



Financial Accounting Transformation: Innovation & Trends

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Building a better
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Emerging trends in finance

In recent years, the finance function has been facing numerous business challenges, both strategic and tactical:

New requirements and policies



- ▶ Increasingly stringent regulatory and control requirements
- ▶ Changing accounting requirements (including revenue recognition, lease accounting etc.)

Complicated or inefficient architecture



- ▶ Mergers, acquisitions and other business events resulting in multiple applications, GLs and supporting systems
- ▶ Large number of transaction systems (e.g. general ledgers, subledgers and downstream applications)
- ▶ Multiple sources for reporting with different versions of truth

Treasury



- ▶ The role of treasury is evolving to become more strategic – managing risk, supporting financing of transactions, adapting to regulatory change and providing more information.
- ▶ There has been a shift towards centralization of the treasury function along with an increased use of technology to manage the increased volume of data.

Audit of the future



- ▶ Audit teams are increasing the use of technology to connect teams, automate processes and analyze data.
- ▶ As organizations undergo digital transformations, audit professionals are utilizing data analytics to provide greater trust and confidence and provide new insights.

Increased demand for broader and timely insights



- ▶ Stakeholders are challenging the corporate reporting system to achieve value-driven reporting capturing the insights.
- ▶ Organizations these days demand quicker turnaround of a broad range of data at increasing levels of granularity.

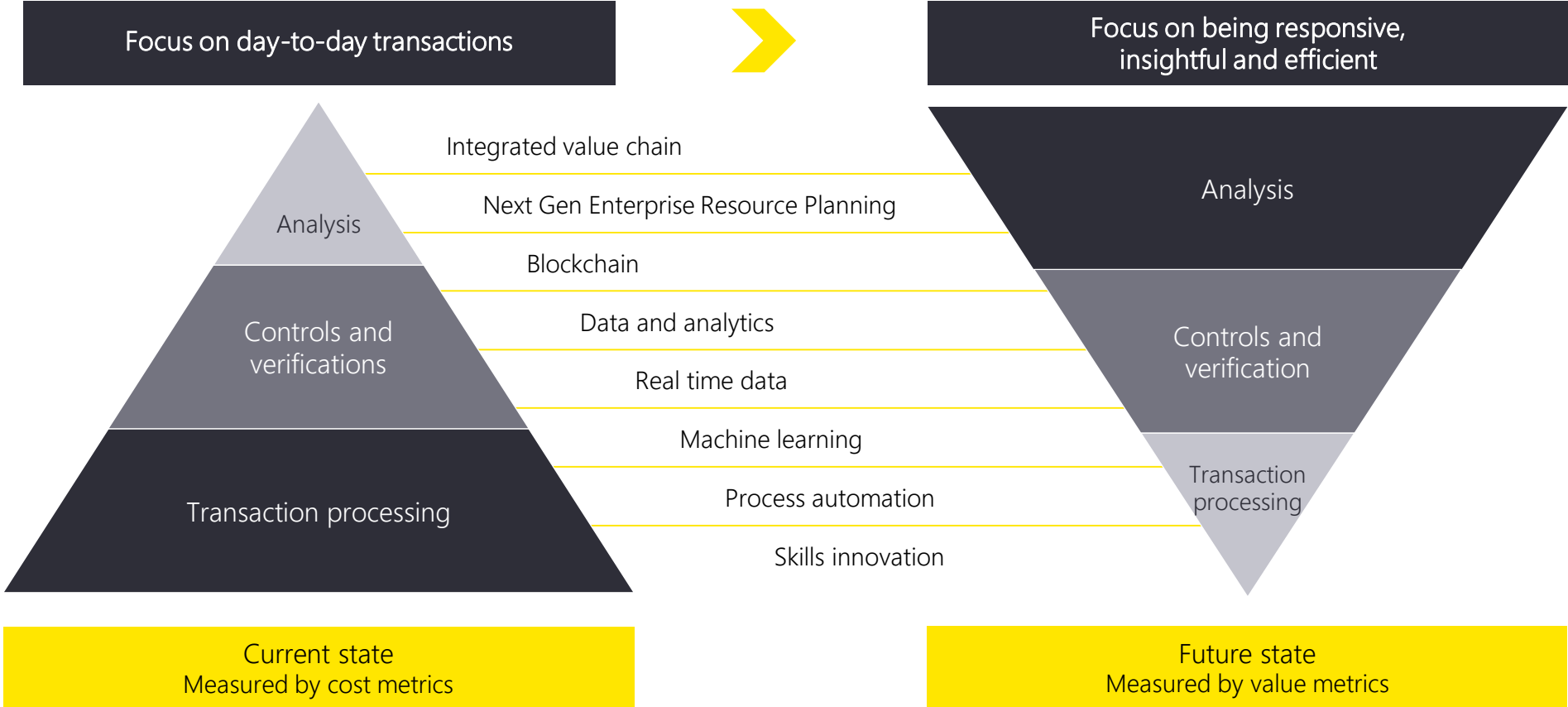
Expanding businesses and multi-region finance function



- ▶ Visibility into lowest level entities
- ▶ Regional and global view
- ▶ Offshore and onshore support

Finance will shift its focus from cost reduction to value creation

As a result, the focus of Finance will shift to value creation and innovation.



RPA technology can streamline the time-consuming transactional process steps within General Accounting & Reporting



Today's Challenges

- ▶ Maintaining the Chart of Accounts represents a time consuming process, e.g. for establishing new or amended codes
- ▶ Periodically, the standing data needs to be adjusted and authorizations in place require manual reviews and adjustments
- ▶ These operations are repetitive, time-consuming and are sensitive to errors



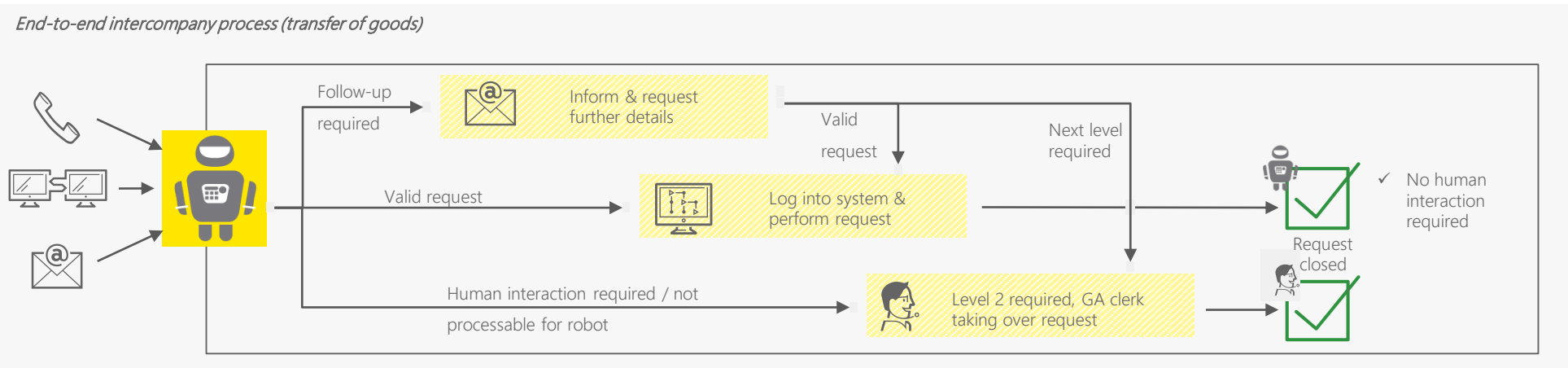
Future Solution and Digitalization

- Robotic process automation is a tool taking over repetitive and transactional tasks like Chart of Account adjustments which are usually done by a human
- Chart of Account code adjustments can be requested in a self-service portal, the request (translated into structured data) can be addressed by a robot on a first level, e.g.
 - Renaming can be done as long as it is in line with corporate standards
 - Sub-codes / accounts can be automatically created
 - More complex requests are forwarded to the next level, where a human can confirm or reject the request, chart of account adjustment done by robot
- Adjustments of standing data like the review of Authority Controls can be delegated to robots



Benefit

- ▶ RPA technology is able to raise efficiency and reduce checks & audit processes
- ▶ Finance clerks can be liberated from time-consuming and repetitive tasks like standard adjustments of the COA and only be included in critical cases
- ▶ In addition, reviews of Authority controls is a critical cornerstone to ensure adherence to laws and compliance guidelines. Automatization of this review represents a solid basis for the audit process



SMART Close enables a simplified financial close with more speed and efficiency



Today's Challenges

- ▶ Need for reconciliations and increased effort to close the books
- ▶ Patchwork processes for reconciliation using MS Excel, Access and BI tools
- ▶ Limited Workflow, Analytics and Monitoring
- ▶ Key controls issues associated with manual reconciliation processes
- ▶ Approach does not effectively handle process management requirements



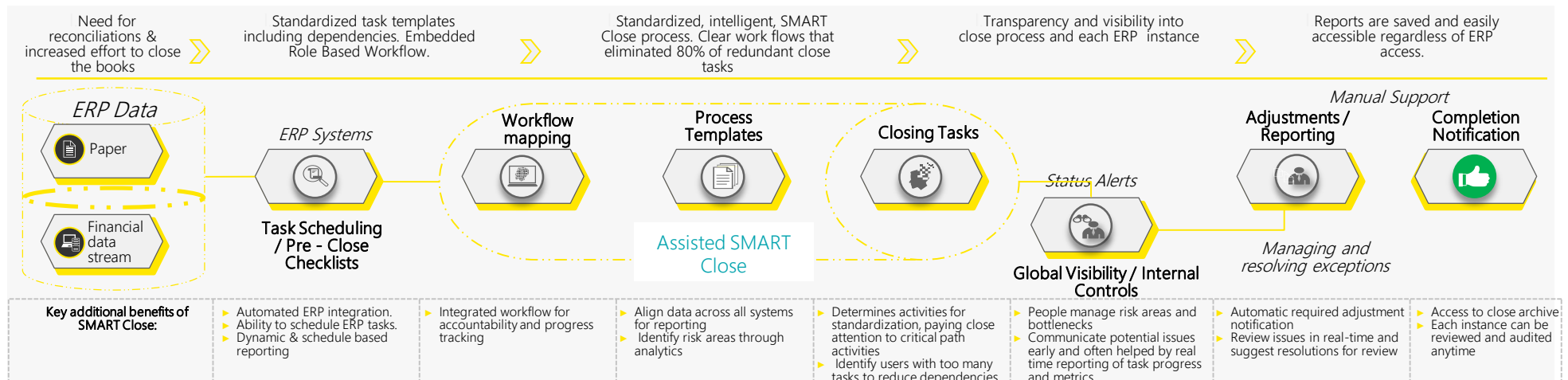
Future Solution and Digitalization

- ▶ Smart close automates and eases the closing process using integrated workflows for accountability and progress tracking (e.g. blackline solution)
- ▶ Defines and standardizes the closing processes developing a clear sense of visibility
- ▶ Ensures appropriate controls and documentation and determines accountability and assignment of tasks



Benefit

- ▶ 80% decrease of manual closing tasks
- ▶ Shorter and more efficient close cycles allows for both a less haphazard work schedules, less liability, and more time to be spent executing various other tasks with more emphasis than before.
- ▶ ERP data melds with the processes of SMART Close to enable an interactive dashboard experience across materiality, volume, and location.
- ▶ Embedded rules and logic can flag exceptions in the data, highlighting inconsistencies enhancing controls and reducing risk of manual errors. Freeing staff to exclusively focus on and resolve outliers as they appear.



RFID as key technology to significantly enhance physical inventory checks and calculation by automatically generate digital data input



Today's Challenges

- ▶ Resource and time intensive process for physical inventory
- ▶ Assets need to be checked and updated manually
- ▶ Manual work often leads to mistakes due to poor documentation
- ▶ Mistakes in inventory checks can lead to:
- ▶ Inaccurate forecast
- ▶ Compliance issues
- ▶ Higher tax payments and insurance costs



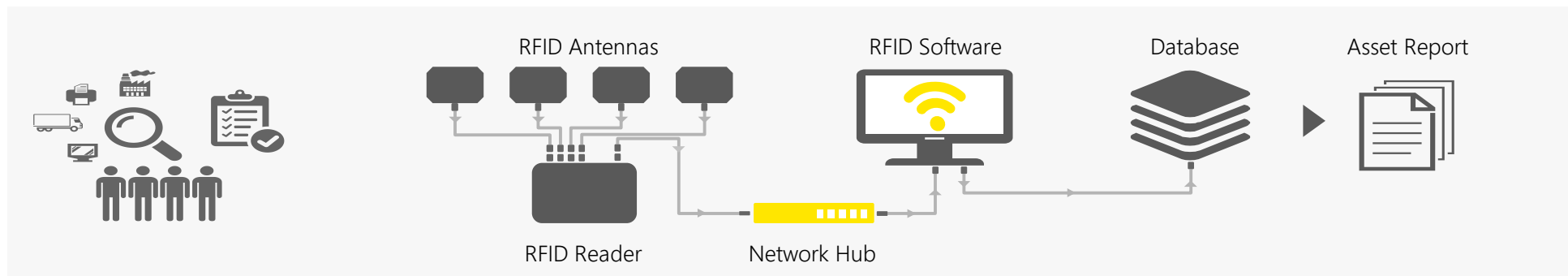
Future Solution and Digitalization

- ▶ Implementation of RFID (Radio Frequency Identification) system that consists of a reader (scanner) and a tag with embedded chip and antenna and compatible asset management software
- ▶ When tag appears in reader's working range (around 60 feet) it sends a signal containing encoded information
- ▶ RFID can read information from all items in working radius at the same time
- ▶ Reader receives and decodes information and sends it to inventory and asset management software for processing
- ▶ Advanced software enables:
 - Check In / Check out of assets and automatically updates locations
 - Alarm function in case inventory is leaving the range but shouldn't
 - Automated warehouse inventory



Benefit

- ▶ Tremendous increase in processing speed compared to traditional manual checks or barcode scanning
- ▶ Increased accuracy of inventory reports, forecasts and year end reporting
- ▶ Reduced resource requirements for physical inventory entry / checks
- ▶ Paperless recording of inventory in system
- ▶ Up-to-date data asset overview in system



In-memory technology combined with analytics has extensive potential to provide a strong basis for strategic decision-making



Today's Challenges

- ▶ Currently data is often stored in different sources spread all over the corporation's entities and systems
- ▶ Reporting & forecasts are to be planned in advance and are time consuming due to the required consolidation of different data sources
- ▶ Reporting is often already outdated when distributed and does not include the latest status or developments from the operational business



Future Solution and Digitalization

- ▶ With In-Memory technology (e.g. SAP S/4 HANA) we are able to generate real-time data from various sources which was stored in silo-like set-ups
- ▶ In case of the General Accounting & Reporting process the technology can be used to:
 - ▶ Improve financial planning, forecasting and analysis through Financial Analytics' capabilities
 - ▶ Accelerate Accounting & Financial close through In-Memory technology and more efficient closure processes



Benefit

- ▶ Establishment of an integrated IT framework of latest standard and future-ready
- ▶ Improved data resilience due to real-time data quality
- ▶ Accelerated forecasts and reporting
- ▶ Solid decision making is enabled through
 - ▶ Incorporating as much data as required
 - ▶ The latest data close to the operational business
- ▶ Accelerated closing of accounts





Thank you

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