

Is too much time going in to your month end reporting process?

By David Parmenter

Much valuable management and accounting function time is invested across the country in this exercise. Does the impact of the reporting process in your organisation warrant the investment you make?

The impact of a quick month end is significant. Take two hypothetical organisations with 500 staff and say 20 accounting staff. In the example shown the quick accounting function has nearly 40% more time to spend on proactive services and daily routines.

Effect of a quick month end (m/e)		
Tasks	Quick m/e	Slow m/e
	No. of working days a month	
Month-end reporting	4	9
Project work & daily routines	18	13
	40% more	

Based on a 22 working day month

The Problem.

How do we cut out the time spent at month end? From the waymark solutions limited studies organisations are finding ways to improve the process.

Successful steps taken
<ul style="list-style-type: none">• take the focus off the month end• tighten up on the cut-off• pushing processing back from month end• weekend cut-off• re focus of “variance to budget” reporting• let go of report writing

Take the focus off the month end

Why is the month end so important? A participant* with a good executive information system is providing senior management with monitored daily / weekly information on the key performance areas. The month end has now become less important and consequently the board papers reduced to 15 pages.

Tighten up on the cut-off. It is difficult to have a quick month end when one is leaving the A/P and A/R open for one or two working days into the next period. 40% of participants in a recent study* are now cutting off on the last day. They manage this by more reliance on recurring reversing accruals supplemented by budget holders accruals for the larger one-off amounts. They place timeliness above preciseness.

Pushing processing back from month end.

It worth looking at the processing carried out in the last few days before cut-off. Most “quick reporting” companies have frequent payment runs (with some participants achieving over 90% of payments by direct credit) and they have found that this eliminates the bottleneck at month end.

Week-end cut-off

5 months of this calendar year enable a week-end cut-off, and it will not be surprising if all the roll-over processes are smoother. The question is why not close-off on the last Friday/Saturday of every month? The benefits of this include precise 4 or 5 week months, which make comparison s more meaningful, and less impact on the working week as the systems are rolled over at the weekend.

Re focus of “variance to budget” reporting

How often do you find that the variance commentary is not very useful. Companies are now focusing variance analysis commentary more on the year to date variance. Where precise budgets have been set for a months activity, such as sales, power, payroll, cost of sales etc. monthly variance analysis is valuable. However many items in the operational expenditure were best guesses at the time of the budget, e.g. PR campaigns, travel, consultancy fees and are often simply spread evenly over the year. Reporting on the monthly variance for these items is thus a questionable activity.

Let go of report writing. How much time of the CFO is spent writing the monthly report? One participant* has invested heavily into a training programme changing managers to “coaches”. Direct reports to the CFO are now fronting up to committees and staff are writing board papers with limited input from the CFO. This step takes bravery, however the rewards include, motivated and more competent staff and CFOs spending more time making money for their organisation.

Last words
<ul style="list-style-type: none">• measure time spent on the reporting process• set a goal of reducing a day out of the reporting cycle each quarter• take the focus off month end by developing your executive information system

* Waymark solutions limited run better practice studies throughout the year. David Parmenter the manager of Waymark solutions limited, a specialist management support firm, based in Wellington, New Zealand. The firm specialises in better practice studies for support functions including accounting, human resources and information systems. The firm has a large database of better practices which study participants can access. parmenter@waymark.co.nz www.waymark.co.nz