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CFO's Guide to Better, Faster Accounting and Decision-Making

Continuous accounting makes closing the books a source of insights — not frustration

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In a classic '80s Dunkin Donuts commercial, Fred the Baker repeatedly says "time to make the donuts" as he endures rain, snow, and exhaustion in his quest to produce the perfect chocolate raised.

Many finance professionals can relate when they contemplate the traditional monthly close process, which can carry on for days or even weeks while colleagues clamour for information.

Let's face it: Recording and totaling journal entries, producing trial balances, reconciling bank statements, recognising revenue, and other tasks integral to the close process are not how most accountants or controllers would choose to spend the bulk of their working hours, even with a box of maple glazed nearby.

"I'm rushing like mad, I'm booking a journal entry, I'm preparing an analysis, I'm reconciling stuff, … I want to go home to my family, it's 10 o'clock at night," said one CFO of multiple businesses. "Guess what happens the next month? The same thing all over again."

Much like Fred, finance teams are too often chained to a dated close processes — meaning they don't have time to suggest ways their companies can improve financial performance and be the true business partners their colleagues need.

If spending an inordinate amount of time on repetitive, manual tasks sounds like your reality, we have good news. Today's software can complete many of these tasks faster and with greater accuracy, and paired with some revamped processes, can help finance overcome the limitations of the traditional monthly close and be a continuous source of business insights for the whole company.

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Accounting Challenges

Many finance and accounting professionals dread the task of closing the books. Whether done monthly or quarterly, the process is labour-intensive, full of mundane, repetitive tasks, and takes days or weeks to complete. The significant amount of time required prevents the accounting team from providing insights that can improve the organisation's overall performance.

One of the biggest challenges accountants face is ensuring the data they have is up-to-date, accurate, and complete.

Key information that accounting requires, such as inventory levels, project milestones, or the status of fixed assets, is typically spread over multiple departments and systems across the organisation. The effort required to gather and organise this data in preparation for closing the books can be maddening. Challenges typically emerge across three areas:

1. Slow updates. The accounting staff's difficulty collaborating with others in the organisation to get the data it needs in a timely manner is a major source of frustration. Waiting for information to be updated by other departments, a lack of visibility into the status of recent orders and pending contracts, and frequent last-minute changes to data that has already been processed are a drag on efficiency and delay the completion of closing tasks.

2. Compliance. Another challenge is making sure that accounting processes and decisions follow relevant standards, including US GAAP, AASB, and IFRS, industry or government regulations, and tax codes for all jurisdictions in which a company does business. This includes generating necessary reports and collecting and paying taxes on time to avoid penalties, fines, restatements, and longer, more costly audits.

3. Time. Finally, the sheer amount of time required to close the books can be daunting. Accounting staff spend hours at the end of a reporting period reviewing transactions, tracking down errors, and correcting journal entries to make sure accounts balance.

Other time-consuming activities include manually calculating depreciation and accruals and ensuring that revenue is recognised correctly. Much of this work must be done outside of the accounting system using spreadsheets, which increases the risk of errors.

Moving to Continuous Accounting

Continuous accounting is a technology-driven approach that seeks to balance accounting workloads and provide more timely information, replacing month- or quarter-end deadlines with frequent completion of close-related tasks. By incorporating closing into the daily routine, continuous accounting spreads the work out over the entire month and, ideally, balances workloads so accounting team members do the work they are best suited to — and no one is overloaded or becomes a bottleneck.

> The ultimate objective of continuous accounting is to provide accurate, real-time financial reports as often as decision-makers need them — offering instant insight into the business, rather than reporting results two or three weeks after the fact.

To achieve this goal, companies must automate routine tasks, particularly recurring and repetitive ones and those requiring complex calculations.

In addition, organisations must create a culture of collaboration, both within finance and between finance and other departments, to identify ways to improve processes and allow accounting staff to add more value. Managers should focus on helping individual team members build and maintain strong relationships. One way to do this is by making sure each person — and the group as a whole — sees how the tasks they perform contribute to broader finance and accounting objectives. Collaboration tools like messaging and video-chat platforms can also help by making it easy for people to work together, even if they are in different locations.

Finally, continuous accounting requires a centralised data repository where finance and accounting personnel can easily access all relevant information. For product-based companies, this would include real-time data on inventory levels, open and pending orders, and shipping confirmations. For services companies, it would include project-related details, such as performance obligations and project-tracking information.

This eliminates time wasted tracking down information and increases accuracy because data can be entered once and instantly made available to users based on their roles and permissions.

That means no more manually rekeying information from one system to another.

Continuous Accounting

Centralises account data

Replaces event-driven activities

Creates a culture of collaboration

Benefits of Continuous Accounting

Moving from an event-driven close process to continuous accounting has many benefits:

- Visibility. Continuous accounting provides real-time visibility into daily financial performance, giving department heads and other senior leaders the insights they need to control costs, make smart investments, and achieve profitability goals. This is a crucial advantage in a rapidly changing business environment.

- Automation. Automating repetitive tasks, such as creating journal entries or reconciling account statements, and eliminating the need to collect and normalise data from other departments can save dozens of hours every month. This extra time can be put to better use. Rather than tracking down and consolidating information, finance and accounting staff can focus instead on reviewing transaction details, investigating anomalies, and analysing trends.

- Accuracy. The combination of automated processes and replacement of spreadsheets for complex calculations boosts accuracy by eliminating duplicate data entry and the potential errors caused by out-of-date spreadsheets or incorrect formulas.

- Compliance. Automation also helps ensure compliance with accounting standards, government regulations, tax laws, and internal policies by consistently applying the appropriate rules and schedules to revenue recognition, depreciation, prepaid and deferred expenses, and other financial processes.

Continuous Accounting Applied

Revenue Recognition

Efforts to bring US and international accounting standards closer together have been underway for years. Revenue recognition was an early focal point, with rule changes designed to achieve greater consistency in financial reporting across industries and countries. The resulting standards, ASC 606, AASB 15, and IFRS 15, provide a five-step framework for making revenue recognition decisions:

1. Identify contracts with customers.

2. Identify the separate performance obligations in each contract.

3. Determine the transaction price.

4. Allocate the transaction price to the performance obligations in the contract.

5. Recognise revenue when or as a company satisfies a performance obligation.

All too often, the finance team doesn't review these steps until near the end of an accounting period. A few days before the close process begins, calls and emails go out requesting project updates and the timing of deliverables. And because deals are often closed at the end of the month, quarter, or year, there's added pressure on accounting to get contract details recorded and invoices generated asap.

Continuous accounting embeds these five steps into contract management and accounting procedures so they become part of the daily routine, instead of being triggered by end-of-month deadlines.

Depreciation of Fixed Assets

Despite its importance, managing fixed-asset depreciation is a largely manual task in many organisations. Asset registries, if they exist, are often poorly maintained, and the information they provide is either out of date or incomplete, making it difficult to know when assets were purchased and their total depreciable expense. In other cases, assets are tracked by facility or department. This makes capturing acquisitions and disposals in a timely manner particularly challenging as facilities personnel may not think to alert accounting to these events.

The lack of centralised data means accounting maintains its own list, typically using spreadsheets. At the end of the month, the team must contact people in other parts of the organisation to make sure the list is up to date. Entering and updating data in this way is not only a time-consuming, manual process, but also error-prone. If multiple people are updating the spreadsheet, there is a risk that information will be entered in the wrong place, that depreciation methods will be applied inconsistently, or that formulas will be applied incorrectly or changed.

A centralised system can manage fixed-asset data and automate depreciation calculations, using the designated depreciation method and schedule for each asset. This saves time by eliminating the need to gather information at the end of the month and improves accuracy by ensuring that depreciation rules are applied consistently.

Lease Accounting

Changes to accounting standards, specifically ASC 842, AASB 16, and IFRS 16, mean companies are required to include virtually all leases with a duration of more than 12 months on their balance sheets. These rules are resulting in companies facing some of the same issues that arise with accounting for depreciation, including difficulty maintaining accurate information and reliance on spreadsheets for complex calculations.

These requirements create additional challenges that are unique to leases, including:

- The need to record the interest paid on leased assets separately from the lease expense using either an implied interest rate or the lessee's borrowing rate.

- The requirement to record an operating lease on the balance sheet as both an asset with a value equal to the accumulated lease payments minus interest and a liability equal to the value of the remaining lease payments.

For an organisation with more than a few dozen leases, managing these tasks via spreadsheet is cumbersome. With continuous accounting, however, a system performs complex calculations automatically, without the need for human intervention, saving time and providing more consistent results.

Subscription Billing

As companies move from transactional selling to recurring revenue models, they encounter several difficulties with billing, including:

- Keeping track of multiple subscription plans, pricing schedules, and promotions.

- Billing the correct amount for usage-based plans with variable rates.

- Managing complex billing scenarios that combine one-time payments with recurring fees.

- Making changes to individual subscription plans, such as upgrades, downgrades, or holds.

Managing data in spreadsheets is a security concern, hurts data quality, and eliminates real-time visibility.

Continuous accounting automates billing processes and puts subscription and billing data in one place. That improves data quality and helps ensure accurate billing.

Multi-Entity Financial Consolidation

For organisations with multiple subsidiaries or independent business units, closing the books is particularly challenging. Multiple accounting and/or ERP systems and the lack of a common chart of accounts mean accounting staff must spend hours reviewing transactions before updating the general ledger. In addition, if the company does business globally, it must perform currency conversions and sort out differences in depreciation, revenue recognition, and other rules that vary from one country to another.

These tasks are ideally suited for automation because they are rules-based and can be performed over and over without deviation, so long as the rules are configured correctly and, in the case of currency conversion, exchange rates are regularly updated.

Ultimately, however, the advantages of continuous accounting decline if financial data is stored in multiple systems. To receive the full benefit, organisations with multiple business entities must have a shared accounting solution that allows subsidiaries to maintain separate financial records but a common general ledger.

How NetSuite Supports Continuous Accounting

NetSuite delivers a complete financial management solution for companies ready to begin moving from a standard, event-driven close process to a continuous accounting approach.

- Automation of repetitive tasks like creating journal entries, managing amortisation and depreciation, and elimination of intercompany transactions saves time.

- A centralised database provides a single source of real-time transactional, financial, and operational data, reducing the risk of error by eliminating duplicate data entry.

- Collaboration features make it easy to share information, begin conversations, or work with cross-functional teams to solve problems.

- Embedded analytics help finance and accounting add more value to the business by identifying potential development opportunities or uncovering inefficiencies that eat into profitability.

With NetSuite's cloud architecture, accounting staff have access to the information they need to do their jobs from anywhere with an internet connection.

In today's ever-changing business environment, organisations need real-time information and metrics to inform decisions and quickly evaluate the results. This is possible only with continuous accounting. Companies that fail to adopt this approach, clinging instead to traditional accounting processes, will rely on outdated information and risk underperforming their peers.

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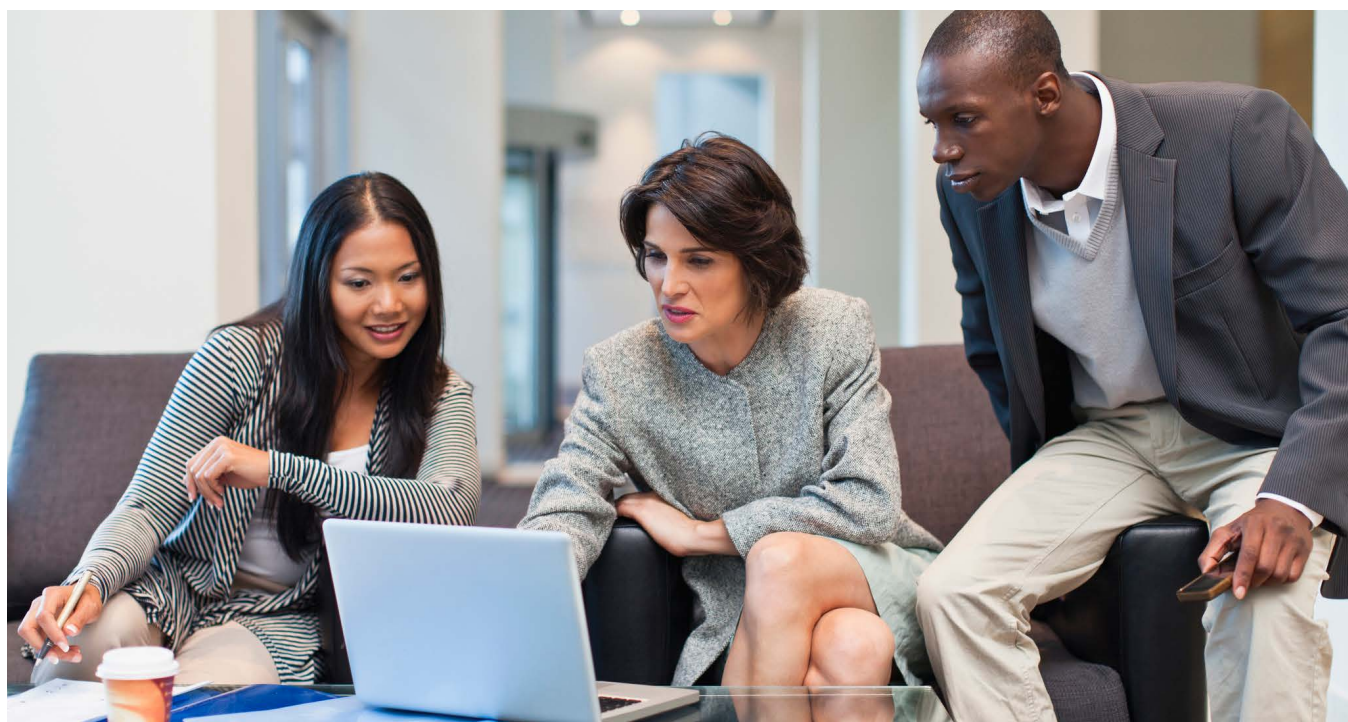
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