Corporate accountants' top 20 mistakes: 10-6

Performance management thought leader David Parmenter completes his analysis of how to avoid the top 20 mistakes made by corporate accountants.

10: Allowing month end reporting to go past three working days
When I was a corporate accountant each month end was a disaster waiting to happen. It seemed to have a life of its own and you never knew when the next problem was going to appear.

Two or three days away we appeared to have it under control and yet each month we were faxing the result five minutes before the deadline. Sound familiar?

Action:
Quick month end reporting, a far more efficient system, has been around since the early 1990s, when forward thinking CFOs started looking at the concept of 'day one' reporting. Such systems are now capable of giving the CFO a full accrual net result at any time during the month.

9: Using Julius Caesar's calendar
Caesar's calendar is not a good business tool. It creates 12 dramas a year for the finance team and budget holders, with each month being slightly different.

Between three and five months every year will end on a weekend, and finance teams often find the month end processes are smoother for these months.

Why not close off on the last or nearest Friday/Saturday of every month like many US companies do? The benefits include precise four or five week months, which make comparisons more meaningful, and reduce the impact on the working week.

By making this change you are beginning to create 12 'non events' a year, the aim of all corporate accountants.

Action
Contact your G/L provider and ask, 'Who uses our G/L and closes on a set day each month?' They will link you to them and you will see the benefits at first hand.

Choose which day. It is best to be the nearest rather than the last Friday, Saturday, Tuesday to month end etc. The last Saturday can have you closing six days before month end, whereas the nearest Saturday will be a maximum of two working days out.

8: Spending months on annual accounts
Annual reporting, while an important legal requirement, does not create any value within your organisation. Accounting functions need to find ways to extract value from the process while at the same time bringing it into a tight timeframe.

How many times has the final year end audited number been within 5% of the month 12 number? We spend far too much time chasing our own tails. There is absolutely no reason in 99% of cases why the first cut of year end for internal reporting should not be the same as the last cut for external reporting.

Action:
Request a sign off 15 working days from year end.

7: Investing in a complex G/L and upgrading unnecessarily
I cannot understand how accountants, who are supposedly careful with money, waste it on G/L upgrades – or worse, invest in a more complex G/L. Corporate accountants will spend hundreds of thousands on a G/L package where the core services could be delivered for a fraction of the investment.

The task of the G/L is very simple: recording the expenditure and revenue. It is no longer required to report the numbers, hold budget figures or be the enquiry tool.

I came across a CFO managing a 500 FTE company who uses MYOB, a USD500 package. He said, quite wisely, 'Why should I spend more? The only users of the G/L are my management accountants. We have an analysis tool for budget holders to access their accounts and a planning tool for forecasting and reporting actual against target.'

Action:
You only need to acquire a new G/L if your existing G/L does not support 21st century accounts payable options.

Stick with your existing system and maximise its use. Use all the accounts payable features, such as storing scanned images of invoices, electronic ordering and receipting.

6: Letting Excel dominate the finance system
I wager that Bill Gates never, in his wildest dreams, thought that Excel would become the core financial system it has in many companies and that the models would reach gigantic proportions. Excel is great for doing a diagram, doing a one off costing, or creating a table of numbers. It is not ideal as a forecasting or reporting system.

Action:
Embrace new tools, including:

- a drill down tool so budget holders never need to look at the G/L
- a planning tool for forecasting and recording the annual plan
- a reporting tool to replace the procedure of dumping the monthly numbers to the G/L
- balanced scorecard tools for displaying performance measures.

This article is an extract from a 110 page white paper that can be purchased from his website www.davidparmenter.com.