



White Paper

Five Steps to a Faster Month-End Close



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Senior financial leaders are increasingly concerned about speeding up the month-end closing process. They need timely delivery of financial statements to meet regulatory and audit deadlines and to drive strategic business decisions. The key, though, is to simplify and accelerate the process without increasing overhead costs.

The first step toward closing the books faster is to look at proven practices in the financial industry. Here are five that can trim days from the month-end close and lead to a streamlined process that puts financial statements in the hands of senior leaders as soon as possible.

1. Analyze Processes to Identify Delays

The Association of International Certified Professional Accountants (AICPA), in the 2014 “Closing Cycle Best Practices” report, outlines several areas that can be time-consuming, including:

- Poor data quality
- Manual processing of routine transactions and recurring journal entries
- Redundant data inputs or rekeying of incorrect data
- Receivables and payables held open for late transactions
- Unnecessarily complex calculations
- Manual updates and comparisons of current activity to prior month and budget
- Multiple review and approval cycles

Once you’ve compiled your own list, initiate changes to eliminate or minimize the delays. According to AICPA, the two most meaningful changes to your close can be reducing the number of steps and eliminating errors.

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2. Automate As Much As Possible

Using the list you created above, automate as many manual processes as you can with comprehensive accounting software. Not only does that save time, but it’s also more accurate and provides an audit trail.

Look at your manual processes and automate as many as you can.

Here are some examples of time-saving automation:

- **Unattended processing:** To eliminate errors and become more efficient, automate monthly tasks such as general ledger transactions, accrual journal entries and prepaid amortization entries. Schedule the tasks to run at the same time every month.
- **Report groups:** Create report configurations and place those in a report group to automatically run together at a specific time. Often, they are scheduled overnight so teams can review them in the morning. For instance, to aid in account review, create report configurations for financial reports and trial balance reports and place them in a report group. Or create a group for all prior month-end reports.
- **Processing and posting transactions:** Process and post transactions in real time (even from other systems), eliminating the need to run batches, imports or separate posting runs for every session. That can shorten the close time by days.
- **Eliminations:** If your accounting software includes an elimination table, then every time an entry is made to an account identified in that table, the elimination entry is automatically made. Also, you can create a report that shows one column for each company, then a column for the elimination company and a consolidated column. That helps you review eliminations in a report rather than creating them manually in a spreadsheet.

What Automation Can Do

Imagine you are reviewing your monthly financial statements and notice a particularly high expense account. To research it, you simply double-click on the amount to display the list of accounts included in that balance. Then click on a particular transaction to identify the invoice from which it originated. You have attached a scanned copy of the invoice to the record in the database, so another click displays the actual invoice. Drill down further to see the corresponding fixed asset and/or procurement records for the item. With automation like that, you can get the answers you need quickly.

3. Integrate Applications and Workflow

If your core financial applications are integrated, preferably operating from a single database, then you eliminate much of the rekeying and redundancy that cause mistakes and limit productivity. When you need information, simply drill down into the single database for research and record retrieval.

Automated workflow also streamlines processes. For instance, you can enable web-based approvals of invoices through a centralized workflow that also automatically sends reminders. In addition to saving time, it cuts down on late payments.

4. Adopt a Pre-Close Approach

Closing throughout the month eliminates tasks from the busy days at the end of the period. Also, evaluate sections of financial statements, such as bad debt allowances, that could be done quarterly rather than monthly.

Here are some specific examples of pre-close:

- General ledger entries that need to be posted at month-end could be advance-dated. For instance, if you post an entry on the 18th that is dated the 30th, it would not be reflected in your financial reports until the 30th (assuming your system allows it).
- At mid-month, project income for month-end. Get a more accurate projection by making sure the system reflects all expenses through the 15th in the expense account balances.
- Close all receivables and payables upfront.

It's a good idea to create a checklist to identify tasks, when they should be done and who will do them.

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5. Don't Lock Down Books at Month-End

The ability to leave the books open for changes after month-end can be helpful. That way, you can close the books to meet deadlines but make adjustments if new data comes in or if you need to investigate and resolve a problem.

Some accounting software lets you keep previous periods open even after you begin entering transactions for a new period. When you're satisfied, previous periods can be locked down so no further changes can be made.

That comes in handy when expensing invoices for the previous month. With the right system, you can simply enter the invoice in the AP transaction screen and backdate the transaction to the previous month. Then the check can be issued in the current month without affecting net income.

Solving the Month-End Quandary

For organizations with high transaction volumes, closing the books at month-end is no easy feat. Without automation and updated processes, it can be difficult to accomplish an efficient, timely and accurate close.

However, with a thorough analysis to pinpoint delays, implementation of streamlined processes and the right accounting software for task automation and data integration, organizations can shorten close time while increasing data accuracy.

Connect With Us

For more information about month-end close automation, call 800-872-7882, email getsolutions@fiserv.com or visit www.fiserv.com.

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