

Group Finance Reporting: Finding A Single Version of the Truth

A Finance Director's Guide



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ACCOUNTS 

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Introduction

The **Single Version of the Truth (SVOT)**, is a technical concept describing the ideal of having a single, centralised database which stores all of an organisation's data consistently. In a business where different departments use different systems for managing performance, it can be a real challenge for Finance Directors to obtain accurate and reliable data for group finance reporting. When the Sales Director and the Accountant produce data from different sources, a SVOT can often be hard to find and lots of reconciliations have to be made. In a group scenario - with consolidated results in multiple currencies - the potential for discrepancy multiplies.

“It can be a real challenge for Finance Directors to obtain accurate and reliable data for group finance reporting.”

In this [three-minute read](#), **AccountslQ's CEO, Tony Connolly** explains why these inconsistencies occur and what CFOs can do to ensure the numbers are accurate and reliable.



The Reporting Challenge

Creating a consistent, monthly management report pack, which represents all aspects of the organisation's results, isn't easy. The Board pack can be constructed from individual divisional or branch reports, with data derived from multiple sources, often with inconsistent data. Each division may have their own system for day to day management; a Reservation system, an Electronic Point of Sale (EPOS), a Transaction Processing System (TPS) or perhaps a CRM system to manage the sales pipeline.

The accounting team typically derives its information from the transactions that are formally posted to the accounting system. The timing and values of these transactions frequently differ from the source systems, causing discrepancies that can create uncertainty at board level, taking time to unravel and explain. Let's look at why discrepancies happen and how you can overcome this month end challenge.

Why Inconsistencies Occur And How To Overcome Them

FDs can be forced into spreadsheet overdrive trying to reconcile different data sets to achieve management reports they are happy with. Sales figures may differ depending on who reports it and when the sale is deemed to have 'closed' or been recognised. The sales team might be happy to mark it up in the CRM as 'closed' when the customer confirms they will sign the order: the accounting staff will only recognise what has been or can be invoiced in that period when confident it will be paid by the customer.

Additional Problems in the Reconciliation Process

Reconciliation can involve exporting your data into Excel or another BI tool, unravelling any discrepancies and reconciling the totals. The moment the data is extracted, it can quickly become out of date and these spreadsheets become yet another version of the truth, not reflecting amendments made to the source data since it was copied across. Worse still, manual adjustments entered directly are not amended back at source.

How Valid Is Your Sales Figure?

Most sales systems focus on prospecting: monitoring sales activity, measuring the value of future opportunities, assessing performance by salesperson and tracking progress through the sales funnel. A Sales Director may feel his job is done when the customer makes a commitment to buy, happy to include it as revenues earned. In reality, a lot can happen between the point of commitment and banking the income; the sale may take longer to complete than anticipated or require a refund or credit note to be raised in a later accounting period.

By comparison, the accounting system produces information which is grounded in fact; it records the formal commitment and the payment. The accounting team will therefore record the sale when it enters the accounting system as a 'real' order that can be invoiced and collected and ultimately reconciled with a bank receipt.

More Problems with Multiple Currencies

Further complications occur when you are dealing with sales from multiple divisions or countries operating in different currencies. CRMs such as Salesforce simply store one exchange rate to convert, say, Euro to USD, whereas the more sophisticated accounting systems will deal with transaction rates for invoices, realised and unrealised currency gains and losses. They will consolidate results based on period average exchange rates. This can create a significant difference between the sales report from the CRM and the sales figures in a consolidated Profit & Loss, which ultimately must reconcile with the cash that ends up in the bank.



Will Excel Solve the Problem?

Excel is the number one tool for data manipulation and analysis. Most accountants are very comfortable using it. Microsoft has invested a great deal in recent years developing Excel's BI features, particularly in adding Power Pivot and Power BI capabilities. It has many features which you can't find anywhere else and it can be difficult to get the same capability from many of the more costly and complex BI solutions.

Despite its pedigree as an analysis tool, Excel is not designed for storing transactional data and many businesses overuse it for this purpose, trying to supplement inadequacies in their accounting solution. Its capabilities are best applied in querying and analysing data directly from source, rather than cutting and pasting transactional data into Excel and manipulating it to produce reports.





Why You Shouldn't Rely On Spreadsheets

Prior to switching to a Cloud-based, integrated solution, one of our clients had been criticised by auditors for being over-reliant on spreadsheets.

Theirs is a multi-entity business spanning many geographies and with income from a number of different lines. They were using an on-premise ERP system which wasn't agile enough to cope with the business's fast expansion overseas. Extending the system to new offices was a lengthy and expensive process, meanwhile, consolidated reports had to be produced manually using exported data from multiple sources. Senior management came to completely rely on spreadsheets in some markets. Consequently, it became almost impossible to obtain one, clear and consistent view through the accounts. They still use Excel extensively as an analysis tool but all data is now queried directly from AccountsIQ.

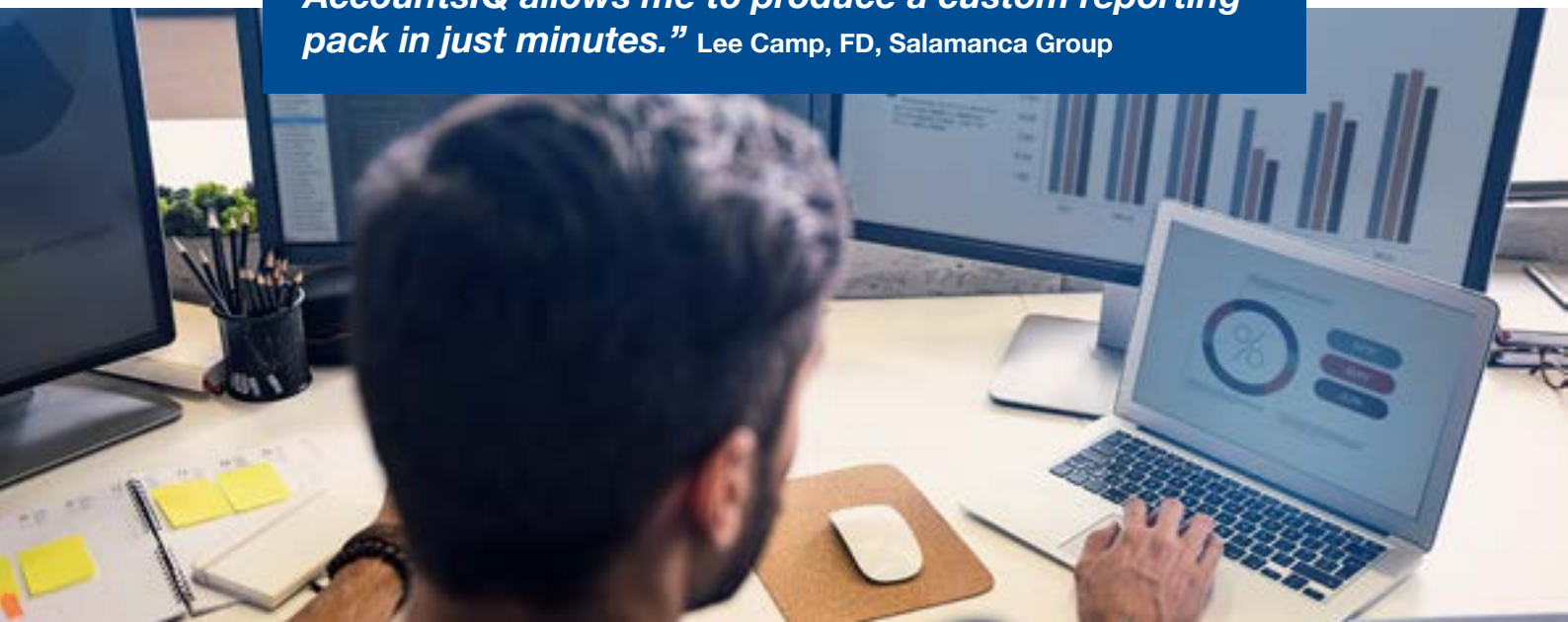
“The amount of time tech will buy you to invest in more strategic and valued time with your senior colleagues is priceless.”

The Holy Grail of Management Reporting – No Surprises

To avoid surprises and set-backs in your reporting process, ideally, you want your sales information to be extracted from data directly in your accounting system or, at least, linked seamlessly and consistently with your accounting system so that the sales results align with reported revenues in group level Profit & Loss reports.

If you have international sales in multiple currencies, you need the conversion to base currency to be done on a consistent basis across the group. This requires sales analysis to be converted at period average rates, in the same way as Profit & Loss results are converted on consolidation. This can best be achieved by importing sales to the accounting system from the CRM at order stage and reporting sales results from there. This sales analysis data needs to be available in the accounting system on a consolidated basis, converted to base currency on the same basis as the revenue figures in the P&L.

“Previously it took two people in my team one week each to update various schedules in Excel and then I would spend many hours compiling a reporting pack. AccountsIQ allows me to produce a custom reporting pack in just minutes.” Lee Camp, FD, Salamanca Group



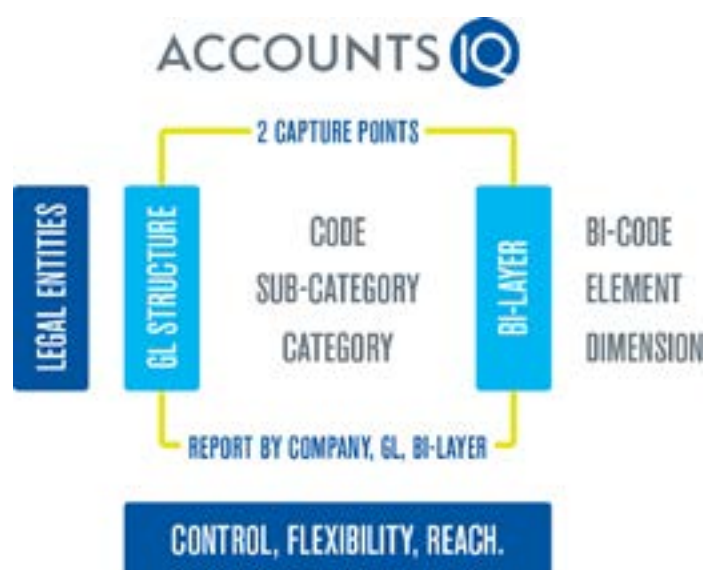
With significant fluctuations in exchange rates, gains or losses can also be inherent in sales not yet converted to cash (i.e. Accounts Receivable balances), which will be reflected in the Group Profit & Loss as Revaluation Reserve adjustments.



When reporting sales activity versus target, you don't want exchange fluctuations to distort the comparison as exchange fluctuations are not controllable by the sales team. You also need to consider whether budgets should be at original rate or adjusted to the actual rate. To compare like with like, ideally the budgeted sales and actual sales would be compared and any gains or losses due purely to exchange fluctuations will be reflected as such in the Profit & Loss, rather than contaminating comparison on actual and budgeted sales.

Achieving SVOT with AccountsIQ

Our development strategy for our Cloud-based accounting and consolidation platform AccountsIQ was, from the start, to incorporate true BI capabilities within the accounting system, ensuring the BI analysis was based on solid accounting data, which fully conforms with normal month end reconciliation procedures.



AccountsIQ's BI coding structure

We augmented normal reporting via a Chart of Accounts with a BI structure that reflected the organisation structure. The BI analysis structure is fed through to the full, consolidated results for multi-entity businesses and groups. It also means that consolidation needs to not only consolidate actual results but also budgets, statistics, sales and purchase analysis data all converted to the group base currency. Group level reporting is then consistent as it is based on a SVOT. The consolidation engine makes sure all data is converted on a consistent basis so sales analysis ties in with revenues in Profit & Loss reports and adjustments due to Revenue Recognition rules are easily recognised.

The ability to interrogate your results at any level across a group of companies and in a consistent way is inherent in this, using an extensive database design to allow for up to six BI dimensions to be applied. Unlike traditional systems, we have split out AccountsIQ's Chart of Accounts structure from the BI coding structure which can be used to represent location, department, Cost Centre, Profit Centre or any other dimension-relevant coding structure to make reporting flexible, clean and uncomplicated by design.

Organisations can also restructure their BI structure, including the dimensions used, without touching their Chart of Accounts. This allows you to either transfer the history to the new structure or retain the history in the old structure and move forward with the new. We have also exposed this data in Excel using a specially designed Excel Add-in that directly queries the live data rather than simply cutting/pasting it.

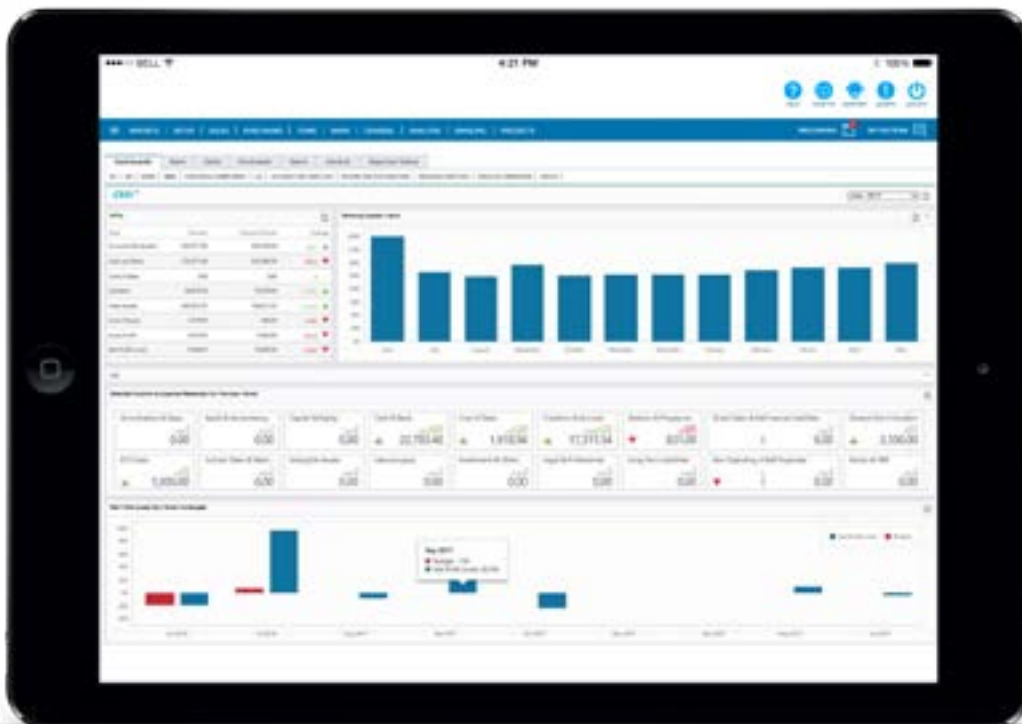
Summary

Drawing management reports from your accounting system ensures you are reporting on data from real sales transactions, properly converted to the group's base currency in the given accounting period. There are checks and balances in accounting software which don't exist in standalone sales systems and for these reasons, your system ought to be able to produce the kind of accurate management report which helps you make the right business decisions.

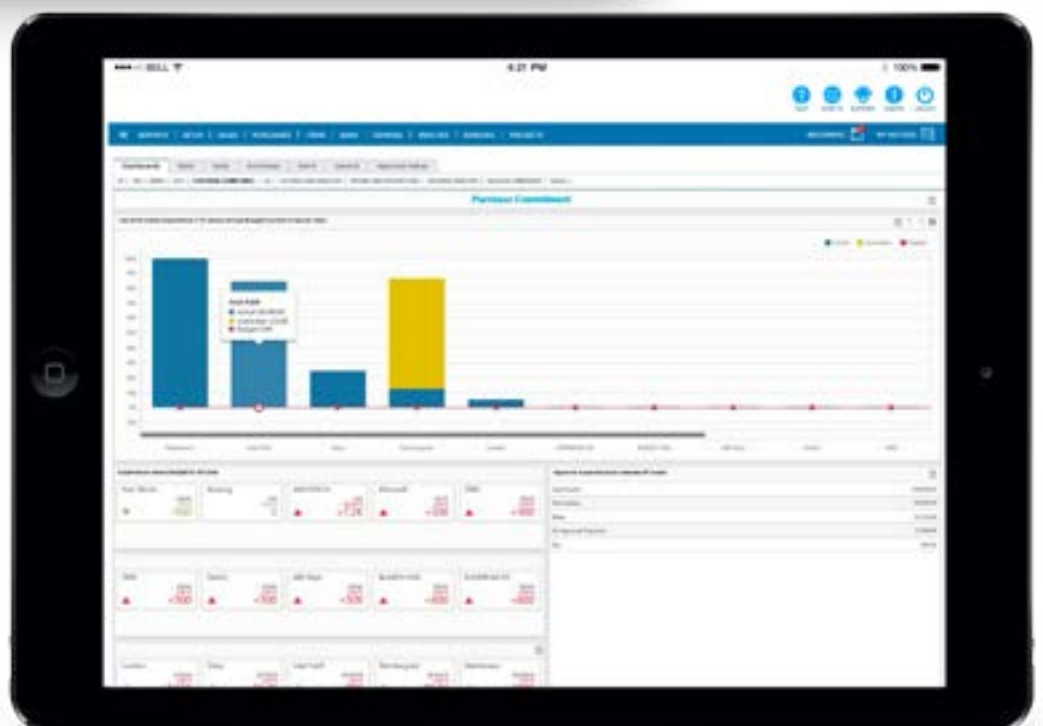
If you'd like to know more about our experiences helping businesses create dynamic and perceptive reporting packs, get in touch. You can also sign up for one of our [webinars](#) in which we lead you through some very practical ways to solve common accounting problems with Cloud-based solutions.

Example AccountsIQ Reports

There are over 250 pre-built reports in AccountsIQ and customised reports and dashboards can be created to your specific needs for you to run on demand.



Example CFO Dashboard



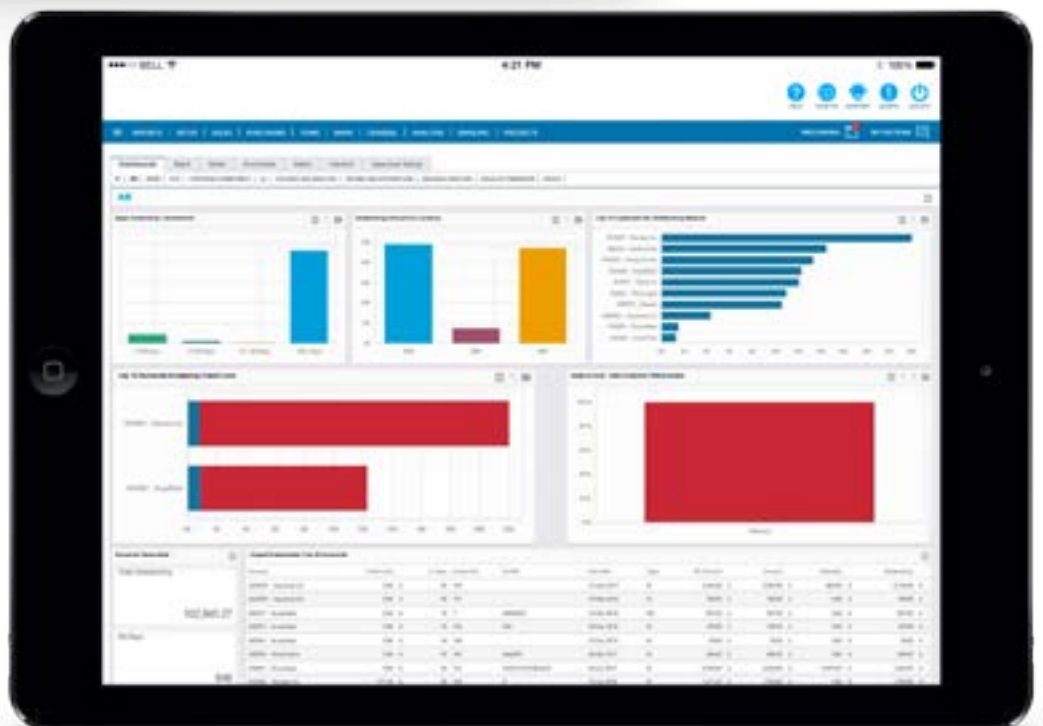
Example Purchase Commitment Dashboard

Custom Dashboards

Dashboards are completely customisable and can be created in just a few clicks. A 'drag and drop' feature allows you to choose which segments of the data you need to visualise and how you would like to present it. Access to dashboards can be restricted based on user profile. All dashboards and reported statistics can be drilled down into, down to transaction level.



Example
Accounts Payable
Dashboard



Example
Accounts Receivable
Dashboard

Book an AccountsIQ Reporting and Consolidation Demonstration

If you would like a personalised demo of how AccountsIQ can save you a week every month with producing consolidated reports, simply request a [Demo](#).

Get in touch with us via email sales@accountsIQ.com or Tel **0203 598 7350** and we will be happy to talk to you in more detail about your accounting, reporting and consolidation needs.

About AccountsIQ

AccountsIQ is a SaaS Cloud-based accountancy and consolidation system for fast-growing, mid-sized businesses. It offers advanced consolidation features, multi-currency accounting and enhanced business analytics. AccountsIQ is currently used by more than 3,000 companies and 25,000 users in 40+ countries.

For more information, speak to a product expert on **0203 598 7350** or email sales@accountsIQ.com

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