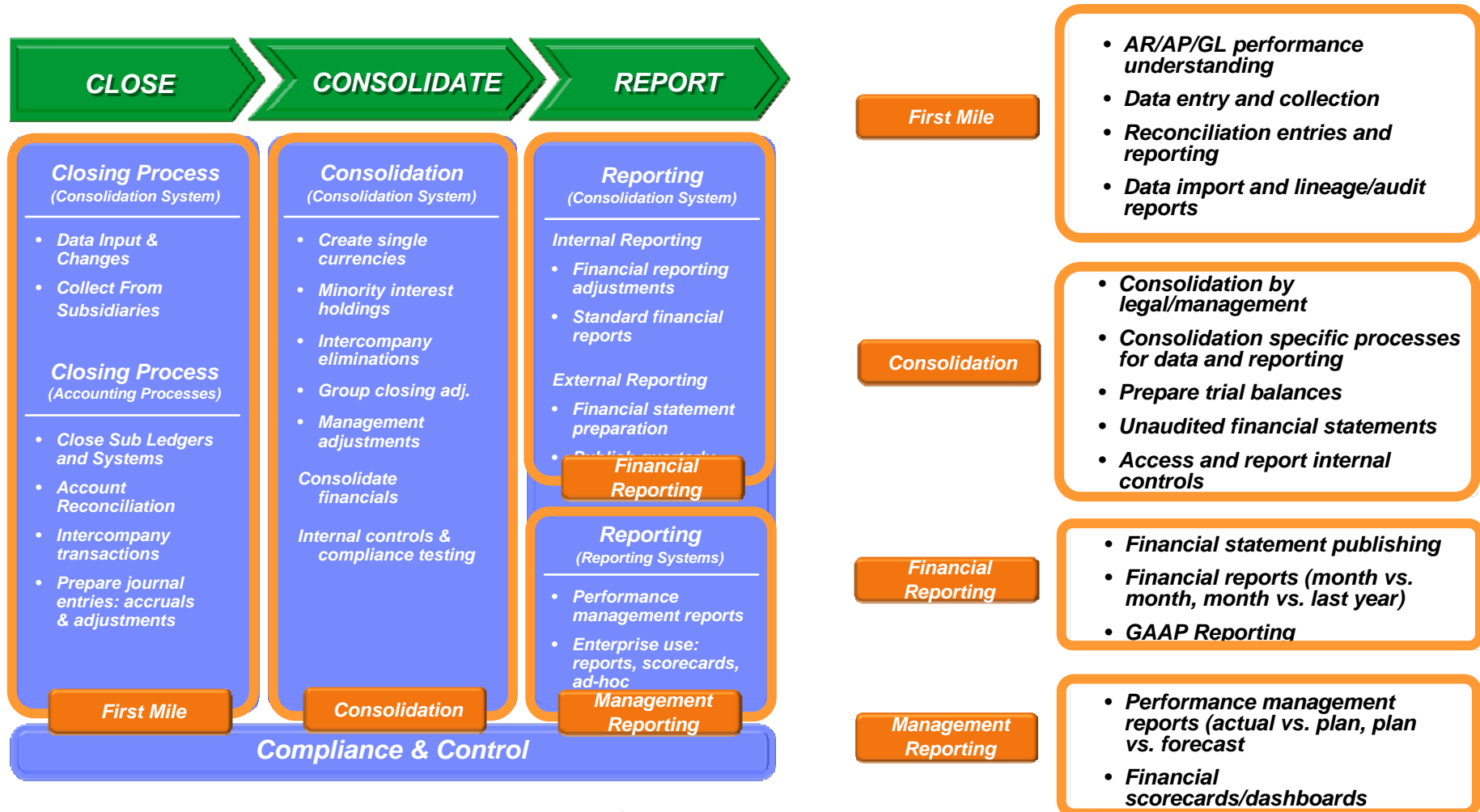**Cognos.** software

Activities during the close process

Average Number of Days to Completion of Select Closing Activities
Roundtable Survey, 2005

| | Remaining Respondents |
| | Top Quartile |

Activity	Remaining Respondents	Top Quartile
Management Review	9.0	3.7
Corporate Consolidation	7.9	4.0
General Ledger	5.9	2.6
Inventory/Cost of Goods Sold	4.0	2.2
Revenue Accounting	3.1	1.8
SG&A Accruals	4.2	2.3
Accounts Receivable	2.9	1.3
Intercompany Accounting	5.0	2.3
Fixed Assets Accounting	2.8	0.6
Payroll	2.1	1.0
Accounts Payable	2.1	0.9

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Where IBM can help:

- **Data capture**

- **Metadata management**

- **Mapping tables**

- **Controlled environment**

- **Delivering the financial information**

Financial consolidation & corporate reporting

CLOSE › CONSOLIDATE › REPORT

Closing Process
(Consolidation System)

- Data Input & Changes
- Collect From Subsidiaries

Closing Process
(Accounting Processes)

- Close Sub Ledgers and Systems
- Account Reconciliation
- Intercompany transactions
- Prepare journal entries: accruals & adjustments

First Mile

Consolidation
(Consolidation System)

- Create single currencies
- Minority interest holdings
- Intercompany eliminations
- Group closing adj.
- Management adjustments

Consolidate financials

Internal controls & compliance testing

Consolidation

Reporting
(Consolidation System)

Internal Reporting
- Financial reporting adjustments
- Standard financial reports

External Reporting
- Financial statement preparation
- Publish quarterly

Financial Reporting

Reporting
(Reporting Systems)

- Performance management reports
- Enterprise use: reports, scorecards, ad-hoc

Management Reporting

Compliance & Control

First Mile
- AR/AP/GL performance understanding
- Data entry and collection
- Reconciliation entries and reporting
- Data import and lineage/audit reports

Consolidation
- Consolidation by legal/management
- Consolidation specific processes for data and reporting
- Prepare trial balances
- Unaudited financial statements
- Access and report internal controls

Financial Reporting
- Financial statement publishing
- Financial reports (month vs. month, month vs. last year)
- GAAP Reporting

Management Reporting
- Performance management reports (actual vs. plan, plan vs. forecast
- Financial scorecards/dashboards

Financial consolidation is the management of the process, data and accounting rules to deliver certified, accurate, and auditable financial results & financial statements

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Data capture:

- **Multiple data sources**

- **Data quality**

- **System driven validations**

- **Controlled journal adjustments**

- **Intercompany**

- **Narrative reporting**

Metadata management:

- Consistent coding.

- Consistent exchange rates

- Consistent period structures

- Mapping tables.

- Audit trail of changes.

Controlled environment:

- **Efficiency**

- **Collaboration**

- **Security**

- **Audit**

- **Management and Statutory reporting share same platform.**

- **Access/release of data to stakeholders**

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Delivering financial information:

- **Users interface is intuitive and consistent**

- **Data complexity is hidden from user**

- **Leverages all financial data sources: financial consolidation, planning, ERP, GL, etc.**

- **One product for all capabilities; related content only one-click away**

- **Self-service reporting and analysis speeds information access**

- **Single source of information for consistent experience**

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Transformation Through Innovation

Blueprint Philosophy

- **Elevate process improvement and transformation options**
- **Link process, technology and internal controls**
- **Provide best practices from world class partners**
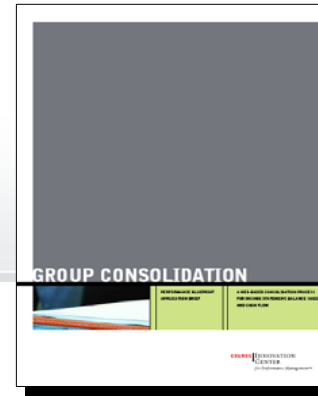
Group Consolidation and Reporting Blueprint

Pre-configured template and reports for delivering IFRS and Group reports.

NEW

XBRL Semansys Blueprint *

A model to deliver XBRL reports.
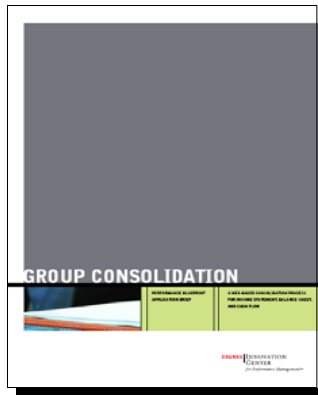
NEW

Group Consolidation and Internal Control *

Pre-configured template and reports for delivering Internal Controls based on Deloitte's knowledgebase.

* Available 2009

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Additional information:

- **Check out web communities:**

  PWC, Deloitte, IBM, Innovation Center, FPM Resource Center.

  Controllers Customary Advisory Board, FSN Newswire.

- **Join IBM Cognos Controller Community (Bi monthly team calls)**

  send an e-mail to delbert.krause@ca.ibm.com.

  Opportunity management updates and information.

  Introduction to new blueprints and product releases.

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IBM Cognos
Performance Management System

Applications & Blueprints

| Financial Performance | Financial Consolidation | Partner Applications | Partner Blueprints |
| Workforce Performance | Banking Risk Performance | 20+ Functional Blueprints | 30+ Industry Blueprints |

Access & Interactivity

| Any Language | Any Format | Any Mode | Any Location |

Universal Capabilities

| Query | Reporting | Analysis | Scorecards | Dashboards | Planning |

Business Modeling

| Manage Dimensions | Build Datasets | Define Metrics | Capture Context |

Performance Management Platform

| Access & Optimize Information | Organize & Capture Content | Deploy & Manage Applications | Architect & Integrate Solutions |

Information Infrastructure

Information Integration, Warehousing and Management

| Data Management | Content Management |

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Balance Sheet-Compiled

Globe Enterprise Parent Currency: EUR	Detail form	0612 Actual	0512 Actual
Intangible Assets	06IA	90,600	99,600
Tangible assets	07FA	605,240	598,420
Other investments - NBV	07FA		
Investments in subsidiaries - Cost		142,000,000	142,000,000
Investments in subsidiaries			
Investments in subsidiaries			
Investments Equity share			
Fixed assets			
Total stocks			
Deferred Tax assets			
Total debtors third			
Trade Group			
Other debtors - Intercompan			
Offset acquisition			
Offset IC BS			
Cash & Bank			
Current assets			
TOTAL ASSETS			
Share capital			
Share premium			
Capital reserves	20EQ	30,000,000	30,000,000

Popup Comment

Period:	0512	Actuality:	AC
Company:	10100 (EUR)	Globe Enterprise Parent	
Account:	140540	Investments in subsidiaries - C	

Comment

Example of Comment field with attached document

Additional detail can be entered as text

Attached Documents:

Balance Sheet-Compiled
Globe Enterprise Parent
Currency: EUR

		Detail form	0612 Actual	0512 Actual	Variance abs.	Variance %
169910	Trade Group					
169960	Other debtors - Intercompany		183,658	124,950	58,708	46.99%
170000	Offset acquisition					

Intercompany Details

Period: 0512 Actuality: AC

Company: 10100 (EUR) Globe Enterprise Parent

Account: 169960 Other debtors - Intercompany

Company	Name	Trans. Curr.	Trans. Amount	Local amount	Misc. Data	CC Trans. Amou	CC amount	CC Local c	Difference
20400 ...	Globe UK	EUR	87,250	87,250		87,250	57,975	GBP	-2,024
30100	Globe Belgium	EUR	17,547	17,547		17,547	17,547	EUR	73,689
30700	Globe Sweden	SEK	187,427	20,153		187,000	187,000	SEK	-119,902
31000	Globe France	EUR				19,999	19,999	EUR	-19,999

Total: 124,950.000

Reports - Company Journals Across (Preview)

Company: 1111 England

Form: IS1 Income Statement CFO   Markets: Total

Closing Version: ALL ALL   Regions: Total

Currency: GBP   Dim 3: Total

Period: 0601 Actual   Dim 4: Total

		orted	AT Audit Adjustments	IS IFRS Adjustments	MG Managment	TX Tax Adjustments	Total
I1010	Sales	00,000				100	100,100
I1020	Intercompany sales	21,000					21,000
I1100	Total sales	21,000				100	121,100
I2010	Cost of goods sold	62,000			490	100	-61,410
I2900	Gross profit	59,000			490	200	59,690
I3010	Other operating income	10,000					10,000
I3050	Distribution costs	-6,750					-6,750
I3051	Admin expenses	50,000		-230	280		-49,950
I3052	Other operating expenses	31,000	-2,000	230	311		-32,459
I3500	Profit from operations	18,750	-2,000	0	1,081	200	-19,469
I3610	Finance cost	-9,000		190	-311		-9,121
I3620	Income from associates	20,000	-2,000	190	280		18,470
I3900	Profit before tax	-7,750	-4,000	380	1,050	200	-10,120
I4010	Tax	07,000		-1,000	-490		-108,490
I4100	Profit after tax	14,750	-4,000	-620	560	200	-118,610
I4120	Minority Interest	-600		1,000			400
I8000	NET PROFIT	15,350	-4,000	380	560	200	-118,210

Method 1

| Method ▲	Name - Group
B	Closing Rate
M	Average Rate
D	Period Average Rate
N	Number (statistical)
E	Fixed Historical Rate/Closing Rate
F	Fixed Historical Rate / Average Rate
G	Fixed Historical Rate/ Period Average Rate
K	Last Year-end Closing Rate
L	Last year-end average rate
I	Opening Balance Rate, Account
C	Copy of Opening Balance, Account
O	Difference Between Closing Rate and Used Rate, for
P	Difference between average rate and used rate, for
U	Closing rate, copy Value from specification if it exist
V	Average rate, copy Value from specification if it exists
Z	Period average rate, copy Value from specification
X	Always Copy Value From Specification
A	Diff btw closing/average rates and converted amount. For specification
A2	Diff btw closing/average rates and converted amount. For integrated accounts.
A3	Diff btw closing/average rates and converted amount. For main form.

Act
Act
Per

Curr
CHF
DKK
FIM
GBP
HKD
NOK
SEK
SGD
USD

1.000000
0.000000
0.000000
1.000000
0.000000
0.000000
0.000000
1.000000
1.000000

Edit Lookup Table

Lookup Table: GLACCOUNT

Description:

GL Mapping for 1203

From	Description	To	Description
GL101099	Sales - Trade	1000	1000 Turnover
GL101100	Sales - Retail	1000	1000 Turnover
GL101101	Sales - Online	1000	1000 Turnover
GL101102	Direct Costs	1499	1499 Cost of sales
GL101103	Profit Gross	1999	1999 Gross profit
GL101104	Wages	2100	2100 Salaries & wages
GL101105	Overtime	2150	2150 Overtime
GL101106	Taxation	2200	2200 Social taxes
GL101107	Pension Fees	2300	2300 Pension
GL101108	Additional Benefits	2400	2400 Benefits
GL101109	Staff Training	2499	2499 Staff costs
GL101110	Agency staff	2600	2600 Agency staff
GL101111	Training	2700	2700 Training
GL101112	Staff-related costs	2999	2999 Staff-related costs
GL101113	Travel	3100	3100 Travel
GL101114	Subsistence	3110	3110 Subsistence
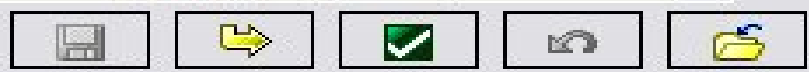
Group Status

Currency Conversion

Reports - Currency Conversion

Reconcile - Intercompany Balances

Intercompany Eliminations

Reconcile - Intercompany Profit

Automatic Journals - Intercompany Profit

Acquisition Calculations

Reports - Acquisition Calculations

Reports - Trial Balance with Drilldown

Data Entry - Group Journals

Reports - Journals

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