



Improved Business Processes & Fast Close 2016

Jonas Höjjer

Stockholm, September, 2017

Fast Close

Why fast close?

Results - Fast Close 2016

What characterizes companies with a fast close?

How do you achieve a fast close?

Advantages with a fast close

Improved quality – One of the advantages with a fast close is to achieve high quality reports that are “right from the start”

Improve responsiveness in the organization – A fast close provides early access to important information about the development of the business

Free-up time – normally companies succeed to speed up their closing by streamlining their processes and thereby even out the workload

For each client. With each client.

Cavendi is a Latin word and can freely be translated into "take care of, look after someone's best interests". It expresses our guiding principle in an excellent way; that we in every assignment offer our clients our best knowledge and our greatest commitment.

We work for you by creating solutions that work, engage and motivate. We are all experienced management consultants, most of us with backgrounds from the large international consulting firms, some with senior line positions in the resume, but all with a passion for solving real problems.

We combine analytical focus and expertise with a pragmatic and dedicated approach. Our most experienced consultants have been in the business for over 20 years and we dare to say that we have encountered most of the problems and challenges that a management consultant may encounter.

Welcome to Cavendi



Fast Close

Why fast close?

Results - Fast Close 2016

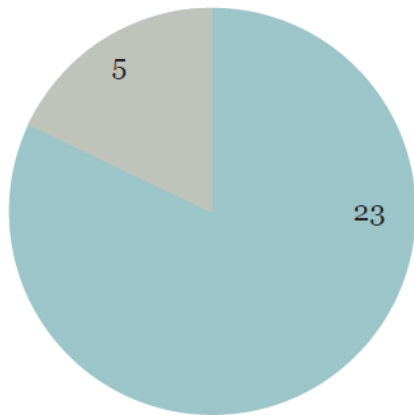
What characterizes companies with a fast close?

How do you achieve a fast close?



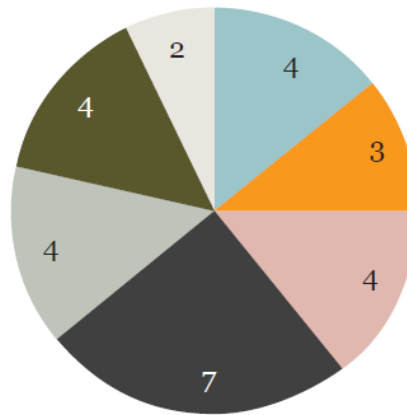
Participating companies

Listed and unlisted companies



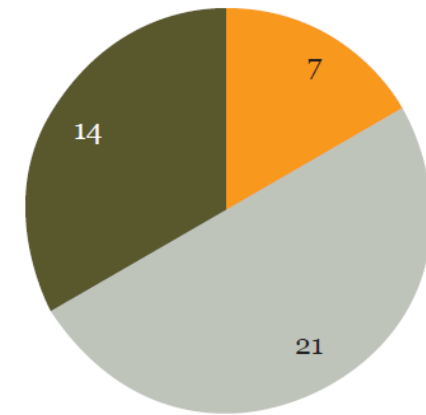
■ Listed companies
■ Unlisted companies

Industries



■ Construction
■ Manufacturing
■ Services
■ Consumer goods

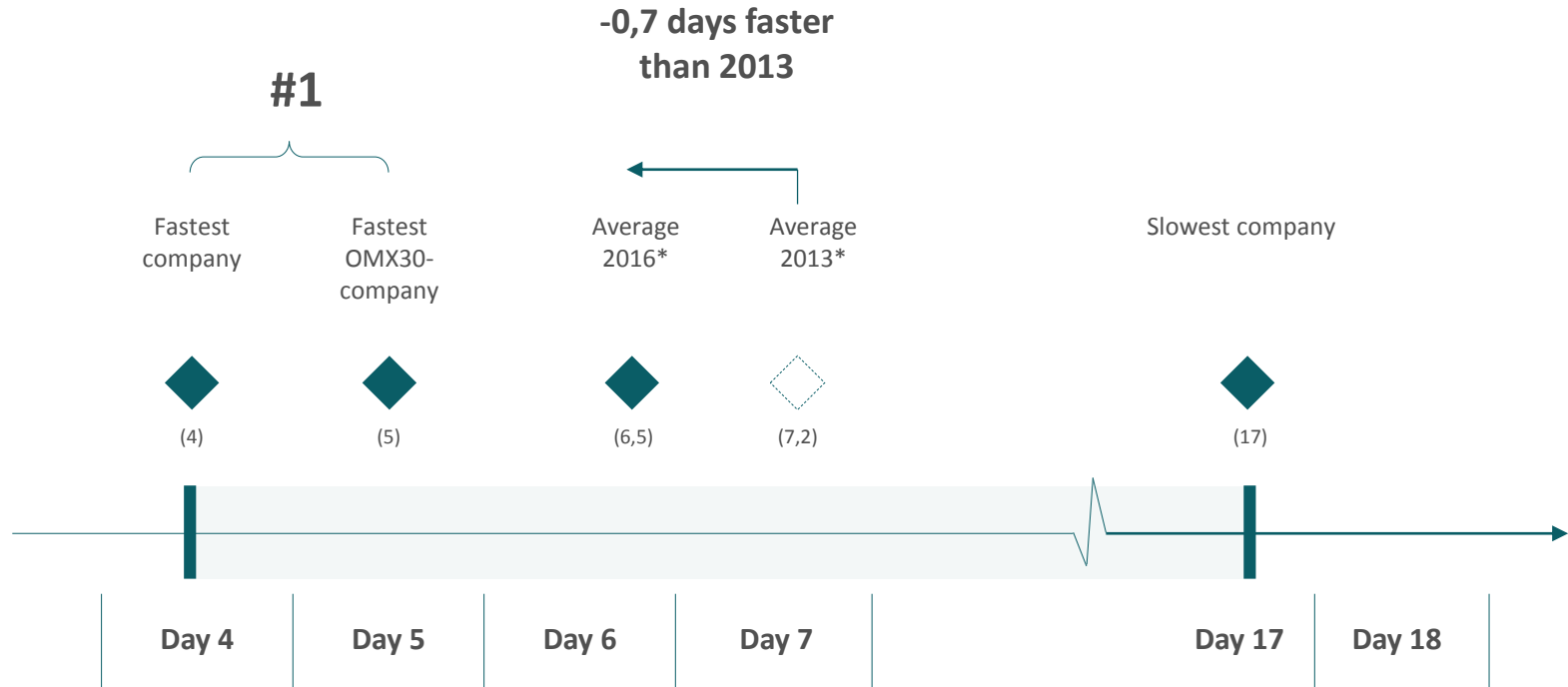
Participants from earlier studies



■ Energy and commodities
■ Financial services
■ Telecom and media

Participating companies: Alfa Laval, Apoteket, Assa Abloy, Atlas Copco, Boliden, Electrolux, Ericsson, Handelsbanken, Investor, JM, Lantmännen, MTG, NCC, Nordea, PEAB, Postnord, Sandvik, SCA, Scania, Securitas, Skanska, SKF, SSAB, Swedbank, Swedish Match, Tele2, Telia och Vattenfall.

Summarized result – balance sheet ready



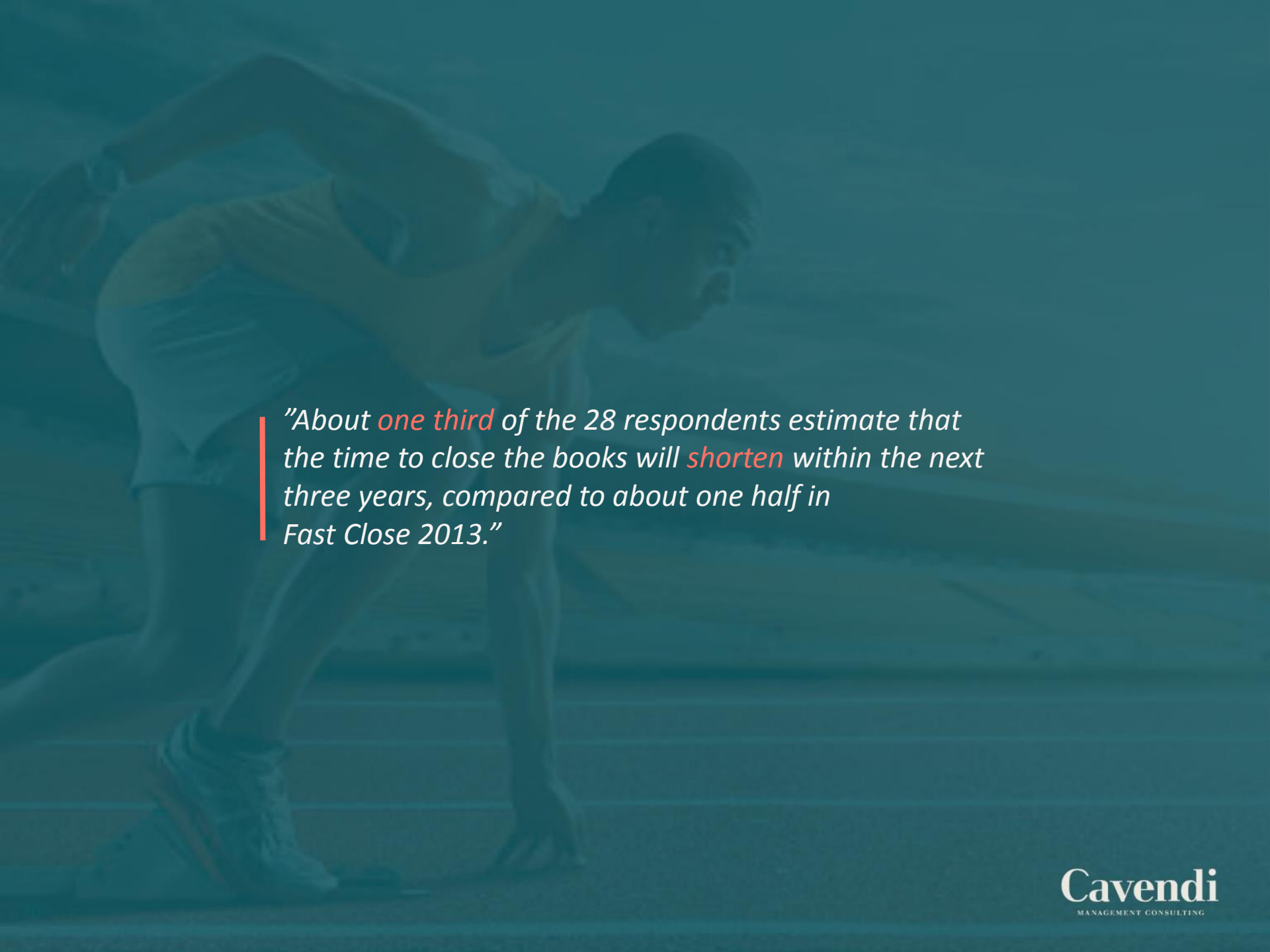
*) Comparable populations

Specification of result

Fastest, slowest and average times (all participating companies 2016)



◆ = Average



*“About **one third** of the 28 respondents estimate that the time to close the books will **shorten** within the next three years, compared to about one half in Fast Close 2013.”*

The group accounting function is influenced by various forces

1. Increased demands – *Higher degree of specialization*

The requirements for follow-up and reporting increase from internal as well as external stakeholders. Many Finance functions solve this by specializing internally and clearly defining roles and functions within the organization.

2. Digitalization – *blurred line between IT and Finance*

As a part of the general digitalization trend, the opportunity to automate tasks within accounting, closing, reporting and decision making are in continuous focus. As a consequence a combination of IT and Finance competence is required and the line between what is performed by IT vs Finance becomes blurred.

Fast Close

Why fast close?

Results - Fast Close 2016

What characterizes companies with a fast close?

How do you achieve a fast close?



What characterizes companies with a fast close?

“Hard characteristics”
(Timetable and methodology)

“Soft characteristics”
(Approach and culture)

Variables that facilitate a faster closing

“Hard characteristics” – Timetable and methodology

“Hard
characteristics”
(Timetable and
methodology)

“Soft
characteristics”
(Approach and
culture)

Variables that facilitate a faster closing

- Same process for monthly and quarterly closing
- Clear principles and materiality levels to minimize the amount of late adjustments
- Early reservations and provisions
- Standardized monthly process for handling of internal transactions
- No sub-consolidations
- Measure and systematically follow-up deviations and deficiencies
- One common chart of accounts
- Reduced dependence on individuals

*Fast Close 2016: "Companies that have the **same process** for the monthly and quarterly period end closing process are on average **3.6 days faster** at providing a balance sheet for internal use compared to the other companies."*

*Fast Close 2016: “Companies with **no sub-consolidations** are on average **2.2 days faster** producing a consolidated balance sheet report.”*

Fast Close 2016: “Companies who have introduced a common chart of accounts in their organization have, on average, a group balance sheet report ready 2 days faster than the other companies.”

”Soft characteristics” – Approach and culture

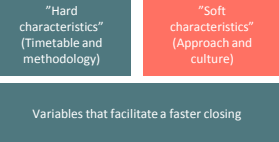
”Hard
characteristics”
(Timetable and
methodology)

”Soft
characteristics”
(Approach and
culture)

Variables that facilitate a faster closing

- Work smarter, not harder – even out the workload
- ”Right from the start” or ”First time right”
- End-to-end perspective and involvement of the whole company
- An active reduction of complexity

”Soft characteristics” – Approach and culture



”Right from the start”

Every adjustment and correction is a signal that something is wrong in the process. A long-term strategy focusing on ”right from the start” is perhaps the most important ingredient for a fast closing project. By eliminating the actual cause of different problems, the increased speed drives improved quality.

Fast Close 2016: “Half of the companies in our report respond that they work with LEAN. These firms have, on average, a group balance sheet report about 2 days before the other companies. The main difference can be seen early in the process”

Variables that facilitate a faster closing

"Hard characteristics"
(Timetable and methodology)

"Soft characteristics"
(Approach and culture)

Variables that facilitate a faster closing

- A "Shared Service Center" (SSC) or equivalent in place
- A common business system (ERP-system)
- Process orientation (standardization, process ownership, documentation etc.)
- Framework for internal controls in place
- A consolidation solution that supports a fast close

Fast Close 2016: *“Half of the companies in our report respond that they have over 50% of the business volume in an ERP system. These companies can provide a finished balance sheet within a slightly shorter time.”*

Fast Close

Why fast close?

Results - Fast Close 2016

What characterizes companies with a fast close?

How do you achieve a fast close?



Cavendi's point of view – Fast Close Process

Function

1. Payroll
2. Accounts Receivable
3. Accounts Payable
4. Fixed Assets
5. Inventory
6. Cash
7. Closing
8. Consolidation & Reporting

	-5	-4	-3	-2	-1	1	2	3	4	5
					1,1;1,2	1,3				
	2,1			2,2	2,3;2,4	2,5;2,6				
			3,1		3,2;3,3					
				4,1;4,2						
		5,1			5,2					
						6,1				
	7,1					7,2	7,3			
							8,1	8,2		8,3

Activities

1. Payroll

- 1.1. Accrue wages and vacation pay
- 1.2. Finalize booking of wage cost in G/L
- 1.3. Quality assurance of wage cost in G/L

2. Accounts Receivable

- 2.1. Deadline for manual internal invoicing
- 2.2. Invoice re-occurring invoices
- 2.3. Reserve bad debt
- 2.4. Complete all invoicing
- 2.5. Close Accounts Receivables
- 2.6. Revenue reservation in G/L

3. Accounts Payable

- 3.1. Carry out onward invoicing
- 3.2. Reserve non-received supplier invoices
- 3.3. Close Accounts Payable

4. Fixed Assets

- 4.1. Update fixed assets register
- 4.2. Calculate depreciation

5. Inventory

- 5.1. Calculate obsolescence
- 5.2. Take inventory and calculate inventory value

6. Cash

- 6.1. Reconciliation with bank

7. Closing

- 7.1. Reservations and provisions (day -5 to +1)
- 7.2. Quality review of G/L
- 7.3. Quality assurance and closing of G/L

8. Consolidation

- 8.1. Last day for I/C reporting
- 8.2. Last reporting day
- 8.3. P&L & B/S ready for group

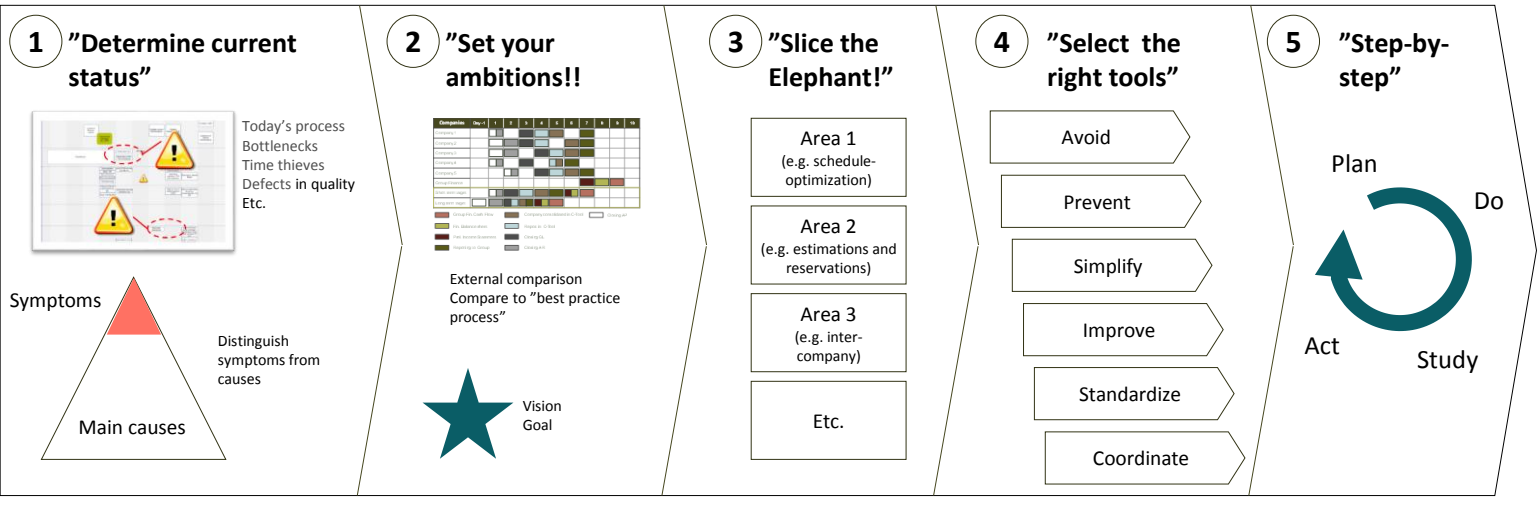
How can you achieve a faster closing?

A fast close...



...and requires well functioning...

Our typical approach



...which ultimately results in...

Better quality as well as more time for other tasks



Questions about fast close?

jonas.hoijer@cavendi.se
www.cavendi.se
070-646 33 91

Cavendi

MANAGEMENT CONSULTING