

7 Steps to Improve Your Financial Reporting – Without New Software

Financial reporting can be a challenge even with an up-to-date ERP system. If you have multiple systems, the challenge is even greater. And if much of your reporting is stuck in Excel, you may wonder if you need to buy new consolidation software.

Is new consolidation software the need to solve your financial reporting issues? In most cases, the answer is a very big maybe.

Yes, new software is cool. New software is pretty. But it's also expensive and often unnecessary.

At Red Three, we specialize in helping our clients get the reports they need from the software they already have. While consolidation software like Hyperion certainly has its place, you may not need it. Indeed, before you invest in any business intelligence or financial reporting tool, make absolutely sure you're maximizing the power of your current software.

To help, here are seven steps to improve your financial reporting – without new software:

1) **Teach your staff your accounting system**

We work with a wide variety of clients. We also meet all kinds of people when we deliver presentations to users groups or contribute to in line discussions. And we're constantly amazed at how most people don't know what their software can do. For example, many don't realize they can use their existing system to easily reverse journal entries, limit certain accounts to specific ledgers or report across multiple entities to get a true "line of business" picture. That's why they spend so much time in Excel. And why they have to make multiple month-end entries to fix bad postings.

Good reporting starts with good data. If you learn your system properly, you'll spend less time fixing mistakes and more time actually reporting and analyzing.

2) **Teach your staff the accounting they need**

Yes, your accounting department understands accounting. That's why you hired them. But often, when companies grow overseas or make acquisitions, the additional accounting knowledge needed is missing. In these cases, the software isn't to blame. Your people just don't have the necessary skills.

We find this especially in companies that have grown quickly. While your staff can cover basic accounting, do they know how to book elimination entries or calculate currency changes in the system correctly? Do they understand when a revaluation hits the income statement and when it hits OCI? Did they unknowingly create pitfalls when

setting up the system, which now prevent numbers from calculating correctly?

3) Get your companies into one ledger

In an ideal world, your entire company would run in one ERP system. But getting everyone into one ERP can be expensive and may not be worth it. However, getting all transaction detail into one ERP is much more doable. Indeed, most modern systems have additional fields so you can load in more than just simple debit and credit information. (In fact, we often [use the ledger as a simple data warehouse.](#))

4) Clean up your chart of accounts

By now, your company has probably been using its system for years. Which means that the chart of accounts you set up originally may no longer make sense. I'm not suggesting you re-implement your entire system. But you should check out possibilities for restructuring what you have, such as by using Oracle flex fields or Lawson attributes.

After all, if you buy consolidation software, you're still going to have to map your unwieldy chart to your new system. Isn't it worth taking the time to make what you have work better?

5) Back up your balance sheet (and I don't mean to tape)

Almost every accounting software has basic AP and AR reconciliations built in. But they don't always have easy built-in role forwards. And when it comes to more complex accounts, like CTA or restricted cash, often there's no backup.

Don't settle. Good setup and reporting should mean that EVERY account on your balance sheet should have proper tie out and roll forward.

6) Segregate intercompany entries in your sub-ledgers – and enforce the process

While AR and AP reconciliation are in place for most companies, sub-ledgers often mess up financial reporting when intercompany entries are mixed with regular trade payables. While in general we prefer tracking most short-term, inter-company transactions through AP and AR, we also make sure these transactions can be easily segregated. Most mid- to large-size systems allow the user to specify different accrual accounts for different vendors and customers, keeping detail in the sub-ledger while easing the monthly reconciliation process.

7) Produce all statements, not just GAAP, from your preferred ledger

In step three, we wrote about getting all your data into one ledger. But even if you do that, you'll often only get one set of books out of that ledger, typically GAAP. If there are pro forma, management or tax requirements, you may be working these in Excel. This may make sense during close, but not months or years later when questions arise.

It doesn't have to be this way. Most high-end, sophisticated systems have multi-ledger capabilities. But even without those capabilities, you can set up different companies/legal entities where you can book almost any entry without changing anything else. Another option is to set up accounts to post adjustments and then write special reports.

You'll notice that in this entire list, there's no mention of a particular reporting tool. The reality is, once the data is in one place, there are many options for financial reporting and analysis, from Excel to financial consolidation software Hyperion to a whole gamut of BI tools. But the key thing to remember is you have to get your data in one place and your people up to speed first, before you look at any of these other tools. Otherwise, nothing is going to work.