

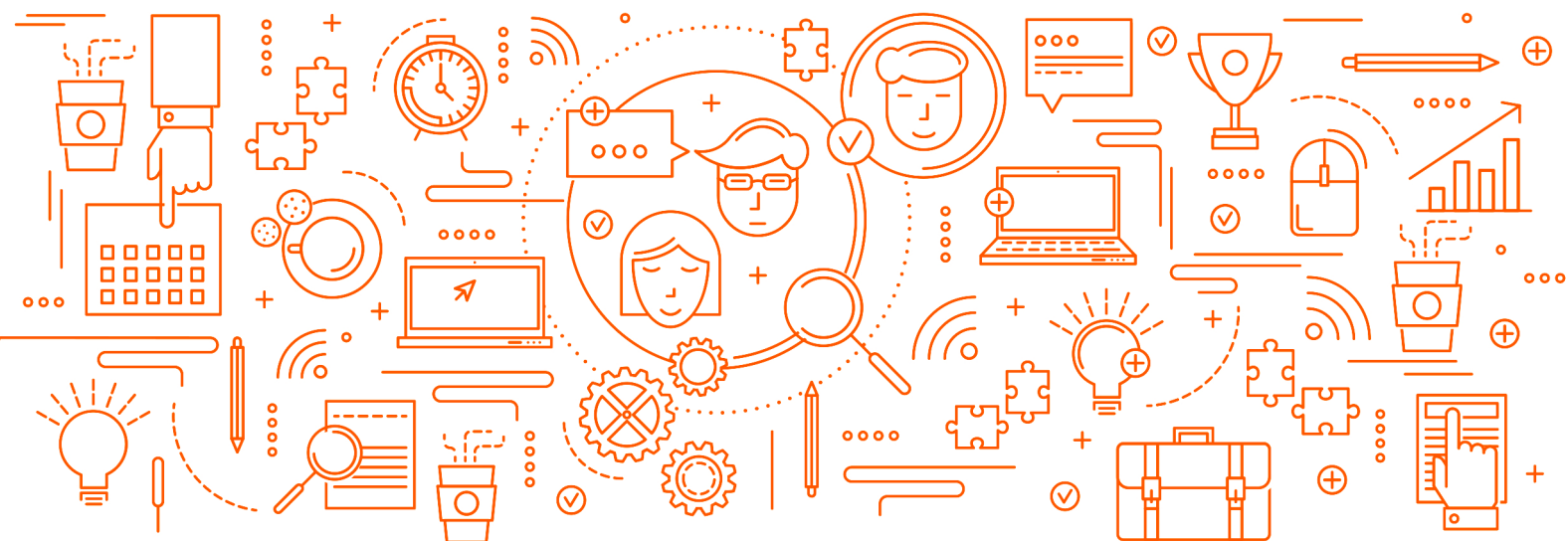
What you'll learn

- Baseline functional requirements of account analysis
- The feel of a connected system, from close tasks, to workpapers to journal entry



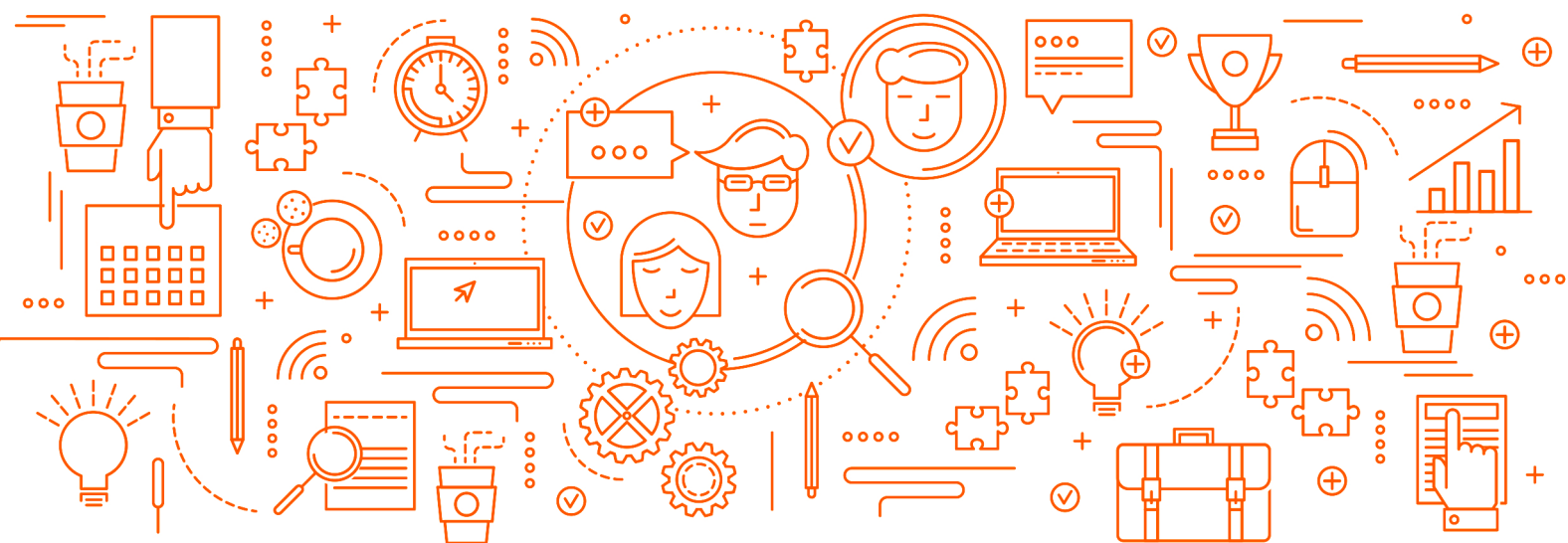
Executive Summary

This ebook looks at the basic elements of the monthly close process - account analysis. It doesn't matter if the finance teams are reconciling, accruing, amortizing, depreciating, or looking for transaction errors and omissions, the baseline required functionality is account analysis. Let's see how.



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Account Analysis: The Basic Element of the Monthly Close Process

Account analysis can happen at the account, group of accounts, or even across an entire category of accounts. The purpose of an analysis of accounts is to make sure everything in the account is correct and complies with the appropriate accounting principles, be that GAAP (Generally Accepted Accounting Principles) or IFRS (International Financial Reporting Standards) during month end close.

The first challenge with account analysis is that accounts are analyzed differently depending on the account type, which includes asset, liability, equity, income, expense, etc. There's a risk of accuracy associated with the account, and the account analysis methods used.

Here are a few examples of a few situations that can create the risk of accuracy:

- Some accounts the finance teams reconcile, including the GL Trial balance to Subsidiary Ledger, GL Trial balance to an accounting schedule, report or match transactions between two different systems. The team also validates the transactions during the month that are appropriate for a particular account.
- For some business activities or documents, the finance teams list and accrue expenses against them (purchase orders).
- Some business activities are performed each month partially for verification purposes like physical inventories.
- Some accounts have a very high level of precision than other accounts the finance teams estimate and are "good enough" to apply the "materiality" principle to them (Reserves).

The overriding need for account analysis is flexibility to analyze the account in the appropriate method, as required by the accounting transactions supporting the account balance. Because of this required flexibility, spreadsheets are the current tool of choice for month end close analysis, but the tool also comes with many challenges.

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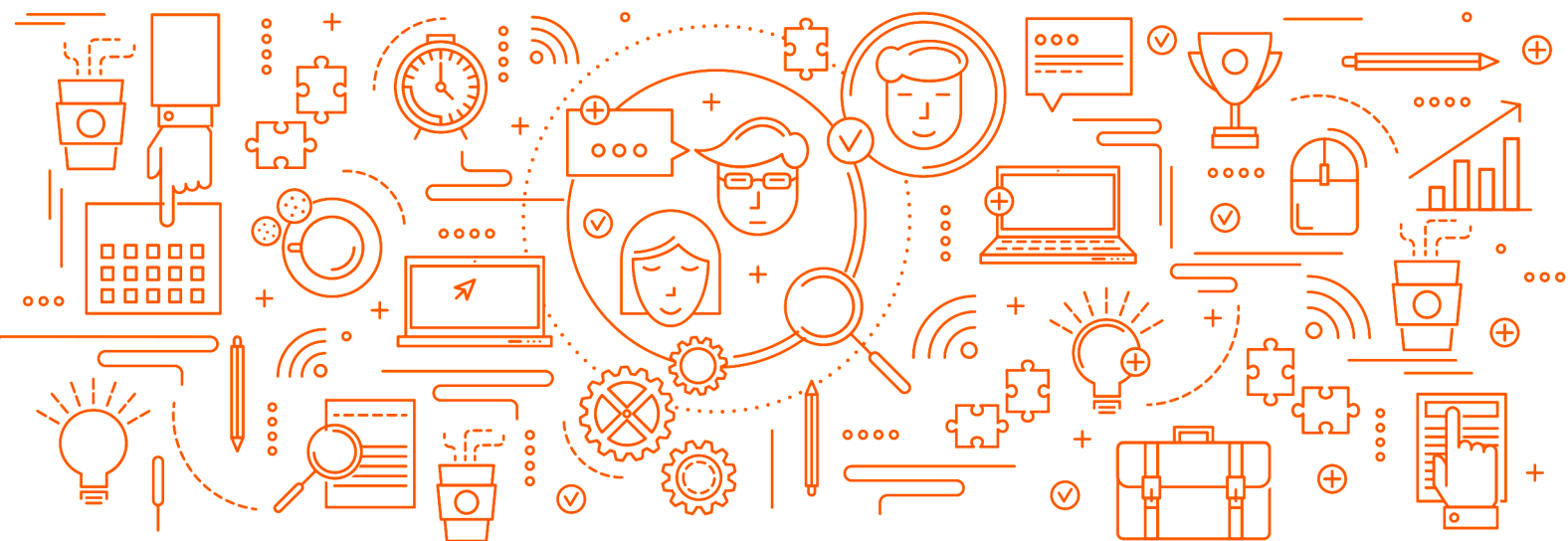
The advantage: Spreadsheets are flexible and can apply the appropriate analysis required for each account, including bringing in a million rows of detail if it is needed. It can sort and filter the information as required to focus on the correct information and then apply formulas to the data. Technically, there are row formulas, column formulas, and cell formulas to analyze the information and create the appropriate journal entries needed to adjust the books at month end.

The disadvantage: Spreadsheets create a disconnected and informal close process, which results in workpapers stored electronically across multiple desktops and servers. There is no “official” monthly close binder.



These two challenges, combined with the need for analytic flexibility [enabled by spreadsheets], highlight the need for a system that combines the ease of accessing real-time data with a system for managing the process through workflow and collaboration that supports the execution of tasks performed in spreadsheets.

We call this solution [Connected Workspace](#). Interestingly, there are a lot of low code/no code solutions in the market, but none manage and formalize informal spreadsheet processes.



CHAPTER 3

Connected Workspace: Visualizing the Solution

Connected Workspaces – the solution provides a listing of monthly close tasks where each task contains the necessary task level information that includes:

1 Pivot

2 Sensitivity

3 Start & End Date

4 Dependent Tasks

5 Approval Authorizations

6 Related information (notes and attachments)

ID	Closing Unit	Project	Name	Critical	Due Date	Status	Assignee	Reviewer
5462	Stark Enterprise CU	April-2022-Close-1	Open new accounting period	Yes	29-Apr-2022	In Progress	RR Roger Rambo	JR Julia Roberts
5463	Stark Enterprise CU	April-2022-Close-1	Calculate PO accruals		30-Apr-2022	Not Started		
5464	Stark Enterprise CU	April-2022-Close-1	Wage and Salary Postings	Yes	30-Apr-2022	Not Started	WL Wei Le	
5465	Stark Enterprise CU	April-2022-Close-1	Book Corporate Card transactions	No	May-2022	In Progress	RR Roger Rambo	GC Graham Cousi...
5466	Stark Enterprise CU	April-2022-Close-1	Post vendor payments	No	29-Apr-2022	Not Started	RR Roger Rambo	GC Graham Cousi...
5467	Stark Enterprise CU	April-2022-Close-1	Reconcile general ledger with AP subli...	Yes	30-Apr-2022	Not Started	RR Henry Thurso	BT Brad Tendulkar
5468	Stark Enterprise CU	April-2022-Close-1	Close accounts payable subledger	No	30-Apr-2022	Not Started	GL Glendo Mavis	GC Graham Cousi...
5469	Stark Enterprise CU	April-2022-Close-1	Record T&E expenses	No	29-Apr-2022	Not Started	RR Roger Rambo	GC Graham Cousi...
5470	Stark Enterprise CU	April-2022-Close-1	Confirm customer billing is complete	Yes	30-Apr-2022	Not Started	GL Glendo Mavis	BT Brad Tendulkar
5470	Stark Enterprise CU	April-2022-Close-1	Apply Cash received from customers	Yes	30-Apr-2022	Not Started	HT Henry Thurso	GC Graham Cousi...
5470	Stark Enterprise CU	April-2022-Close-1	Revenue Walk	Yes	01-May-2022	Not Started	GL Glendo Mavis	BT Brad Tendulkar
5470	Stark Enterprise CU	April-2022-Close-1	Calculate & Prepare Commissions	Yes	30-Apr-2022	Not Started	HT Henry Thurso	BT Brad Tendulkar
5470	Stark Enterprise CU	April-2022-Close-1	Validate revenue recognition postings	Yes	29-Apr-2022	Not Started	HT Henry Thurso	BT Brad Tendulkar
5470	Stark Enterprise CU	April-2022-Close-1	Generate Revenue Variance Analysis...	Yes	01-May-2022	Not Started	GL Glendo Mavis	BT Brad Tendulkar
5470	Stark Enterprise CU	April-2022-Close-1	Post provision for doubtful receivables	Yes	24-Apr-2022	Not Started	HT Henry Thurso	BT Brad Tendulkar
5470	Stark Enterprise CU	April-2022-Close-1	Calculate and Post sales commission	No	30-Apr-2022	Not Started	GL Glendo Mavis	GL Glendo Mavis
5470	Stark Enterprise CU	April-2022-Close-1	Reconcile AR subledger with general l...	No	01-May-2022	Not Started	HT Henry Thurso	BT Brad Tendulkar
5470	Stark Enterprise CU	April-2022-Close-1	Calculate Non PO Accruals	No	01-May-2022	Not Started	HT Henry Thurso	GC Graham Cousi...
5470	Stark Enterprise CU	April-2022-Close-1	Confirm customer billing is complete	Yes	30-Apr-2022	Not Started	HT Henry Thurso	BT Brad Tendulkar
5470	Stark Enterprise CU	April-2022-Close-1	Confirm customer billing is complete	Yes	30-Apr-2022	Not Started	GC Graham Cousi...	BT Brad Tendulkar

With each task you launch a system stored and maintained spreadsheet, which provides the same flexibility as Excel with additional system controls:

- Updating the data input sheets **1** from the real-time data feeds
- Providing the ability to create custom spreadsheet tabs that use the input **2** and perform the necessary vlookup functions and calculations to correctly calculate adjusting journal entries or let the operator choose which entries need to be adjusted. The rows in the spreadsheet are dynamic as the number of input rows changes from month to month.
- Provide the ability to perform analysis like pivot tables, sorting, filtering, etc. **3**
- Provide a summary sheet that calculates the journal entry and can post back to the general ledger. **4** [screenshot of Excel Interface]

	AB	AC	AD	AE	AF	AG	AH	AI	AJ	AK	AL
	Billed Amount in Subsidiary Currency	Subsidiary Currency for Billed Amount	Start Date	End Date	Department	Location	PO Date	Planned Amount	% of Completion	Revised Amount	Accrual Amount
1											
2	41200.1	USD	12/20/2021	1/16/2022	Cogs: Customer Value	Houston	12/24/2021	41200.10	100%	41200.10	0
3	0	USD	12/27/2021	1/20/2022	Cogs: Customer Value	Houston	12/16/2021	55082.55	100%	55082.55	0
4	17289	USD	1/1/2022	1/25/2022	Cogs: Customer Value	Houston	12/11/2021	17289.00	100%	17289.00	0
5	3641.12	USD	1/3/2022	1/3/2022	General Administrative: Allocation Hold	Houston	12/26/2021	3641.12	75%	3641.12	0
6	29686.84	USD	1/3/2022	1/23/2022	General Administrative: Allocation Hold	Houston	12/29/2021	37108.55	60%	37108.55	0
7	0	USD	1/4/2022	1/29/2022	General Administrative: Accounting/Finance	Houston	12/29/2021	1020.00	100%	1020.00	1020
8	0	USD	1/6/2022	1/29/2022	COGS: Customer Value	Houston	12/30/2021	13200.68	50%	13200.68	6600.34
9	21372.76	USD	1/8/2022	1/31/2022	Marketing: Online Marketing	Houston	1/2/2022	21372.76	100%	21372.76	0
10	1640	USD	1/10/2022	2/4/2022	COGS: Saad Setup-COGs Consulting	Houston	1/2/2022	1640.00	50%	1640.00	0
11	0	USD	1/12/2022	2/7/2022	Marketing: Online Marketing	Houston	1/5/2022	117033.44	100%	117033.44	0
12	0	USD	1/15/2022	2/10/2022	Marketing: Highako	Houston	1/9/2022	1094.82	100%	1094.82	0
13	0	USD	1/17/2022	2/14/2022	Marketing: Online Marketing	Houston	1/12/2022	7460.85	100%	7460.85	0
14	0	USD	1/21/2022	2/20/2022	Product Manager	Houston	1/13/2022	2560.00	0%	2560.00	0
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What can the Finance Team do?

The finance teams need to take a few steps to ensure a closed system. These steps included having a [monthly close checklist](#) converted to an automated and collaborative system and a catalog of the different spreadsheets used in the financial close process. Here we will are some of the other crucial steps, which include taking the listings of spreadsheets and:

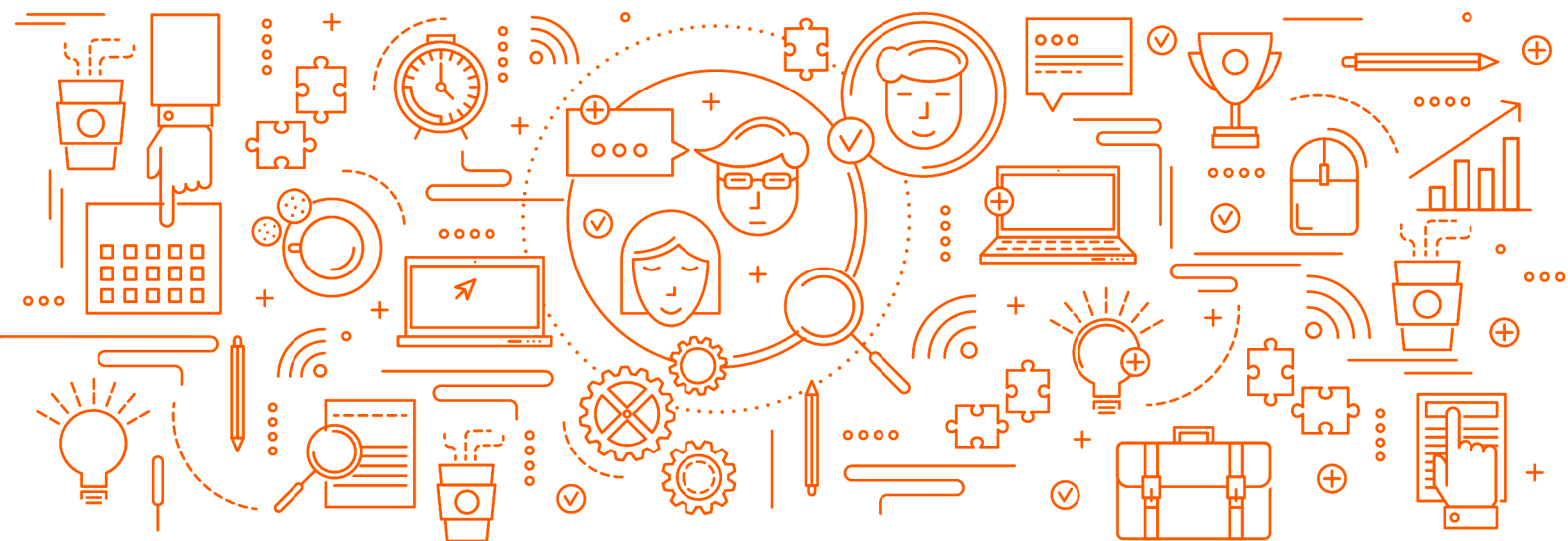
- **Analyze:** the sources of the data and bring that data into the financial close system.
- **Build:** The close spreadsheets in the system. The first series of tabs are input tabs, you can't edit the data, but you can connect to the data in the same manner you connect to a tab of *.csv data, except the connection is dynamic. Once the data is connected, building out the spreadsheets is a four-step process:
 - Copy/paste the tabs from the spreadsheet to the connected workspace tabs
 - Link the dynamic data to the input tabs
 - Do a "show formulas" in the spreadsheet and copy those formulas into the appropriate connected workspace template
 - Save the template

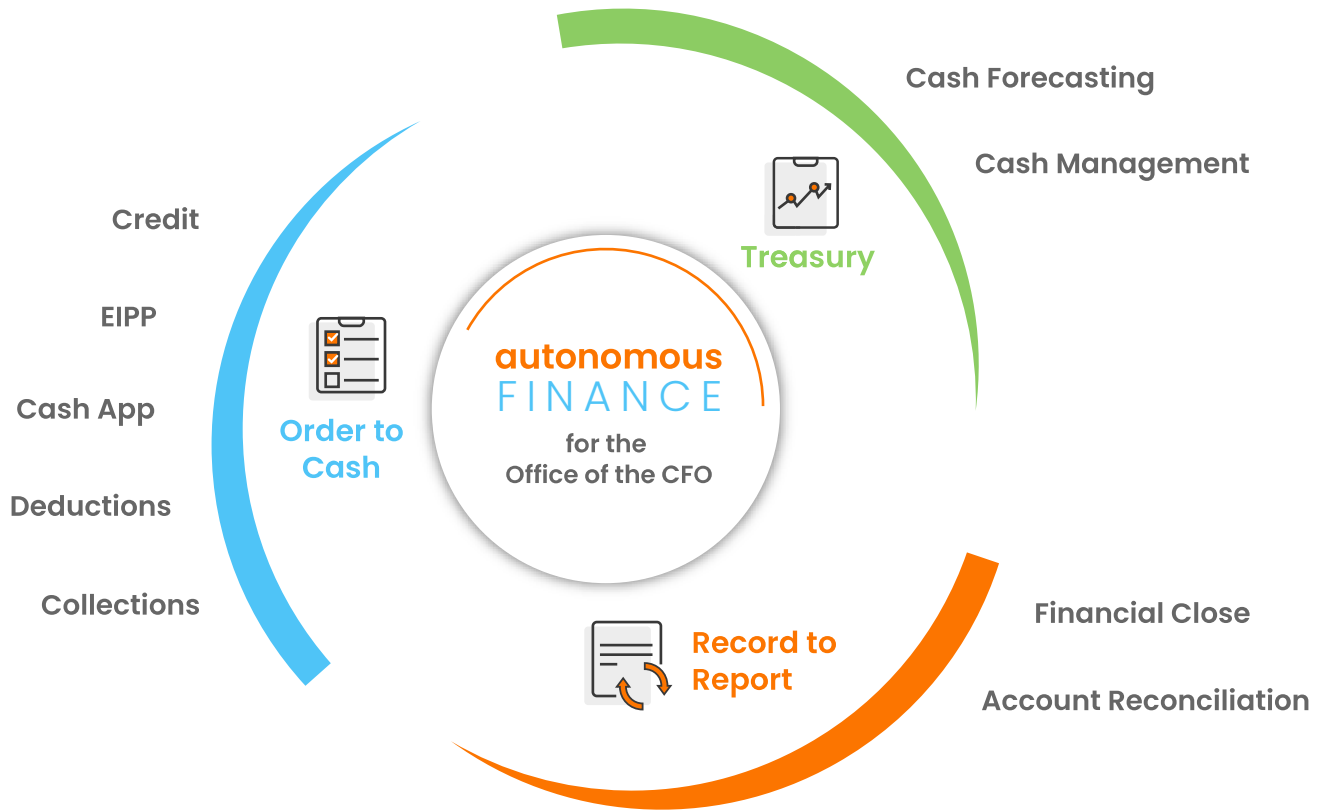
You now have system-maintained spreadsheets attached to both data and workflow under security control.

- **Review:** At this point, you may want to take a step back and look at the closing task and decide, in the spirit of account analysis. Is there more data you want to bring in, in case things don't balance? The user has the necessary detailed information available in the same workbook if they want to do additional analysis because account analysis is a very flexible process. What you are trying to do is anticipate if there is a problem, and what additional information would be needed to solve it for this account or account grouping, thus providing all the information necessary in one place to resolve it.
- **Summarize:** As you convert the spreadsheets, also make sure you have a summary sheet that calculates the journal entry to be sent back to the General Ledger.

Conclusion

In our next blog, we will go one step further and talk about Artificial Intelligence (AI) and the Connected Workspace model. We discuss in detail how AI will help identify errors and omissions that don't fit the typical patterns of accounting and the monthly close.





About HighRadius

HighRadius [Autonomous Accounting Application](#) consists of End-to-end Financial Close Automation, AI-powered Anomaly Detection and Account Reconciliation, and Connected Workspaces. Delivered as SaaS, our solutions seamlessly integrate bi-directionally with multiple systems including ERPs, HR, CRM, Payroll, and banks. Autonomous Accounting proactively identifies errors as they happen, provides the project management specifically designed for month end close to manage, monitor, and document the successful completion of tasks, including posting adjusting journal entries, and provides a document repository to support each month's close process and support the financial audit.

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