



# Ten Tips for Achieving Accounting Intelligence



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# The Reality for Financial Directors

Why are FDs and CFOs still struggling to attain critical financial information in 2013? In an era of on-going economic challenge, declining revenues and business restructure, Financial Directors (FD) need better, faster, more trusted information.

FDs are not data analysts. Yet even the ostensibly simple to use BI tools, including many aimed at the mid-market, demand complex data integration and manipulation.

# The Reality for Financial Directors

- **Wasted Time:** 70% of time is spent collating rather than analysing information
- **Inconsistent Information:** With too many versions of the truth, sales, finance and operations reports rarely agree
- **Inaccurate Information:** 40% of spreadsheets contain errors according to research from Harvard

So what are the key steps required to transform this situation and provide FDs with rapid access to relevant, detailed, trusted financial information?

# Accept that Business Intelligence has Failed in Finance

Business Intelligence tools have a bad reputation with Finance Directors and Chief Financial Officers. Typical implementations are expensive, lack agility and are fundamentally compromised:

- BI is an IT team choice imposed on Finance
- Extensive, expensive custom development projects are required to pull essential information from ERP
- FDs and CFOs continue to rely heavily on spreadsheets, despite inaccuracy and an inability to share information effectively

As a result the most basic demands are difficult to achieve:

- Revenue breakdown
- Profitability analysis
- Compliance
- Audit Trail

FDs need unrestricted and immediate access to key financial data.



# Determine the True Requirements for Financial Information

With the economy continuing to struggle, businesses cannot afford poor decision making. According to the latest Deloitte quarterly survey:

- Nine out of ten Chief Financial Officers (CFO) said the economic uncertainties facing their business were 'above normal'
- One in five expects revenues to decline over the next year
- Capital spending is a lower priority for CFOs than at any other time in the last two years
- Increasing cash flow, cost-cutting, and reducing leverage are stronger priorities than at any point in the last two years

- According to the 16<sup>th</sup> PwC global CEO survey, three quarters of CEOs are anticipating changes to their organisational structure over the coming year; with 83% planning cost reduction initiatives.
- Companies cannot embark upon major change without confidence in the accuracy of financial information: the need for good financial decision making has never been more important to UK business.

# Question the Quality of Reporting

The information published by finance in the monthly reports is regarded by the business as the truth, irrespective of the quality of data or effectiveness of reporting method, and underpins every decision made by senior managers. But how true is it? Is it the 'Correct Answer'?

For example, the consolidated Profit or Loss figure for the company will represent the aggregation of every single transaction from the ERP system in that accounting period that has either a revenue or an expense implication.

But can other analyses derived from that data be reconciled back to the original 'Correct Answer'? Can the business reconcile:

- Sales reports?
- Item analysis?
- Expense reports by cost centre?

Management must demand this level of reconciliation to prove month end reports are correct; a failure to reconcile will undermine user confidence. Any BI initiative that fails to acknowledge this runs a high risk of failure.

# Accept that Generic BI Does Not Work in Finance

One of the reasons BI has proved disappointing for the FD is that vendors have failed to recognise the need for accounting capability.

- ERP systems hold vast amounts of valuable data, but that information is held in islands of information. Simply putting a generic BI tool on top of the ERP system will only recreate the data islands, creating the familiar problems of trying to consolidate data and reconcile apparently different values.
- Generic BI tools lack the essential understanding of the specific attributes and complexities of financial data. They do not recognise the Chart of Accounts, the balance sheet, currency conversion or financial audit trail.

With these limitations, the only chance of gaining financial insight is to undertake expensive and time-consuming custom development – and even then, project success is far from guaranteed.

# Involve FDs in Business Intelligence Decision Making

BI is so much more than an IT tool; yet BI is typically purchased by the IT department. Finance Directors have different data requirements and need more input to the buying decision:

- Are all relevant ledgers and tables integrated to provide 360 degree analysis?
- Is it possible to drill down from the General Ledger to the line item, rather than open a separate report and attempt to manage the reconciliation?
- Is profitability analysis available by product/line item?
- Will the management accounts support rapid drill down to the underlying data directly from the report?

To achieve true accounting intelligence, organisations need to ask two key questions:

- Is the data fully integrated and reconciled through an understanding of the audit trail to enable complete business analysis without the need to manage data silos?
- Is the specific accounting functionality available within the BI system to enable the finance department to fulfil their function without resorting to spreadsheets?

# Embrace a New Data Model

If the BI system is to serve the needs of accountants then it must understand the accounting conventions that are engineered into the ERP system. This includes:

- The use of Dr/Cr (debits and credits) for recording transactions
- The distinction between the Balance Sheet and Profit and Loss for the categorisation of accounts
- The central position of the Chart Of Accounts
- The use of hierarchies across multiple dimensions
- The correct interaction across time of all transactions with the Accounting Calendar

To achieve this goal, a new Data Model is required that supports the complex requirements of financial data:

- **Automated** – no need to rely on time consuming projects
- **Incremental** – data is completely up to date at all times
- **Comprehensive** – contains all transactions
- **Responsive** – analytic opportunities must be unrestricted and immediate
- **Contains a core Accounting capability** – data must be reconciled and validated

# Introduce Accounting Intelligence

Accounting Intelligence takes a totally different approach to analysing and reporting financial information.

- Specific to ERP data - automatically extracts the ERP data, embeds Accounting Intelligence and re-purposes it for multi-dimensional analysis and reporting
- Accounting Integrity - includes a fundamental understanding of the complexities of financial data, including accounting calendar, profit & loss versus balance sheet, chart of accounts, currency conversion rules, consolidation logic and audit trails
- Data is automatically reconciled and validated
- Dimensions reflect the specifics of financial data

With information structured correctly, accounting intelligence:

- Delivers intuitive and reasonable report requests regardless of complexity
- Offers unrestricted and immediate analytic opportunities
- Is completely trustworthy
- Empowers users to make decisions without IT intervention

# Make the Supplier Prove Accounting Intelligence

How can an organisation ensure the BI supplier is providing a system with an embedded audit trail that can be trusted?

The acid test is to attempt to analyse a number from the GL and to ask to see all the potential analysis possibilities that exist:

- If the audit trail has been captured then it should be possible, on the click of a mouse button, to see the root transaction, irrespective of the ledger that it arose in and to inspect any relevant dimensional analyses that interest you.
- If you hit any brick walls or cannot get down to the lowest level of detail, or are asked to run a separate report, then the chances are that you are simply looking at discretely extracted tables of data without the required knowledge of the audit trail that links them together.

# Achieve Financial Insight – Making Accounting Intelligence Work

With Accounting Intelligence, FDs gain immediate, unconstrained access to the detailed, line item information held within the ERP system. This transforms business insight, from tracking trends in cash flow to undertaking profitability analysis across different aspects of the business over varying time periods and, critically, producing one-off business reports without requiring custom development.

- All numbers and reports reconcile to each other and tie back to the ERP system
- True profitability by product, customer and territory is available out of the box
- Users can audit the data down to the lowest level of detail
- Accountants and other users can access the information for browsing and analysing business performance

With the right data model, FDs can automate the creation of:

- Standard and custom financial reporting; Management reporting
- Product and customer profitability; Actual versus budget variance analysis
- Bookings, billing and backlog reporting; Sales analysis
- CRM analytics; KPIs and scorecards
- Supply chain analysis, inventory and bill of materials

# Embrace Change – Make Decisions

With FDs working with ever smaller finance teams, the dedicated number crunching resource is diminishing. Yet the need for rapid access to financial insight has never been greater. The time has come to accept that generic BI will never work for finance and embrace a dedicated financial BI solution that delivers true Accounting Intelligence.

Minimising the time spent collating, cleaning and consolidating data and maximising the time spent reporting and analysing enables FDs to:

- Improve the monthly, quarterly and yearly close cycle
- Confidently forecast revenue
- Provide board level reports to support restructuring plans
- Achieve real time visibility of cash flow

- Share line level profitability reports across the business on a daily, weekly, monthly basis
- Improve understanding of customer profitability
- Track performance trends across business units

It's time to replace the spreadsheet and embrace Accounting Intelligence.



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