Accelerated Decision-making:

Speed over Perfection

MAKE SMARTER DECISIONS

Many organisations receive their monthly management reports in the second or third week of the month, with board meetings being convened in the last week of the month (or later) where financial information is presented often a month out of date.

There are risks of making decisions based on information so old, that by the time it is available, opportunities have passed, and circumstances have changed.

Month-end close is the process followed by the accounts team to complete the monthly accounting tasks to ultimately produce management reports.

It requires the application of the accounting matching principle, to ensure that revenue and expenses are 'matched' in the same period, to avoid one month showing a large profit and another showing a large loss. This can occur to the timing of recording of transactions and the process generally known as accrual accounting.

Additional tasks at month end will vary from company to company, but may involve:

- Accrual of expenses where creditor invoices have not been received
- Recording depreciation and amortisation transactions
- Deferral of expenses that relate to multiple accounting periods
- Allocation of costs among financial dimensions
- Performing inventory stock takes
- Reconciling bank accounts
- Reconciling payroll
- Reconciling balance sheet accounts
- Recognising revenue and costs on jobs or projects
- Intercompany transactions and consolidations
- Management report generation, variance analysis and financial commentary
- Cashflow projections

Many accounts teams create a month end checklist and opportunities exist to automate steps in the process.

What happens while the end of month process is running? Nothing - the organisation waits for reports.

Decision-making based on the information contained within the management reports is stalled until the reports become available.

How can the EOM close occur earlier?

1. *Planning*
   Set a target for how many business days after the last day of the month you expect the end-of-month close to be completed. Create a checklist of every task required in the process, identifying dependencies to understand where bottlenecks can occur. For each task in the checklist, document the procedure in detail.

2. *Review the process*
   Work with organisational teams to ensure information is available as early in the process as possible. This often means working with incomplete or uncertain data. There is always a trade-off between early, incomplete data and perfect late data. Decision-making is not an exact science, and if you always wait for 100% certainty and accuracy, opportunities are likely to be missed.

3. *Use features in the accounting software to help with the EOM close*
   Run costing reports to identify costs that should be accrued. Use deferral templates to spread costs over multiple accounting periods. Use integrated payroll, job costing and asset register modules to automatically generate month end journals for relevant transactions. Use automation to calculate allocation entries and process standing journals. Run reconciliation reports to ensure all checks and balances are performed.

4. *Stop distributing reports*
   Eliminate report distribution time by using financial dashboards that permit report users to 'pull' reports rather than the accounts team 'pushing' them to users.

Why bother with a faster EOM close?

To make smarter decisions faster. Most managers would agree that having information about the business sooner would help them in their roles significantly. A realistic target for many organisations is the first day of the new month, or "EOM+1". This may seem impossible initially but is certainly achievable if there is agreement amongst stakeholders involved in the process. It certainly requires a lot of work to get there, and it is often prudent to gradually work towards this target over several months.

Insights from the field

It's surprising how many people will tell you that the month end process can't be accelerated. Accounts teams will say that there is too much work to do; managers will say that they can't provide their information required by the accounts team any earlier. Everyone will say it can't be done so expect a great deal of resistance. But the value of a quick close is enormous and should be pursued relentlessly. Communication and planning are key, with clear goals and a roadmap to set out the journey. It won't be easy, but it will most certainly be worth it.

Business Central and Accelerated Financial Closes

Business Central provides a range of tools for assisting finance teams in performing a rapid close of periodic activities.

Deferral templates are a feature that makes it easy to spread an expense over multiple accounting periods without having to perform calculations and repetitive journal entries each month.

Standing journals can be used to automatically create adjusting journals each period.

Sophisticated reports may be developed to identify revenue and expense accounts that require accrual entries to better reflect a true and fair view within financial reports.

Business Central supports Microsoft PowerAutomate, the workflow automation tool which can be deployed to automate repetitive tasks within the accounting system.

A strong set of permissions, security and approval features ensure that manual or automated tasks apply rules typically found in most organisations delegation of authority policy.

For organisations with projects that span multiple accounting periods, recognition of revenue and expenses is a key task which can be time consuming if not automated.

Advanced cash flow projections, based on artificial intelligence to determine the likelihood of customer receipts can greatly improve the quality of estimates, as well as speed up the process of performing this complicated analysis.

Chief executive officers, audit committee members and board directors will love the ability to accelerate their decision-making based on financial information being available as soon as each month ends.