



Fast closing, reporting and disclosure of Financial Statements with improved efficiency and accuracy.

A white paper on common business challenges and requirements of today's Office of Finance that discusses how you can overcome these hurdles with modern financial consolidation and close software.

Contents

Page 3 — Introduction

Page 3 — Requirements in financial consolidation and closing and why you should improve your current processes

Page 4 — Common business challenges in Financial Consolidation and Close

Page 5 — Best-practice Financial Close process using Apliqo C&C

Page 10 — Main features and benefits of Apliqo C&C

1. Introduction

1.1 Today's environment — Report accurately, quicker and more often

Today's CFOs are under pressure to report accurately, quickly and more often to management and stakeholders. At the same time, they are expected to act as a business partner and provide proactive support for senior management decision-making. Their role and the demands placed on CFOs continue to evolve and shift.

Consolidation and consolidated financial reporting can improve finance department efficiency and effectiveness, helping CFOs address the challenge of meeting increasing requirements with often limited resources.

Listed companies and private businesses with multiple entities face many challenges in their financial accounting and reporting.

1.2 Who should read this White Paper?

This White Paper is designed to highlight the common pitfalls, challenges and requirements for modern Financial Consolidation and Close solutions and how these can be overcome.

The target audience of this White Paper are CFOs, Financial Controllers, Head of Finance and Consolidation as well as people responsible for Finance Systems (both in Office of Finance or in IT).

2. Requirements in financial consolidation and closing and why you should improve your current processes

2.1 Faster, more accurate, more efficient, more complex

Organizations that succeed in today's constantly changing marketplace adapt quickly to new conditions and consciously improve their business processes. Efficient consolidation and reporting ranks high on the agendas of modern CFOs.

The drivers for change are:

- Management, shareholders and other stakeholders demand fast and reliable information
- Increasing requirement to support self-service analysis
- Global organizations need information broken down to divisional, regional or business unit activity levels for management purposes, to comply international accounting standards (IFRS or US GAAP) or with local regulators (real-time drill-down from reports)
- In a competitive world, activity and financial figures should be reported monthly to the management and compared with budgets and forecasts, so that timely decisions can be made on how to course-correct and react in a more agile way
- Reporting and planning processes need to flexibly support scenario and what-if analysis
- Reporting under IFRS or US GAAP often results in additional journal entries to be booked locally and additional disclosure information to be provided by subsidiaries. Higher complexity coming from these international accounting standards is driving a need for higher skilled people in Finance too
- M&A activities in many industries are driving constant changes in the legal structure that needs to be consolidated. Integration of new entities, follow-up of purchase price accounting or disposals of entities can put the process at risk if not managed in a timely and robust system-supported way.

2.2 Twelve reasons to improve your consolidation and reporting process

Among the most important reasons we identified to improve your consolidation and reporting process are the twelve points below:

1. Automate data integration with your ERP landscape, Data Warehouse or other Data Sources to improve data quality and allow automation
2. Improve the quality of reporting packages sent by local entities
3. Save time on Inter-company reconciliation process
4. Reduce manual consolidation entries
5. Shorten the control activities of the consolidation process
6. Automate the process to create financial consolidated reports
7. Change organizational and legal entities structures through additions and disposals without adding risk to the current setup of your software solution
8. Reduce dependencies on specific individuals
9. Constantly update Consolidation Software to current accounting standards
10. Unify Financial and Business reporting process
11. Connect Financial reporting to Performance Management to drive better performance
12. Optimize resources and reduce costs

3. Common business challenges in Financial Consolidation and Close

The reality is that although there are many reasons to improve financial consolidation and closing process, organizations are faced with many roadblocks and challenges.

Here are a few of them.

3.1 Time and quality issues with data collection

Finance organizations faced with time constraints and shorter closing times are often confronted with data quality issues and manual data collection processes. Financial consolidation requires organizations to collect information from individual entities. Organizations either must wait too long to receive information from each entity, or there are issues with the data or questions that create back-and-forth (often across time zones and in the high-pressure environment of the monthly closing process.)

3.3 Manual consolidations and entries

Spreadsheet-centric tasks like mapping accounts, applying consolidation rules, or manually making "off-line journal" entries to tie out the close are main drivers for a slow closing process. Additionally, the need for adjustment entries from local to IFRS or US-GAAP require the ability to journal and track for audit purposes exactly such adjustments made in spreadsheets.

3.5 Consolidation process control activities

Looking up checklists or manually applying control activities in the consolidation process can tie up members of the team. Following-up on with group-wide entities any matter related to financial closing and consolidation is a labor intensive and time-consuming process.

3.7 Consolidated report creation

Taking results from the consolidated systems typically means reformatting results or further spreadsheets manipulations. Having a process and system in place the supports the "last mile" is a challenge on its own.

3.2 No access to real-time data

This White Paper is designed to highlight the common pitfalls, challenges and requirements for modern Financial Consolidation and Close solutions and how these can be overcome.

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3.4 Inter-company reconciliation and eliminations

Tracking down detail behind inter-company transactions, balances, currency rates and other factors absorbs too much time. Matching inter-company balances, transactions and creating eliminations are a major bottleneck in organizations.

3.6 Business structure change management

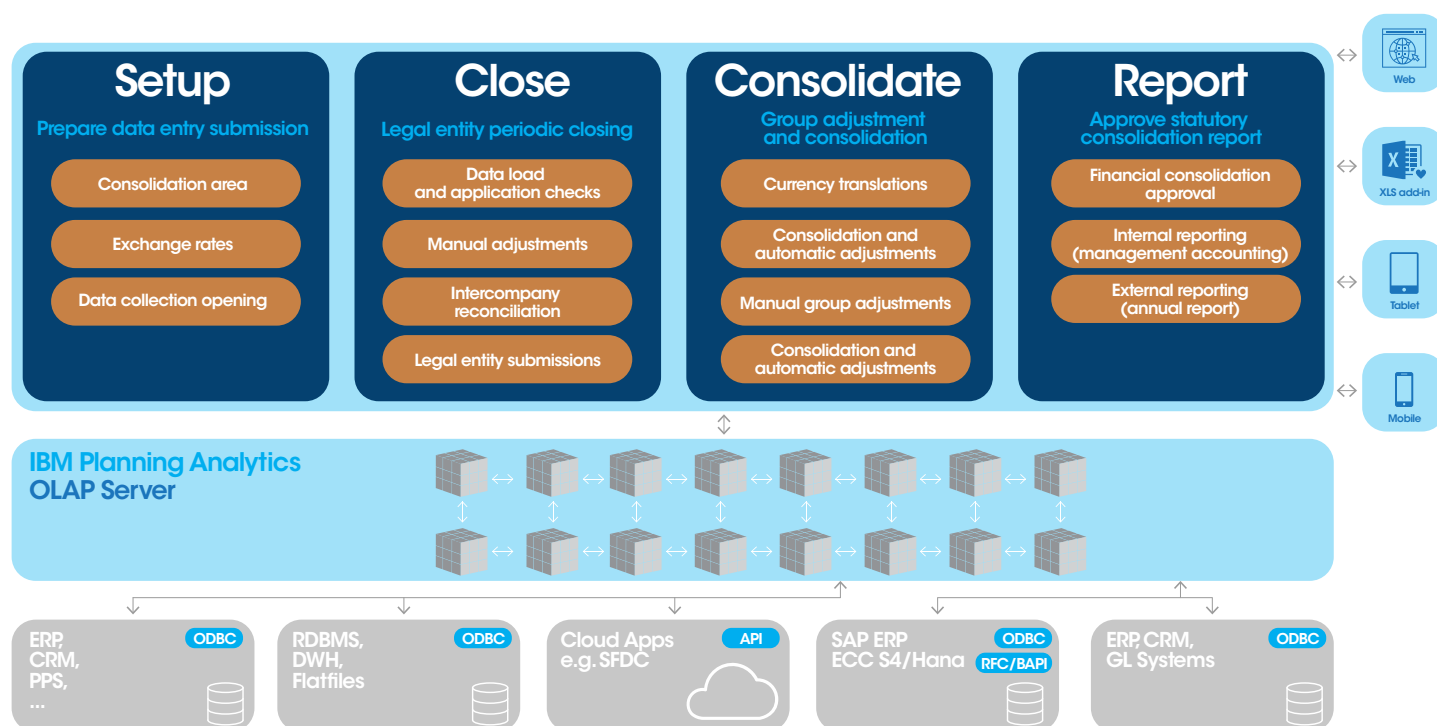
Adding newly acquired or created entities can take a significant amount of effort, as well as risking the integrity of consolidated reports. Organizations need flexible, agile software solutions that support ever changing business structures. Being able to automate Equity reconciliation and elimination is often challenged by changing business structures as the current process and systems do not support it.

3.8 Changing reporting requirements

New regulatory requirements from various governments and international accounting standards can often mean that existing financial consolidation reporting processes fall out of alignment, requiring further manual effort.

4. Best-practice Financial Close process using Apliqo C&C

If you are running aging financial consolidation software, or perhaps even **using spreadsheets for a substantial part of the financial consolidation and closing process**, you should evaluate how to upgrade to a process that will allow you to overcome these roadblocks. Apliqo C&C was designed with best-practice financial processes in mind and focusing on improving efficiency and collaboration in the organization. Combined with modern web user experience and guided applications to support better workflows, Apliqo C&C can help to substantially improve organizations' consolidation and close process.



4.1 One source of the truth – leveraging modern technology

Upgrading to a modern software technology using a single database (as one source of the truth) can improve processes and cut effort to produce consolidated accounts and reports.

Modern consolidation and close solutions can also apply workflows and controls to the process with dashboards, automated handover and process monitoring.

The nature of financial consolidation can also benefit from the usage of a functional database (such as IBM Planning Analytics which is used as single data repository in Apliqo C&C), by enabling teams to much more effectively slice and dice business units, divisions, geographies, accounts, currencies, time periods, versions and so on.

Modern user interfaces also allow presenting results in a much more appealing visual form. Modern solutions can also help with change management, such as adding new entity or making other changes to the business structure and ensuring that it flows through to calculations and reports without the risk of process breakdown.

Financial Consolidators can setup new periods and executing preliminary tasks such as:

- Create a new submission period and set it to “open” or “close” periods and lock it for further data entry (all data is set to read-only mode)
- Maintaining the consolidation tree and ownership percentages, copying ownership structures to the new submission period
- Defining the consolidation scope and business segment matrix

- Defining and setting currency rates (average, historic, close)
- Preparing financial data roll-over
- Copying previous structures to the new submission period
- Copying (or reverse) previous journals and adjustments to the new submission period
- Verify status of all submissions ("Open", "Submitted") to be in control of the closing process

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4.3 Legal entity close process

Apliqo Consolidation & Close

Consolidation

Submission

Reporting

Q Search...

Column

Run Reconciliation

Export

Scenario: AC - Actual Stat ITA

Year: 2018

Period: Q1

CON Company: Z001 - Company 1 - EUR

Process: TOTAL AUTOMATIC JOURNALS

IC Reconciliation

CON IC	IC Adj.	Transactions	ICP Reconcile Status	Total		ICP Reconcile Totals	Active Rec. / Rev. check	Passive
				Declaration	ICP Declaration			
ICP_ENTITIES - Total Legal ICP details								
Z002 - HOLDING COMPANY			To Reconcile	-20,519,939.35	20,798,529.77	278,590.42	-1,938,786.81	2,217,377.23
ZBR1 - Company 2			To Reconcile	3,273,276.29	-3,167,905.12	105,371.17	105,371.17	0.00
ZBRH - Company 3			To Reconcile	237,349.13	-272,938.03	-35,588.90	-168,835.23	133,246.33
ZES1 - Company 5			To Reconcile	58,554.15	-58,390.18	163.97	252.19	-88.22
ZFR1 - Company 6			Reconciled	-2,628,125.36	2,628,125.36	0.00	-73,197.26	73,197.26
ZGB1 - Company 7			To Reconcile	-8,453,027.87	8,452,891.79	-136.08	-64,141.08	64,005.00
ZGO1 - Company 9			To Reconcile	-1,178,768.53	1,180,408.41	1,639.88	-633.14	2,273.02
ZGR1 - Company 12			To Reconcile	-5,138,825.98	6,265,545.65	1,126,719.67	-5,549.78	1,132,269.45
ZHK1 - Company 13			To Reconcile	-1,579,385.39	1,577,178.62	-2,206.77	-18,942.67	16,735.90
ZHR1 - Company 15 (Exit 2016)			To Reconcile	-2,398,340.69	2,403,737.54	5,396.85	-80,664.14	86,060.98
ZJP1 - Company 16			To Reconcile	-126,605.84	116,876.42	-9,729.42	-81,441.31	71,711.90
ZPT1 - Company 17			To Reconcile	-3,914,706.94	3,839,599.57	-75,107.37	-526,638.10	451,530.72
ZTR1 - Company 18			Reconciled	445,410.95	-445,410.95	0.00	-271,418.96	271,418.96
ZUS1 - Company 22			To Reconcile	1,772,001.19	-1,755,616.03	16,385.16	-4,637.52	21,022.68
ZUS2 -			To Reconcile	-34,425.99	34,426.73	0.74	6,007.50	-6,006.76
			To Reconcile	-854,318.47	0.00	-854,318.47	-754,318.47	-100,000.00

Finance Officers in the individual reporting units can submit their financial reports according to the defined consolidation package:

- Prepare data load and set them up by entity as “automated” (via DB integration) or “manual” (via File import)
- Where manual is set, users can use a guided web interface to upload the data or upload an Excel file with a pre-defined format which will be checked for integrity before submission
- Submission errors are displayed via dialog to end users for corrections

- Ability to upload data for different “versions” of Actuals being submitted (such as Local GAAP, US GAAP, IFRS, etc.)
- Ability to enter manual journals with debit/credit format with ability to report detailed transactions
- Online automated inter-company reconciliation application allowing for faster closing process and drill-through to more detailed level (including transactional data if available)
- Customizable consolidation rules are applied to the submitted financial data and are checked for integrity. Data is only submitted if all integrity checks are passed.

4.4 Consolidation process

Group Financial Consolidators can run automated consolidation processes on the fly leveraging the real-time consolidation engine (IBM Planning Analytics), allowing to:

- Do currency conversion in real-time including calculation of CTA
- Run automated journal processing for inter-company elimination, equity elimination, profit in stock elimination, inter-company dividend elimination, revaluations and devaluations of assets and liabilities
- Adjust financial group results with manual group adjustments

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4.5 Financial reporting process

As part of the final steps in the financial consolidation and close process Apliqo C&C provides you with a set of workflows and reports to report both to internal and external stakeholders such as:

Internal reporting

Company "working report templates"

- Balance Sheet Assets
- Balance Sheet Liabilities
- Income statement
- Manual journals
- Intangible asset flow details
- Tangible asset flow details
- Equity flow details
- Funds flow detail

Group consolidated "working report templates"

- Trial balance
- Company contribution
- Automatic journals

External reporting

- Management of flow for different reporting structures (Local statutory, IFRS, US GAAP, etc.)
- Schemas for all external packages to be able to report on all required financial and non-financial disclosures
- Integration with Certent Disclosure Management to close "the last mile"
- Ability to manage sub-consolidation
- Multi-language support

The screenshot displays the Apliqo Consolidation & Close software interface. The top navigation bar includes 'Consolidation', 'Submission', and 'Reporting' tabs. The main content area is titled 'Annual Report' and shows a list of report templates on the left: '1A. Balance Sheet', '1B. Income Statement' (selected), and '1C. Cash Flow Statement'. The right pane displays the 'Income Statement' for the year 2018, comparing Q1 and Q4 data against 2017 Q4 data. The table includes columns for 'Account', '2018 Q1', '2018 Q4', '2017 Q4', and 'Current Year vs. Last Year Variance'. The data is categorized into 'Group Net Result', 'Net Result', 'Earnings before taxes', 'Earnings before interests and taxes', 'Operating Revenues', 'Operating costs', 'Financial cost and revenues', 'Participation income', 'Other financial cost and revenues', 'Interest costs', 'Foreign exchange gain', 'Value adjustment', 'Revaluation', 'Devaluation', 'Extraordinary gains and losses', 'Extraordinary gains', 'Extraordinary losses', 'Income Taxes', 'Current Taxes', and 'Deferred Taxes'. The interface also features a search bar, column selection, export options, and navigation buttons at the bottom.

Account	2018		2017	Current Year vs. Last Year Variance
	Q1	Q4	Q4	
Group Net Result	(6,674,837)	15,698,320	(22,373,157)	
Net Result	(6,674,837)	15,698,320	(22,373,157)	
Earnings before taxes	(11,333,783)	19,046,063	(30,379,846)	
Earnings before interests and taxes	(17,882,290)	(6,249,886)	(11,632,405)	
Operating Revenues	(350,163,859)	(381,309,585)	31,145,726	
Operating costs	332,281,568	375,059,699	(42,778,131)	
Financial cost and revenues	558,470	269,237	289,234	
Participation income	(21,344)	(439,747)	418,403	
Other financial cost and revenues	(825,691)	(1,309,597)	483,906	
Interest costs	2,713,033	2,474,271	238,762	
Foreign exchange gain	(1,307,527)	(455,690)	(851,837)	
Value adjustment	18,165	48,179	(30,014)	
Revaluation	0	0	0	
Devaluation	18,165	48,179	(30,014)	
Extraordinary gains and losses	5,971,872	23,664,541	(17,692,669)	
Extraordinary gains	(477,176)	(620,525)	143,349	
Extraordinary losses	6,449,047	24,285,065	(17,836,018)	
PLUG_ICP_ELIM_PL	0	1,313,991	(1,313,991)	
Income Taxes	4,658,946	(3,347,742)	8,006,688	
Current Taxes	5,871,232	3,255,503	2,615,730	
Deferred Taxes	(1,212,286)	(6,603,245)	5,390,959	

5. Main features and benefits of Apliqo C&C

Apliqo C&C is designed to meet the requirements of international groups, handling currency conversion complex company structures with varying degrees of ownership, equity participation and cross-holdings.

The solution is web native with a modern user interface, quick to implement and customer configurable.

It provides a framework to improve the quality and transparency of your critical financial close processes and can easily integrate into broader financial reporting and FP&A activities utilizing the IBM Planning Analytics engine and Apliqo's pre-built FPM solutions.

5.1 Data load Workflow and data validation

- Personal defaults and custom workflow
- Data load from any external sources (ERP, DWH, reporting package Excel)
- Data validation/approval
- Data tracking on source systems
- Pre-defined Web data entry forms according to selected workflow
- Multiple chart of accounts management (local statutory GAAP, IFRS, US GAAP, managerial reporting...)

5.2 Consolidation rules

- Debit-credit layout for journal entries
- Currency conversion (average rate, closing rate, historical rates)
- Consolidation tree and Ownership % calculations period by period
- Inter-company balances reconciliation (even in transaction currency)
- Automatic journals (investments, equity, dividends, profit in stock, inter-company...)
- Simplified automatic journal for planning scenarios

5.3 Continuous development and support for new accounting standards

IFRS 16 - Integrated module for right-of-use adjustments.

5.4 Custom details

- Stage consolidation (sub-groups)
- Business areas for segment reporting
- Details for annual report / disclosures such as maturities, geographical areas, employees, deferred taxes...

5.5 Reporting

- Pre-defined Working Reports (currency conversion, trial balance, journals list...).
- Multiple reporting structures generation.
- Preloaded "Annual report" schemas.

5.6 Administration, security and documentation

- Pre-defined security schemas by user (end-user, consolidator, administrator)
- Period locking by submission status
- User manuals (end-user, consolidator, administrator) already available at kick-off
- Guided ordinary setup (new entity/account/scenario...)

5.7 Unify reporting, planning and consolidation

Integrate financial consolidation & close process with your performance management process by unifying reporting, planning and consolidation. Use consolidated actuals as basis for your planning cycle, leveraging accurate and detailed information.

Or even use the consolidation engine to simulate future results with the same rigor and process as for financial reporting, driving consistency and accuracy.

5.8 Drive collaboration with modern user interfaces and guided workflows

Best-practice workflow processes allowing for faster and more secure closing so everyone is on the same page. Guided processes using the "Wizard" function allow for simply-to-understand and bullet-proof process execution with full transparency, collaboration and higher efficiency.

5.9 Empower end-users to drive the consolidation process

Apliqo C&C provides the freedom for end users to author and publish reports and applications either with Excel (connected to the IBM Planning Analytics Database) or through our modern web user interface (Apliqo UX) that provides a vast set of features.

5.10 Great fit due to high flexibility and number of possible customizations

Due to its underlying database engine and flexible data model as well as workflow components, Apliqo C&C can be easily adapted and configured to the specific business requirements including the addition of company specific or account specific elimination rules.

5.11 Leverage your existing investment into TM1/IBM Planning Analytics with BYOL License model

If you are already using IBM Planning Analytics for other reporting or planning applications and thus already own the underlying database licenses, you are able to leverage the same licenses with Apliqo C&C. Under our "Bring-your-own-license" ("BYOL") model you can purchase or subscribe to our solution with or without the embedded IBM Planning Analytics engine at lower cost. If you are also already using any other third party consolidation solution such as Oracle HFM or IBM Cognos Controller, you will be able to save on the license expenses related to these solutions increasing your ROI on the deployment of Apliqo C&C.

5.12 Fast delivery: Go live in 1 month

Proven track records and implementations of our solutions in other organizations have enabled us to come up with a fast-track implementation plan that allows for fast roll-out.

Our standard implementation roll-out plan is set out in four phases of each one week. Go live within a month.

Week 1: design ->

Week 2: setup ->

Week 3: UAT ->

Week 4: go-live.