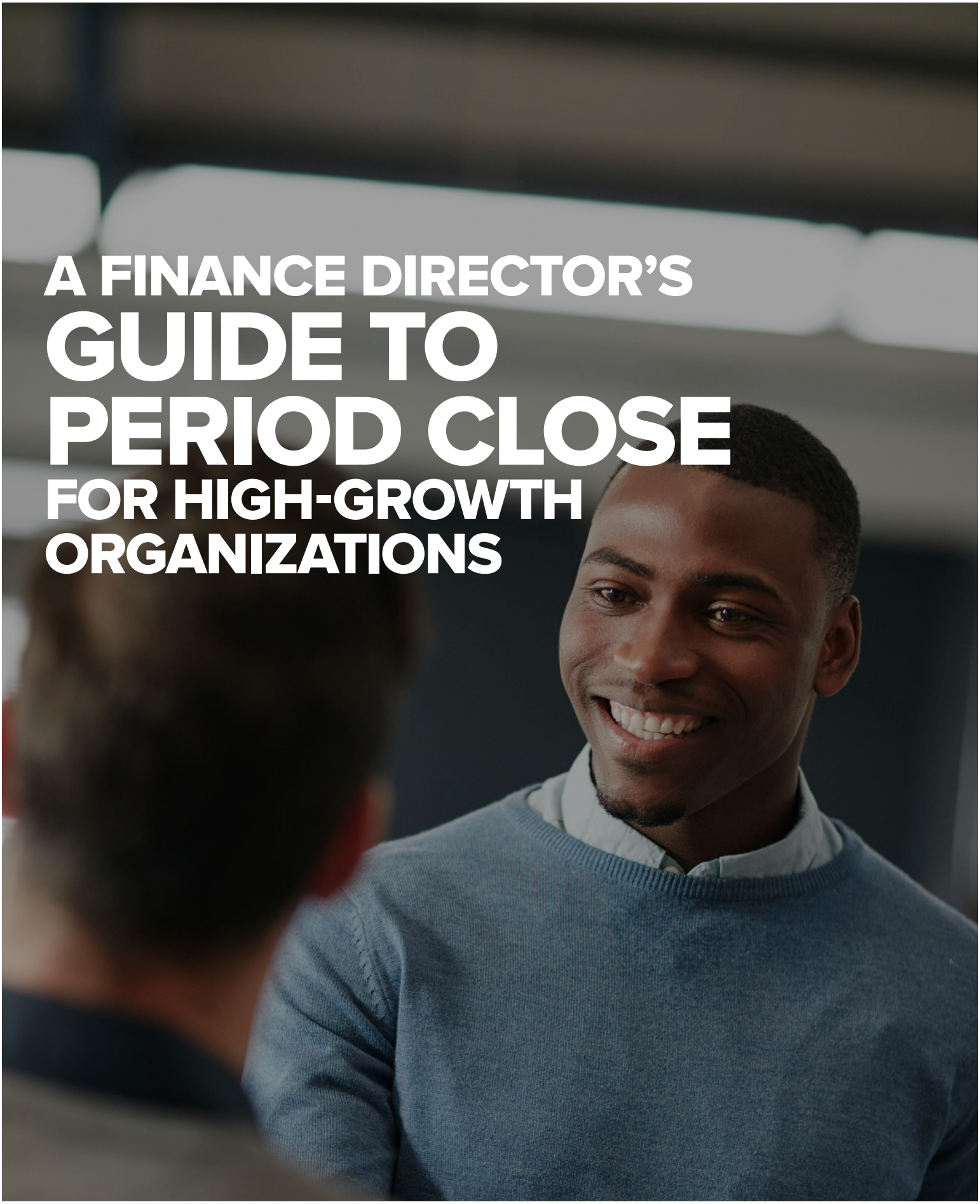
A FINANCE DIRECTOR'S GUIDE TO PERIOD CLOSE FOR HIGH-GROWTH ORGANIZATIONS



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Closing the gaps when closing the books
For many organizations, closing the books at the end of a financial period remains a time-consuming, cumbersome and stressful process with late nights for staff and seemingly endless re-checking of information.

In high-growth organizations, where there can be a lack of formal processes, fast-changing structures and growing headcount with often poorly defined roles, the process can be even more challenging. In addition, the pressure is intense from both the management team and investors to get an accurate view of performance data and aspects such as cash flow, profitability and liabilities, all putting added stress on period close.

The three main aspects of period close—accounts reconciliation, journal entries and financial reporting—typically involve each member of the team working on multiple, interdependent small tasks, making it vital, but difficult, to keep track of progress.

It's no wonder, then, that many finance directors are looking for better ways to close the books.

Faster close, higher growth?
Every finance director dreams of a faster close to accounting periods. At many high-growth companies, it's an imperative.

A faster period-end process gives executives in the business more timely access to the very latest data available, enabling them to make quicker and better-informed decisions.

And, when the finance team spends less time on closing the books at the end of a financial period, it is able to dedicate more time to providing the analysis and insight that the business needs to make those decisions. That means being able to understand why it might make sense to scale operations up or down in response to cash flow demands or changing market conditions, or knowing how rapidly resources might need to be reallocated in order to jump on an emerging opportunity before a competitor does.

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Compliance with confidence

Of course, closing the books isn't just about providing internal management with information. It's vital to achieving the high standard of external reporting that today's investors and regulatory authorities expect. An effective financial period close can help a high-growth company meet tight filing deadlines with improved integrity and deliver transparency and full disclosure in financial statements. It can also help it avoid the worst-case scenarios: costly errors that lead to restatements, decreased valuations, perhaps even regulatory action and fines.

A faster and more efficient close typically reduces audit costs too. It means the auditors have more reliance on your internal controls and spend less time reviewing large sample sizes or discussing and documenting errors.

The perils of disparate systems

It is common for start-ups, scale-ups and other high-growth organizations to have a 'hairball' of different systems, which have built up over time to solve specific problems. They are often poorly integrated and so typically a plethora of spreadsheets and manual processes are created to 'fill in the gaps' in processes.

This creates a massive challenge for the finance team at period end, since clear processes are not enforced, data exists in silos and manual updates create the risk of error and timing issues. When the organisation is operating internationally, with multiple accounting systems, the challenge is multiplied and period close becomes a nightmare.

The power of integrated ERP

Companies that regularly and consistently achieve fast period closes tend to be companies using a single, fully integrated Enterprise Resource Planning (ERP) system.

In other words, all teams, functions and geographies within the business access the same general ledger, a common chart of accounts and a 'single version of the truth' when it comes to data on inventory, payroll, sales orders, customers and so on.

The advantages of this, when it comes to closing the books, include:

- Data integrity – one authoritative source of data across the company.
- Data consistency – all entries conform to the same format, united by the same accounting logic.
- Standard processes – everyone involved in the period close follows the same consistent processes, with no room for shortcuts or workarounds that might impact accuracy and/or compliance.
- Automation – the system is engineered to handle many processes that might otherwise require the manual intervention of humans, for example, journal entries, bank and intercompany reconciliations, etc.
- Orchestration – everyone works to the same calendar and deadlines and is able to see where their individual tasks fit in the overall picture of a period close, including the interdependencies between these tasks.

- Oversight – those in charge can see at a glance, typically via a dashboard, progress made so far on period close. When bottlenecks are highlighted, steps can be taken to address them.
- Elimination of offline tasks – the use of spreadsheets to link data from disparate systems or perform calculations introduces errors and creates additional reconciliation work.

Using the cloud to close

When a company's core accounting system is based in the cloud, it's easier to achieve an 'all-hands-on-deck' approach to period close, because finance team members—and the wider organization—can participate in the process regardless of time of day, time zone or their individual location.

That's particularly useful for companies looking to grow through international expansion, since they must contend with currency translations, intercompany transactions, minority ownership calculations and multiple GAAP standards.

The cloud allows those working in remote locations, regional company outposts, on the move or working from home to enter data, respond to queries, make adjustments and launch consolidation processes and reconciliations. What's more they can perform many of these tasks from their choice of device, whether a PC, laptop, tablet or smartphone.

Being cloud-based helps keep audit costs low too, since auditors don't have to travel as much to test transactions or carry out other checks.

What will we do with the extra time?

A faster period close will deliver considerable value to the organization—giving more relevant management information earlier—and can free up a lot of valuable time for the finance team.

Naturally, some of this should be spent on reviewing problems and/or bottlenecks that occurred during the close and fixing them for an even shorter close next time. The high-growth business, after all, should always have its eye on continuous improvement.

But the rest of this time can be dedicated to tasks that truly add value for colleagues across the business: better cash management, reducing days sales outstanding, financial planning to identify priorities for the next month or quarter and analyzing wider trends that may provide clues to the next big sources of customer demand.

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