Improving your finance function effectiveness

April campaign
1 Improving your finance function effectiveness

2 About EY
Improving your finance function effectiveness
Effective finance function
What are the objectives?

► Finance functions in many companies are evolving to become more efficient, effective and a better partner to the business.
► In a first phase many companies have set up Shared Service Center (SSC) with focus on improving the efficiency of transactional processes.
► In more mature finance organizations, the teams in the SSC are moving beyond their transactional focus and are bundling and centralizing complex and more technical tasks.
► In the next phase of development, finance organizations are looking to centralize the teams providing essential service functions and the more complex tasks, e.g., finance and accounting into Center of Expertise (CoE), aiming for substantial additional savings from economies of scale and scope and providing services as business associates.
Effective finance function
Self-assessment

How do you describe the role of your current finance and accounting function?

<table>
<thead>
<tr>
<th>Question</th>
<th>Self-assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Does finance and accounting support the closing procedures, prepare</td>
<td></td>
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<tr>
<td>the financial statements, provide guidance to accounting principles and</td>
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</tr>
<tr>
<td>design the processes and accounting techniques?</td>
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<tr>
<td>2. Does the finance and accounting function also provide input on</td>
<td></td>
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<tr>
<td>financial reporting from a group and management perspective?</td>
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<tr>
<td>3. Does the finance and accounting function also support the business</td>
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<tr>
<td>in the decision-making process regarding revenue management, margin</td>
<td></td>
</tr>
<tr>
<td>management and capital management?</td>
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</table>

EY can assist you as you design and implement the target operating model.
Effective finance function
Governance for CoE determines critical design questions

- EY can help you to consider the interaction between profit centers, foreign entities and the central CoE. This can be evaluated based on central themes such as:
  - Divisional integrity: balancing of division with country requirements and group targets
  - Organizational centralization: bundling of CoE organization and resources in physical locations
  - Business proximity: helping business partners (BPs) working in CoE
Effective finance function
Split of responsibilities between CoE and adjacent functions

We apply the responsibility, accountability, consulting and information (RACI) model in order to help you define responsibilities between the different CoE, corporate functions and the SSC. Detailed CoE roles have to be defined and depend on the future accounting steering model.

► As a next step, process ownership and roles have to be defined, taking account of the specific financial reporting and accounting areas you are looking to centralize in the CoE.

► We suggest that you define the responsibilities in this model when establishing the CoE organization. In time, this can be used to review and decide upon a further shift of responsibilities to the SSC.

<table>
<thead>
<tr>
<th>No</th>
<th>Process level 5</th>
<th>Activity level 6</th>
<th>Responsibilities</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Local GAAP closing process</td>
<td>Manage local GAAP closing process (closing cockpit)</td>
<td>R, A</td>
<td>C</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Local GAAP period-end activities</td>
<td>R, A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Local GAAP closing postings</td>
<td>R, A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Computation of deferred taxes</td>
<td>R, A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Audit support</td>
<td>R, A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quality assurance</td>
<td>R, A</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>Group GAAP (e.g., IFRS) closing process</td>
<td>Manage group GAAP closing process</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Group GAAP closing postings</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Computation of income taxes and deferred taxes</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Audit support</td>
<td>R, A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quality assurance</td>
<td>R, A</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>General ledger (GL) closing provisions for local and group GAAP</td>
<td>Regular personnel provisions (Human Resources (HR) non-SSC)</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other personnel provisions</td>
<td>R, A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other provisions, including quality assurance</td>
<td></td>
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</table>

R = responsible, A = accountable; C = consult; I = inform
Effective finance function
How to streamline the CoE’s organization efficiently

We have developed a number of tools and materials to deliver our services and help you:

- Reduce process time and improve data quality thanks to a higher degree of automation
- Achieve cost savings by automating processes such as validations, data entries and closing activities
- Improve corporate governance, compliance and transparency by the deployment of standardized tools for single closings and group closings

<table>
<thead>
<tr>
<th>IT enabler</th>
<th>Value delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intelligent consolidation interface</td>
<td>- Provision of support when client validates data (e.g., partner information,</td>
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<tr>
<td></td>
<td>transaction type) within the transactional system through validations, field</td>
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<td></td>
<td>status groups and a consistent design of the chart of accounts</td>
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<td></td>
<td>- Automated data flow between the transactional system and the consolidation</td>
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<td>Multiple sub-group consolidation</td>
<td>- Set up of a group-wide consolidation system that allows multiple sub-group</td>
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<td></td>
<td>consolidations</td>
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<td></td>
<td>- Data package harmonization</td>
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<tr>
<td>Advanced reporting</td>
<td>- Automatic collection of quantitative and qualitative data required for</td>
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<tr>
<td></td>
<td>financial closing</td>
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<tr>
<td></td>
<td>- Automatic creation of business reports containing all of the quantitative and</td>
</tr>
<tr>
<td></td>
<td>qualitative information required</td>
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<tr>
<td>Financial closing cocktail for single closing</td>
<td>- Planning, execution, supervision and analysis of single closings</td>
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<td></td>
<td>- Automation links closing processes into manageable groups</td>
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<td></td>
<td>- Automated alerts notify users for error remediation and escalation</td>
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<td></td>
<td>- Dependency-based event chains support faster processes</td>
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<td></td>
<td>- Files of critical close data stored for audits and reporting purposes</td>
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<tr>
<td>Real-time intercompany/reconciliation</td>
<td>- Direct access to open accounts and their balances</td>
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<tr>
<td></td>
<td>- No batch upload within the central system required</td>
</tr>
<tr>
<td></td>
<td>- Real-time matching possible</td>
</tr>
<tr>
<td></td>
<td>- No batch matching required</td>
</tr>
<tr>
<td>Financial close management</td>
<td>- KPI-based analysis of the financial close</td>
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<tr>
<td></td>
<td>- Analysis of open, deficient and late tasks</td>
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<tr>
<td></td>
<td>- Full integration to the financial closing cocktail</td>
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</table>

Certain of our services for an audit client and its affiliates may be more limited in order to comply with applicable independence standards. Please reach out to your EY contact for further information.
Effective finance function
Change and transition

As the new finance organization develops, you can expect to see a more structured approach for people development with clearly defined roles and career steps. The new accounting career model consistently develops people from an accounting expert to a business partner and supports a change in your team’s mindset along each step.
## What benefits can you expect?

<table>
<thead>
<tr>
<th>Practical experience</th>
<th>Establishing a CoE could help improve your finance function efficiency and effectiveness. EY has the experience of working with multinational groups and helping them overcome the complexities that can face their finance function.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global network</td>
<td>We have a global network of accounting professionals providing audits of financial statements, as well as accounting and IT process-related support, and they understand the challenges and issues you are facing.</td>
</tr>
<tr>
<td>Good practices</td>
<td>We can provide comparisons and examples of good practices to prepare and support the business case for the new structure.</td>
</tr>
<tr>
<td>Tools and supporters</td>
<td>Additionally, through our experience in supporting global businesses, we have developed a number of tools and supporters that we can use to help you to achieve your objectives from bundling and centralizing your finance and accounting teams and processes.</td>
</tr>
<tr>
<td>Overall</td>
<td>EY assists you to reach a functioning operating model and a positive business case while helping to ensure quality, employee acceptance and speed.</td>
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</table>
About EY
## Financial Accounting Advisory Services

### Contacts

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<thead>
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<td>+49 160 939 26733</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
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</thead>
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<tr>
<td>+49 160 939 12659</td>
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</table>
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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