# Table of Contents

Executive Overview .................................................................................................................. 3
Introduction ................................................................................................................................ 4
Financial Consolidation and Reporting Requirements ............................................................. 5
  Statutory Reporting .................................................................................................................. 5
  Management Reporting .......................................................................................................... 6
Approaches to Financial Consolidation and Reporting ............................................................ 8
What is a Best Practice? ............................................................................................................. 9
  Adoption of New EPM Technology Improves Performance ................................................. 9
  What Functionality is Included? ............................................................................................. 9
Enterprise Resource Planning Systems ..................................................................................... 11
General Tools .......................................................................................................................... 13
  Spreadsheets ........................................................................................................................ 13
  Data Warehouses ................................................................................................................. 13
Financial and Enterprise Performance Management Solutions ............................................. 14
Packaged Solutions and the Fast Close .................................................................................. 17
  Integrate ............................................................................................................................... 17
  Improve Accessibility ........................................................................................................... 17
  Improve Efficiency ............................................................................................................... 18
  Maximize Information ......................................................................................................... 18
Integrating Financial and Transaction Systems ..................................................................... 19
  Adding Value to Multiple Enterprise Resource Planning Systems ..................................... 19
  Adding Value to Single Enterprise Resource Planning Systems .......................................... 21
Transitioning to a Single Enterprise Resource Planning System .......................................... 22
  Customer Success Stories .................................................................................................... 23
  The ‘Extended’ Financial Close ............................................................................................ 24
Conclusion .............................................................................................................................. 25
Executive Overview

Today’s corporations continue to face a vast range of complex financial reporting requirements, and ever-increasing scrutiny by auditors and stakeholders. While transaction systems such as enterprise resource planning (ERP) systems typically have general ledger modules that summarize results at period-end, ERPs on their own are not adequate to support the extended financial close process. Financial consolidation and reporting applications add significant value by enabling flexible, accurate and rapid reporting, and integrate easily with any ERP system. Financial consolidation and reporting applications are a key component of the extended financial close – enabling an integrated and streamlined process - all the way from the recording of transactions through periodic regulatory filing. Financial consolidation and reporting applications automate the extended financial close across multiple hierarchies and include support for all of the special calculations required by US-GAAP, IFRS and other regulatory reporting standards. See figure 1 below.

Figure 1: The Extended Financial Close Process.
Introduction

Financial reporting requirements come from a variety of sources and are both complex, and ever-changing. Regulatory scrutiny has never been higher—especially as a result of the Sarbanes-Oxley Act (SOX) in the United States and International Financial Reporting Standards (IFRS 2005) in Europe. There are various approaches and software packages that can help companies automate the extended financial close. Of these options, packaged financial consolidation and reporting applications with purpose-built features will deliver the highest return on investment by improving the speed and quality of the financial close. To deliver the most value, the finance or accounting staff that compile and create the financial reports should be able to administer and maintain the financial consolidation and reporting application.

Financial consolidation and reporting applications deliver a consolidated ‘book of record’. They provide audit trails and permanent storage of the consolidated results so that internal and external auditors can test and verify data. But financial consolidation and reporting applications also help organizations with management reporting, a process by which companies examine and analyze information about business performance to plan for change. Furthermore, these applications can help with performance statistics that may be non-financial in nature, for example headcount, inventories, and sustainability metrics.

Financial consolidation and reporting applications are part of most enterprise performance management (EPM) solution suites. These solutions complement and integrate with various underlying transaction systems, including ERP systems. The applications that comprise an EPM system provide comprehensive support for the entire management cycle of goal setting, modeling, planning, monitoring, analysis, and reporting. Part of the Oracle’s EPM system, Oracle Hyperion Financial Management can be run independently to address this particular segment of the management cycle. But when it is integrated with all the modules of Oracle’s enterprise performance management system, it supports an efficient, closed-loop EPM process that improves business insight and generates better business decisions.
Financial Consolidation and Reporting Requirements

For most publicly traded companies, it is challenging to aggregate historical results in monthly or quarterly reports. One of the greatest challenges is meeting the business requirements for both statutory / legal and management reporting.

Statutory Reporting

Statutory reporting refers to the financial reporting that helps regulate public companies listed on the world’s stock exchanges and the accompanying requirements detailed by governmental bodies such as the U.S. Securities and Exchange Commission. This is typically a quarterly reporting requirement.

Statutory requirements come from many sources:

- **The Financial Accounting Standards Board (FASB).** The FASB publishes U.S. financial accounting and reporting requirements.
- **The International Accounting Standards Board (IASB).** The IASB publishes International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) in Europe and other countries.
- **Government.** Accounting rules can come directly from local governments or stock exchanges, such as Japanese statutory requirements that must be complied with for listing on the Tokyo Stock Exchange.
- **Regulated industry.** Companies in regulated industries, such as banking, insurance, and utilities typically have special statutory accounting and reporting requirements.
- **Tax authorities.** All companies must comply with local tax authorities. For example, U.S. companies must comply with Internal Revenue Service requirements.

All these requirements can be broadly defined as statutory or ‘required by the state’. Failure to comply with statutory requirements can cause delisting from public stock exchanges and severe penalties. Also, although these requirements apply to all publicly traded companies, they are often adopted by private companies and not-for-profits as well.

Most financial accounting standards deal with the what, when, and how of recording transactions. For example, the FASB’s ASC605 and IASB’s IAS 18 describe when to recognize revenue; ASC850 / IAS 24 describes what should be disclosed in related-party transactions such as those between owners and members of their immediate family.

There are actually very few consolidation and reporting-related accounting standards, but they are sometimes the most difficult and complex. The overriding principles of consolidation reporting were set forth more than 50 years ago in Accounting Research Bulletin (ARB) 51.
ARB 51 states the following: “The purpose of consolidated statements is to present, primarily for the benefit of the shareholders and creditors of the parent company, the results of operations, and the financial position of a parent company and its subsidiaries essentially as if the group were a single company with one or more branches or divisions”.

To achieve the purpose of consolidated financial statements, those statements must report as faithfully as possible the results of operations, cash flows, and the financial position of a reporting entity that comprises a parent and its subsidiaries. Underlying that purpose is the investors’ need for relevant, reliable, and comparable financial information that is helpful to them in assessing an entity’s financial position and performance. The reports must present the information so investors can compare it with reports for other periods and with similar information about other entities. A fair assessment of a company’s performance relies on information about all the activities related to the economic resources that an entity controls.

ARB 51 further states the following: “There is a presumption that consolidated statements are more meaningful than separate statements and that they are usually necessary for a fair presentation when one of the companies in the group directly or indirectly has a controlling financial interest in the other companies”.

The most common ASCs / IASs related to consolidation include
- ASC205 / IAS 27: Presentation of Financial Statements
- ASC810 / IAS 27: Consolidation of Majority-Owned Subsidiaries
- ASC830 / IAS 21: Foreign Currency Transactions and Translations
- ASC230 / IAS 7: Statement of Cash Flows
- ASC280 / IAS 14: Disclosures about Segments of an Enterprise
- ASC740 / IAS 12 Accounting for Income Taxes

For today’s diverse, global organizations, complying with statutory requirements can be a daunting task. Without robust consolidation and reporting processes, complying with multiple external reporting requirements becomes difficult, if not impossible.

Management Reporting

External or statutory reporting differs from internal or management reporting. A company’s managers set management reporting requirements, and the information is not typically disclosed to governments and third parties. Management reporting requirements are usually different for distinct organizational levels and the reports tend to be more analytic than statutory reports. For example, detailed budget variance analysis, an intrinsic element of management reporting, is not required for statutory reporting. In addition, management reporting typically determines incentive-based compensation. Generating such reports gets complex when a company bases compensation for its management team on factors for which there are no guidelines in the generally accepted accounting principles.
In addition to management reporting on revenues, profits and cash flow, a company typically needs to track key performance statistics that may be non-financial in nature, for example headcount, inventories, and sustainability metrics. Some of these key statistics may be reported externally and some may not. For example, some companies voluntarily disclose hiring trends in their sales force. Others may report on energy and water usage, recycling, or other sustainability metrics. For others, inventory surpluses or shortages are important metrics that shareholders have an active interest in evaluating. A recent Accenture and Oracle Study\(^1\) shows the percentage of non-financial data needed for regulatory filings is on the rise.

\[\text{Figure 2: Percentage of non-financial data needed for regulatory filing}\]

\(^1\) The Challenge of Corporate Reporting Research Study carried out by Dynamic Markets on behalf of Oracle and Accenture. ©2012
Approaches to Financial Consolidation and Reporting

There are three basic approaches to financial consolidation and reporting:

- Packaged or ‘best-of-breed’ financial consolidation applications
- ERP systems
- General tools

These primary approaches were identified in a study by BPM International. In 2011, BPM International surveyed 99 of the largest corporations in the world across all industries to identify common traits of top-performing finance departments. The study found that 81 percent of survey respondents used packaged financial consolidation applications, while 25 percent used an ERP system. The remaining 12 percent used general tools, such as spreadsheets and data warehouses.² (Note: respondents were able to select more than one option which is why the total percentage is greater than 100%)

² European EPM Study - Enterprise Performance Management 2011 and Beyond. © 2012 BPM International. All rights reserved
What is a Best Practice?

Adoption of New EPM Technology Improves Performance

In this study by BPM they commented: “Compared to our study in 2007, the use of EPM software / technology has increased. Looking at the top performers, it is clear that the use of EPM specialized tools is helping them to support the different close processes. From the Top 20 companies 80% have implemented EPM software in their organization. The bottom performers didn’t manage to automate the data collection process – 60% are still entering data in local reporting packs and Microsoft Excel sheets.”

What Functionality is Included?

Oracle Hyperion Financial Management is classified as a packaged best-of-breed financial consolidation and reporting application. For a software solution to be classified this way, it must do all of the following:

▪ **Structure and automate.** Typically used by finance teams in midsize-to-large publicly traded corporations, financial consolidation and reporting applications structure and automate the monthly or quarterly aggregation of historical results. These applications embed rules, procedures, and techniques with an accompanying methodology, fulfilling specific statutory / legal reporting requirements associated with the period-end financial close. Such standards include the GAAP and the IFRS.

▪ **Support management reporting.** Financial consolidation and reporting applications allow users to analyze information about the business and help to plan for change, a process collectively known as management reporting. Financial consolidation and reporting applications perform functions that are ad hoc, involve creativity, and address what-if scenarios. They allow companies to:
  - Analyze unique events such as modeling a new corporate structure, revising the existing corporate structure, starting a new division, and planning tax and treasury strategies for acquisitions and divestitures
  - Evaluate profitability by product, brand, and customer segment
  - Determine compensation for a sales or management team based on any factor of performance; for example, financial consolidation and reporting applications can support reporting for companies that compensate salespeople based on the sales they booked during a period, rather than the revenue they generated for that period
  - Collect and consolidate the environmental and social metrics often included in sustainability reporting, as well as other nonfinancial information that is required for internal and external reporting. This is an increasing trend according to the recent Accenture and Oracle Study
  - Act as a consolidated book of record. Financial consolidation and reporting applications must provide audit trails and permanent storage of the consolidated results for internal and external auditors to test and verify data. Financial consolidation and reporting applications also provide control mechanisms to ensure that statutory / legal and management reporting is complete and accurate. As part of their annual internal control evaluations, public accountants rigorously audit companies’ financial consolidation and reporting applications and the data generated.
**Not require IT administration.** To deliver the most value, the finance or accounting staff that compile and create the financial reports should administer and maintain the financial consolidation and reporting application. Furthermore, end users outside finance—for example, operational revenue and cost center managers—should be able to customize and create their own reports, thereby promoting a ‘self-service’ operating model. Because of their packaged and self-service features, support of financial consolidation and reporting applications requires fewer staff members than any of the other most common approaches.

![Figure 3: How organizations deal with sustainability reporting – 34% have completely integrated them](image-url)
The second most common choice is to consolidate financial results within the ERP system itself. With this approach, general ledgers or data warehouse technologies consolidate the results within the ERP technology stack. The primary advantage of this approach is that financial consolidation is fully integrated with the underlying transaction systems. However, financial consolidation can only be fully integrated when all underlying transaction systems are from the same vendor and they are installed as a single technology stack. For example, figure 4 shows the recommended architecture for customers who have Oracle’s PeopleSoft transaction systems.

Figure 4: A combined ERP and EPM solution relies on same-vendor architecture

The biggest issue with the ERP approach is the difficulty coping with organizational change. Changes to the chart of accounts and entity structures must be scrutinized and implemented by IT professionals as they are pervasive across the entire ERP system. The general ledger often makes it difficult to consolidate data from multiple periods, evaluate restatements, analyze what-if scenarios, or reconcile differing methods of recognition and reporting associated with management reporting. As a result, the finance department must complete these tasks offline in a spreadsheet because they can’t afford to wait for IT to respond. In general, only companies with limited environmental change can succeed for a sustained period with this approach. Also, ERP consolidations require the largest dedicated staff.
How big an issue is change management? In the recent Oracle / Accenture study, a large majority of corporations have made substantial changes to the three phases of the extended financial process in the last 3 years. (In the study the three phases were defined as 1-closing, 2-reporting and 3-filing – see figure 1) And the pace is expected to increase.

![Diagram showing changes made to the three phases of the extended financial close process over the last 3 years.](image)

**Figure 5: Changes made to the three phases of the extended financial close process over the last 3 years.**
General Tools

General tools, including spreadsheets and data warehouses, were used by approximately 12 percent of companies in the BPM International study.

Spreadsheets

When the spreadsheet approach is used, spreadsheet templates are created by central headquarters and e-mailed to remote locations. Then, on a monthly or quarterly basis, these spreadsheets are updated and e-mailed back to central headquarters, where they are consolidated into a master spreadsheet—usually with complex ‘macros’. The only advantage of this approach is low cost because there is no software or hardware to buy. Everyone in the organization already has e-mail access and a spreadsheet application on their desktop.

The biggest disadvantages of this method are, that it is difficult to maintain the spreadsheets, and there is no audit trail. It can be very difficult to keep all the spreadsheets updated and synchronized, especially in an environment of persistent change. Errors happen frequently and are difficult to correct, as there is no audit trail of adjustments or changes to the spreadsheets. Finally, specialized knowledge is required to program the spreadsheets, making companies fully dependent on one or a few spreadsheet ‘gurus’. Though a spreadsheet can help with statutory and management reporting when used with a financial consolidation and reporting application, standalone spreadsheets are being increasingly rejected as acceptable financial consolidation and reporting tools by public auditors during their internal control reviews—particularly those audits in the United States required by SOX.

Data Warehouses

The generic data warehouse is an IT-intensive approach. Indexed and coded data is loaded from general ledgers into a generic relational or multidimensional data storage system. The system then performs calculations and allocations and generates output reports. The primary advantage of this approach is its customization capability, because any number of unique calculations can be created. The primary disadvantage is that, because data warehouses are typically IT projects and not owned by the finance team, this method requires dedicated programming expertise. IT will be required to create and maintain the system and to oversee certain aspects, such as reporting formats and security. As such, delays and inflexibility are constant challenges.

Furthermore, external auditors will usually want to review any custom system used for financial consolidation and reporting in detail, but will not require as extensive an audit when a familiar packaged financial consolidation and reporting application is used. This is because the financial consolidation and reporting application has software controls auditors are familiar with from their broader experience across their customer-base. Generic data warehouse approaches will often increase audit fees and could increase internal control risk as well.
Financial and Enterprise Performance Management Solutions

Standalone financial consolidation and reporting applications are very effective in streamlining financial consolidation and reporting when implementing a complete EPM solution is not practical. But a modular suite of applications integrating financial consolidation and reporting, and other EPM applications provides the most comprehensive support for the entire management cycle of goal setting, modeling, planning, monitoring, analysis, and reporting with the fastest time to benefit (See figure 6). Financial consolidation and reporting applications are important components of EPM, enabling customers to link strategies to plans, monitor execution, and gain insights to help manage and improve performance. These applications can be used independently to address the financial consolidation and reporting segment of the management cycle, but together they support a closed-loop EPM cycle.

As shown in figure 7, a robust financial consolidation and reporting application brings together trial balances and other information from one or many general ledger, ERP or other transaction systems. Actual results from one or many transactional general ledger / ERP systems will typically be loaded or integrated into financial consolidation and reporting solutions at the period end. Once the consolidation process is complete, reports and dashboards can be accessed through a web browser or Microsoft Office user interface.
As part of a robust EPM framework, financial consolidation and reporting applications should support the following financial processes:

- Management, legal, and tax reporting
- Complex currency translations
- Intercompany and minority interest eliminations
- Complete audit trails
- Journal adjustments
- Multidimensional analysis
- Cash flow reporting
- Tax provisioning
- Extensible Business Reporting Language (XBRL) reporting
- Reporting key performance statistics that are non-financial in nature (these could include sustainability reporting following Global Reporting Initiative (GRI) guidelines, for example)
They should also include the following features:

- **Prepackaged features** that can be used quickly and cost-effectively
- **Flexible business rules** and powerful allocation rules that help in cost accounting and are easily set by staff
- **Robust data integration** with legacy applications and transaction systems
- **Graphical drag-and-drop** data mapping and administration of the chart of accounts and dimensional hierarchies
- **Productivity features** that can help trim days and weeks off the close cycle and support fast close best practices
- **Preventive financial control mechanisms** and sophisticated process management with automatic e-mail alerts
- **End-user–defined line item details** and text messages for added analysis and collaboration
- **Nested dimension forms** with drill-and-pivot features for navigation ease
- **Reports and graphics** that are high volume and preformatted
- **Built for the Web** functionality for ease of use; no PC client installation for end users
- **Around-the-clock availability** of mission-critical data
- **Inherent integration** with all leading security mechanisms
- **Failover and load-balancing** technologies
- **Best Practice Starter Kits for special reporting requirements** – Solvency II, Sustainability Reporting (GRI), IFRS etc.
Packaged Solutions and the Fast Close

Financial consolidation and reporting applications are often implemented as part of an effort to speed the company’s financial close and reporting cycle. Why is a fast close so important? From an external perspective, speedy and high-quality financial reporting is an indicator of good governance and is viewed favorably by investors. Internally, management will always want to know how business strategies are tracking against expectations as soon as possible. A faster close maximizes the time available for managers to analyze strategies and possibly alter them.

As mentioned earlier, the BPM International study found that financial consolidation and reporting applications were used more often by the best-performing finance departments (80%). But, how fast is fast? According to the BPM International study:

“On average subsidiaries need 12 working days to finalize their financial close and report to the corporate centre, the fastest subsidiaries manage to send their financial results in only 2 working days. Consolidation of the results needs on average 10 working days, so after 22 working days the management at group level get’s the first consolidated results presented. Looking at the fastest company in our study we see a big gap. This company is ready and finished the reporting on working day 3 and has full insight in the financial performance of the group.

After the first consolidation and internal reporting to the management companies need another 15 working days to publish or announce their results to the market or shareholders. This is not the full annual financial report with the audit signature. On average groups need another 34 working days to prepare and publish the annual report, the fastest participant publishes the annual report after 10 working days, so they are finished after 16 working days and can focus on the financial performance of the group in the New Year.”

How do companies achieve world-class financial close performance? The fastest-closing companies have achieved success by implementing the following best practices that integrate, improve accessibility, improve efficiency, and maximize information:

Integrate

- Adopt a common chart of accounts across diverse general ledger systems
- Implement an integrated financial consolidation and reporting, and financial data quality solution to more-quickly collect and process data and reduce errors
- Integrate financial reporting with planning, scorecard, and financial modeling systems for continuous performance management

Improve Accessibility

- Empower the finance department with ownership of the data loading and mapping process
- Equip remote reporting sites to map, validate, and correct data as they load it to the common chart of accounts
- Enable Web-based reporting of internal results—making self-service finance a reality
- Enable electronic submissions to external stakeholders via XBRL
Improve Efficiency

- Regularly close systems that feed into general ledgers and do not wait until the period’s end
- Reconcile intercompany balances frequently, rather than waiting until the quarter’s end
- Make top-line adjustments in a financial consolidation and reporting system, rather than going back and correcting local general ledgers and then reprocessing
- Calculate the tax provision and adjust deferred tax assets/liabilities in the same system used for the broader financial consolidation
- Centralize and automate chart of accounts management and change control to rapidly process changes and eliminate reconciliation issues across systems

Maximize Information

- Collect unstructured data related to financial information (such as variance descriptions and other qualitative information) while the trial balances are being collected
- Subcertify the results along with the trial balances—survey responses, testing results, and reconciliation documents submitted with the trial balances can improve confidence
- Conduct flash reporting on key performance indicators throughout the reporting period, using the financial consolidation and reporting system, performance dashboard, or scorecard system
- Collect and manage key performance indicators that are non-financial in nature—these could include sustainability reporting following Global Reporting Initiative (GRI) standards, for example

Clearly, technology will play a vital role in supporting these processes and improving cycle times.
Financial Consolidation and Reporting

Applications:
Adding Value to Enterprise Resource Planning Applications

Integrating Financial and Transaction Systems

As previously discussed, there are a variety of approaches to efficient and effective financial consolidation and reporting. But first it’s important to understand some of the inherent strengths and limitations of financial transaction systems. Systems such as general ledger / ERP software improve transaction processing in a company. General ledger / ERP software captures and structures transaction-based data at the lowest functional level—for example, data from a specific manufacturing facility. General ledger / ERP systems are generally divided into business functions, such as financial, distribution, human resources, manufacturing, treasury, materials, and customer relationship management. These systems help control and automate everyday activities such as purchasing, hiring, paying invoices, and receiving merchandise, among others.

A typical large or medium-sized corporation may have many general ledger / ERP systems with hundreds or thousands of users interacting with different modules on a daily basis. Major subsidiaries, product lines, and service organizations will typically have their own unique ERP system and chart of accounts, tuned over time to specific operating requirements. Unique ERP instances may be a legacy of a merger, or they may be intentional - as part of a lower cost ‘two-tier ERP’ strategy for example. These systems usually include a general ledger module for accumulating all transactions and creating a set of financial statements—often called trial balances—for the functional entity being administered. There could be hundreds or even thousands of such entities in a corporate structure, leading to thousands of trial balances with differing charts of accounts that must be consolidated.

A small minority of large and medium-sized corporations worldwide have been able to simplify their ERP installation to a ‘single-instance.’ In these cases, a single global ERP is used to manage all business units worldwide, and in this case the trial balances are within a single ERP chart of accounts. However, single, global ERP systems do not always meet efficiency expectations, and sometimes are singled out as a reason for inability to grow and expand a business. Financial consolidation and reporting applications have a role to play in either approach – multiple or single ERP. They can also help with the transition from one to another.

Adding Value to Multiple Enterprise Resource Planning Systems

As noted above, a majority of companies do not have a single ERP instance. There are several key reasons for this:

- The cost to convert to a single ERP is prohibitive
- Companies demand greater autonomy and flexibility in remote operations (this is referred to as ‘two-tier’ ERP)
- Mergers bring in new general ledger / ERP systems that are not immediately converted to a single corporate standard
- The company might want to keep divisions separate as part of a sell-off or an initial public offering strategy
In these situations, it is critical to have a robust financial data quality management application (FDM) in place to bring all the disparate trial balances together quickly and efficiently, in accordance with statutory requirements. The consolidation and reporting application gives management a consolidated view of revenues, profits, cash flows, and other such performance indicators for management purposes. They can also support drill-down to underlying GL systems when FDM integration adapters are used. In addition financial consolidation and reporting applications can help keep the local general ledger / ERP's 'simple'; that is, doing their primary job of transaction processing and generating basic financial statements, not higher-level financial functions such as complex allocations and management reporting.

Because the finance or accounting team that compiles, creates, reviews, and approves the financial reports can also administer and maintain the financial consolidation and reporting solution, everything speeds up. The IT staff is then free to address other IT issues, and the finance staff can still respond quickly to new requirements. As never before, company executives require the fastest possible turnaround on consolidation and reporting, planning, budgeting, and forecasting activities. These activities include business analysis, reorganizations, and multidimensional modeling—all with 100 percent accuracy, internal controls, and complete audit trails. The question of end-user empowerment and employee morale also comes into focus. An empowered finance team that is not dependent on IT for basic application maintenance will be happier and more productive overall.

A purpose-built, well-controlled, ERP-independent system fully maintained by the finance team will deliver the fastest turnaround and best accuracy in today's dynamic business environment, especially where multiple general ledger / ERP systems are in place. Financial consolidation and reporting solutions act as a consolidated book of record, bringing together multiple disconnected transaction systems for a single set of consolidated results. This fulfills the ARB 51 requirement “to present, primarily for the benefit of the shareholders and creditors of the parent company, the results of operations, and the financial position of a parent company and its subsidiaries essentially as if the group were a single company with one or more branches or divisions”.

Furthermore, operational managers throughout the extended enterprise need accurate financial information quickly, fully customized to their requirements. The best way to achieve this is through a self-service approach. Once the close has been completed in the financial consolidation and reporting solution, the results can be made available to the extended management team through a Web user interface. This interface has both formatted and ad hoc reporting tools to help them in their day-to-day activities.
Adding Value to Single Enterprise Resource Planning Systems

Single-instance ERP solutions are installed and maintained at a single location, but are accessible by all functional users worldwide. This type of ERP system can add significant value in some companies—for example, where large-scale manufacturing involves closely linked supply chains. As another example, in certain segments of the financial services industry, financial transaction requirements can only be met by single-instance ERP systems. Although these systems can be costly, the return on investment of just-in-time purchasing and the corresponding reduction of inventory carrying costs can justify a single-instance ERP project.

Even after the transition to a single worldwide ERP, there remains strong need for a robust, ERP-independent financial consolidation and reporting solution owned and operated by the finance team. Some ERP solutions allow users to consolidate and report financial information with data warehouses. But these solutions are, by necessity, tied directly to the underlying transaction system, requiring IT expertise outside finance for basic maintenance and support. This might present some complications—for example, IT staff will be expected to make GAAP-compliant changes to the systems but may lack the financial accounting background to understand the broader impact of the changes on statutory reporting.

Also, ERP data warehouse–style consolidations are by necessity centralized and highly controlled. Changes to these systems need to be evaluated carefully to understand the full impact on data that headquarters consolidates and reports. In addition, such changes could affect the underlying transaction and extract, transform, and load (ETL) processes—and determining these effects takes time. These approaches do not promote the concept of autonomy and self-service. Financial consolidation and reporting applications—stored centrally but maintained by autonomous divisions (where unique and dynamic key performance indicators are allowed)—will encourage operational business partnering, rather than simple scorekeeping.

For example, a new product in a division might be planned or produced that changes the cost structure, revenue projections, cash flow contribution and disclosures for that division. In this case, the divisional finance team can use a financial consolidation and reporting application to assess and evaluate the changes caused by the new product quickly and efficiently. Robust and flexible financial consolidation and reporting applications are purpose built for this type of divisional activity, whereas ERP data warehouse solutions are less flexible and will require significant IT assistance to complete such tasks. What typically happens in these situations is that data is dumped from the ERP system into offline spreadsheets for modeling and analysis. But spreadsheets are really not suitable for these types of activities as noted above.

Recognizing these limitations, a financial consolidation and reporting strategy based solely on an ERP system is a risky one. This approach becomes an option that will only work for a shrinking number of companies that can accept the constraints of a financial close process owned by IT.
For companies that have decided to move ahead with a single ERP approach, time does not stand still. Single-instance ERP systems can take years to implement. During that time, the company will publish results, make acquisitions and divestitures, possibly even reorganize, and the competitive landscape could change dramatically. Robust financial consolidation and reporting applications can help with the transition to single-instance ERPs by providing consistent processes and reports during the transition period. The company can change underlying transaction systems independently when milestones are met and timing is best for the functioning of the organization, rather than being influenced by monthly or quarterly reporting requirements. Also financial consolidation and reporting applications can help with ongoing reorganizations as well, which can be driven by the ERP project itself.

When a company is acquired, there is typically a need to bring the acquired company’s financial statements together with that of ongoing operations very quickly. It takes some time to integrate ERP systems, and it is not practical to tie this process to the entire ERP integration. Financial consolidation and reporting applications will provide a solid and reliable technology framework for merging acquired company financial statements quickly, and ERP integration can progress at its own pace. In addition, financial consolidation and reporting applications control processes and check accuracy, keeping errors to a minimum during what can be a challenging time.

For these reasons, financial consolidation and reporting applications can help ensure that a large-scale ERP project is a success rather than a failure. Because of the significant investment required in ERPs, senior executives carefully scrutinize these projects. Often, a breakdown or delay in the monthly or quarterly reporting is caused by attempting to use an ERP system as a consolidation and reporting application. Management might see this as a “red flag” that the ERP project is failing. In reality, it could be that the ERP project is progressing well, but only the financial consolidation and reporting functions are having difficulties. Financial consolidation and reporting applications help ensure that periodic reporting and analysis continues to be satisfactory to senior executives during the ERP transition.

And finally, financial consolidation and reporting applications help ease the ERP project burden on the IT staff and help reduce the consulting cost of ERP projects. ERP projects usually consume significant internal resources and involve costly consultants. Plus, the IT staff will need to maintain the legacy systems during the transition. If consolidated statutory / legal and management reporting is handled by an empowered finance team with a robust financial consolidation and reporting system in place, the company will invest less money and fewer resources. This increases the likelihood that an ERP system will be implemented successfully, and that legacy systems will continue to be available.
Customer Success Stories

Many customers globally have implemented Oracle Hyperion financial close solutions. Oracle has been working with these customers to improve their financial close processes and over the last year has been asking customers to take part in its Customer Information Panel to determine the improvements they have realized. The results of the study, carried out via on-line questionnaires, shows some remarkable results that confirm the benefits listed above:

The magnitude of the benefits realized (average) are stated by customers as:

- 32% less time spent creating monthly internal financial reporting realizing an average reduction from 7.32 to 4.96 days
- 26% less time spent creating monthly external reporting realizing an average reduction from 8.08 to 5.96 days
- 36% fewer monthly manual adjustments needed realizing an average reduction from 52 to 33

Some stories of customers that have implemented Oracle Hyperion Financial Management can be found on our website by clicking on the links below:

- Jotun A/S Standardizes Accounting Globally, Streamlines Operations
- Savills plc Accelerates Financial Reporting and Gains Greater Insight into Performance Metrics
- Toshiba Medical Systems Europe Expands Reporting Options for More Informed Business Decisions
- WSP Group Integrates Statutory and Internal Reporting on a Single, Flexible, Scalable Intelligence Platform
- Vaisala Oyj Enhances Subsidiary Reporting Functions with Effective Financial Management System
- Tessenderlo Group Improves Financial Management with Enhanced Data, Reporting, and Forecasting
- Grupo WTorre Achieves Account Closing Consolidation in Five Days for Its 150 Companies
- Grupo Unicomer Consolidates Financial Information and Accelerates Account Consolidation by 30%
- The State Accounting Office of Georgia Integrates Financial Information, Shortens Financial Closings, and Streamlines Reporting across 175 Organizations
- BrightPoint Streamlines Global Financial Reporting with Oracle Hyperion
- Podcast: Replacement of Outlooksoft (SAP BPC) with Oracle EPM at Brady Corporation
- Podcast: Improving Finance Department Productivity at BorgWarner
The ‘Extended’ Financial Close

As organizations have become more sophisticated in executing and managing their financial close and reporting process, they have come to realize that focusing on the overall process is important. See figure 10.

At Oracle, we have also recognized this and have developed and released, over the last few years, additional modules as part of our Oracle Hyperion Financial Close Suite of applications. Oracle Hyperion Financial Management forms a self contained but integrated part of this overall solution.

For more information on the Oracle Hyperion Financial Close Suite, please visit: http://www.oracle.com/us/products/applications/hyperion
Conclusion

Financial consolidation and reporting applications can add significant value to transaction systems such as ERPs. Financial reporting requirements come from a variety of sources and can be complex; regulatory scrutiny has never been higher. Stakeholders around the world are demanding more detailed disclosures of both financial and nonfinancial information, including sustainability metrics. There are various approaches to the consolidation and reporting cycle, but financial consolidation and reporting applications, with their purpose-built features, will deliver the highest return on investment.

Packaged financial consolidation and reporting applications are typically used by finance teams to structure and automate the monthly or quarterly aggregation of historical results and include best-practice methodology. Financial consolidation and reporting applications such as Oracle Hyperion Financial Management act as a consolidated book of record—they provide audit trails and permanent storage of the consolidated results for internal and external auditors to test and verify data. But financial consolidation and reporting applications also help organizations examine and analyze information about the business to plan for change, collectively known as management reporting. To deliver the most value, the finance or accounting staff that compiles and creates the financial reports should be empowered to administer and maintain the financial consolidation and reporting solution.

Financial consolidation and reporting solutions are distinct from the underlying general ledger/ERP transaction systems they use as a data source. Most large enterprises will continue to use more than one general ledger/ERP system, but some companies will move toward a single general ledger/ERP approach. Financial consolidation and reporting solutions can add value to both multiple and single ERP systems, and can help create a seamless transition to a single ERP environment.

The Oracle Hyperion Financial Close Suite provides an integrated solution for the extended financial close and reporting processes. Oracle’s Hyperion family of products is the recognized market leader for financial consolidation and reporting solutions with more than 4,000 financial consolidation customers worldwide based on over 30 years experience delivering solutions of this kind.

The Oracle Hyperion Financial Close Suite provides an integrated solution for the extended financial close and reporting processes. It allows organizations to report to stakeholders in a timely and accurate manner and provides a level of governance, visibility, and transparency into the financial close and reporting cycle that enables management to be confident in the numbers they report to stakeholders.

The Oracle Hyperion Financial Close Suite includes core financial consolidation and reporting functionality as well as purpose-built modules to manage the entire financial close process and to create and submit regulatory filings. The modules can be easily configured to address specific organizational financial close requirements as well as local and global regulatory legislation and help drive profitable growth by delivering predictable results, improving confidence and compliance, and streamlining business processes.
