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## Advanced Financial Closing

**Automate, process and monitor  
closing processes with a single cloud hub**

# Advanced Financial Closing

A single solution to automate, manage and steer all closing processes of an enterprise ensures efficient and auditable financial closing and reporting. SAP refined the solution for close orchestration, providing a closing hub in the cloud for all corporate entities, regardless of their operative accounting system.

Today large groups use a variety of software tools to streamline the financial close process, because closing calendars based on spreadsheets or reconciliations between companies using the same lack speed, efficiency and auditability. Especially with Covid-19, forcing employees to work from home, the orchestration of the closing process steps and tasks has become even more important than ever.

## Changed Expectations

We live in an age where modern technology like robotics and artificial intelligence are no longer science fiction, but ubiquitous. Not only tech companies use these for example in the marketing department to monitor social media sentiments and web browsing behaviors to tailor offers accordingly. This also holds true for the modern finance department, as 2% of FP&A functions and 7% of shared services have already adopted AI and in the coming years 88% of corporate controllers will use robotics process automation according to Gartner, a research company. These developments

have changed the expectation towards the finance function. Up-to-date information should be immediately available to support business decisions. Automation of most financial reporting tasks on the one hand, and the use of predictive analytics and simulations on the other, allow businesses to create snapshots frequently from a financial reporting as well as from a management accounting perspective. To achieve that, the original function of the finance department, closing the books and statutory reporting, has to become a non-event.

## Orchestration and automation leads to closing as a non-event

The closing process of a large group is complex, as it can involve hundreds of legal entities and personnel, possibly operating with a disparate ERP system architecture. Closing the books can only become trivial if many tasks can be automated, their interdependencies controlled and the personnel be orchestrated efficiently and effectively. One solution developed by SAP for

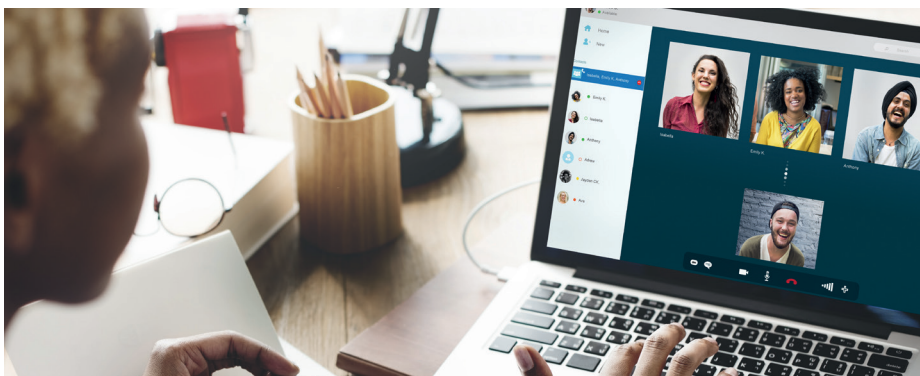
this purpose is SAP S/4HANA Cloud for Advanced Financial Closing (AFC). The Cloud-based solution can orchestrate production systems running on SAP ERP 6.0, SAP S/4HANA (AnyPremise and Cloud) and will enable integrated scenarios with non-SAP systems in the future.

## Financial Closing Hub

AFC acts like a launch control center for all entity closing processes within the group, covering closing tasks like depreciation of noncurrent assets, posting of reserves or intercompany reconciliation. It provides a platform to automate as many tasks as possible (e.g. triggering of the depreciation run) and to orchestrate accounting personnel involved (e.g. in the intercompany reconciliation). In the next years, SAP plans to integrate AFC with Group Reporting, offering a holistic solution framework.

## Already one step further with SAP S/4HANA

For Companies already using SAP S/4HANA as an operational ERP system, some closing steps of the legal entity close are no longer necessary, as the Universal Journal integrates the General Ledger with the subledgers (Accounts Receivables, Accounts Payables, Asset Accounting) and with the cost accounting module. The previously required reconciliations are eliminated by the new design. If reconciliations or other manual tasks are necessary, AFC can provide workflow support, identify process errors and blockers and monitors the overall progress of the entity close.

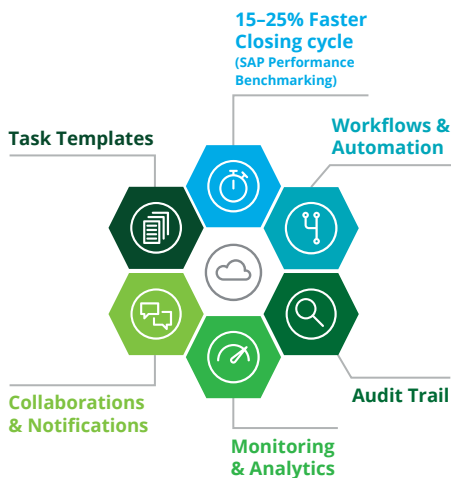


# Benefits of SAP S/4HANA Cloud for Advanced Financial Closing

## Templates ease the definition of the closing process

AFC comes with pre-configured task list templates for S/4HANA releases that depict standard closing steps (Accounts Payable, Accounts Receivable, Asset Accounting etc.) as well as meaningful sequences and dependencies between those steps. Furthermore, manual tasks can be included as standard operating procedures including approval-based controls to ensure compliance.

Fig. 1 – Main Benefits of AFC

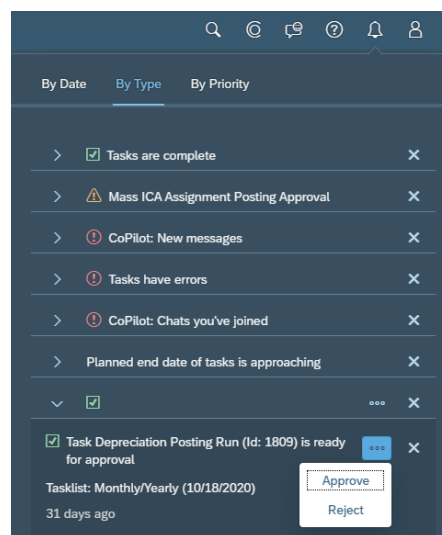


The template can be used “out of the box” or customized to individual needs. The critical path can be set manually or be determined automatically by the system. The finalized template can be used to generate task lists for a specific entity close (e.g. close 06/2020) and will steer the closing process.

## Process all closing tasks in a single environment and save time with automation

Accountants use the Process Closing Tasks app to trigger closing tasks inside AFC and to schedule or automate jobs like depreciation runs. Because of the set dependencies, automated succeeding tasks will run through. The app updates the status of the tasks automatically for proper monitoring. Collaboration features facilitate the communication with all employees involved in the closing process – with workflow and calendar reminders for accountants that have to do manual analysis tasks. Critical closing tasks can be approved by the manager with the Approve Closing Tasks app.

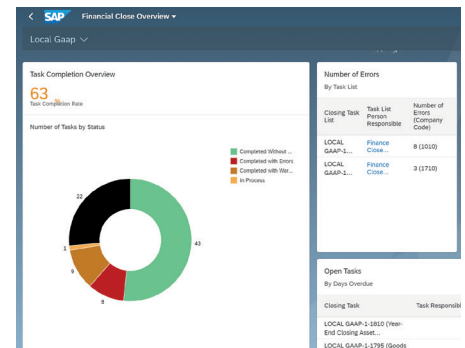
Fig. 2 – Critical closing tasks can be approved by the Accounting Manager



## Monitor the status of the closing process in real time – from the whole group down to a specific task of a single entity

Because the orchestration of the whole closing process is tracked in AFC, managers can monitor the process in the Financial close overview KPI-based dashboard which shows open tasks, tasks to be approved, delayed tasks, completion rate, number of errors etc. to empower the manager to take immediate action.

Fig. 3 – Accounting Managers can monitor the process in the Financial Close Overview app



Accountants are provided with an individual task list and a status bar indicating the progress and status of their closing steps. For tasks like the reconciliation of Goods Receipt/Invoice Receipt (GR/IR) the accountant can use built in analytics features visualizing task related figures in a dashboard like IR Amount Surplus or the number of purchase documents where the amounts of Goods Received equal the amounts of the Invoice Received.

# The road to Advanced Financial Closing

## Project Approach for AFC Implementation

We work closely together with SAP to ensure a successful implementation of AFC and propose to set up the project with two workstreams. The first workstream will organize workshops with the finance department to analyze the current closing process landscape and to support adapting the SAP template to your individual needs. The second workstream will support with the technical migration and system settings.

## Our vision for continuous accounting

Orchestration and automation of the entity closing processes are the first steps towards a finance function of the future, as they free up time to look what lies ahead instead of looking in the past. Prediction and simulation methods provide more accurate insights about the data "still outstanding" in the period. And SAP S/4HANA already supports predictive accounting scenarios to predict expected

revenues using sales order information. The finance department will be able to generate balance sheets and profit and loss statements many times during the month to provide managers early insight for course-corrections and steering.

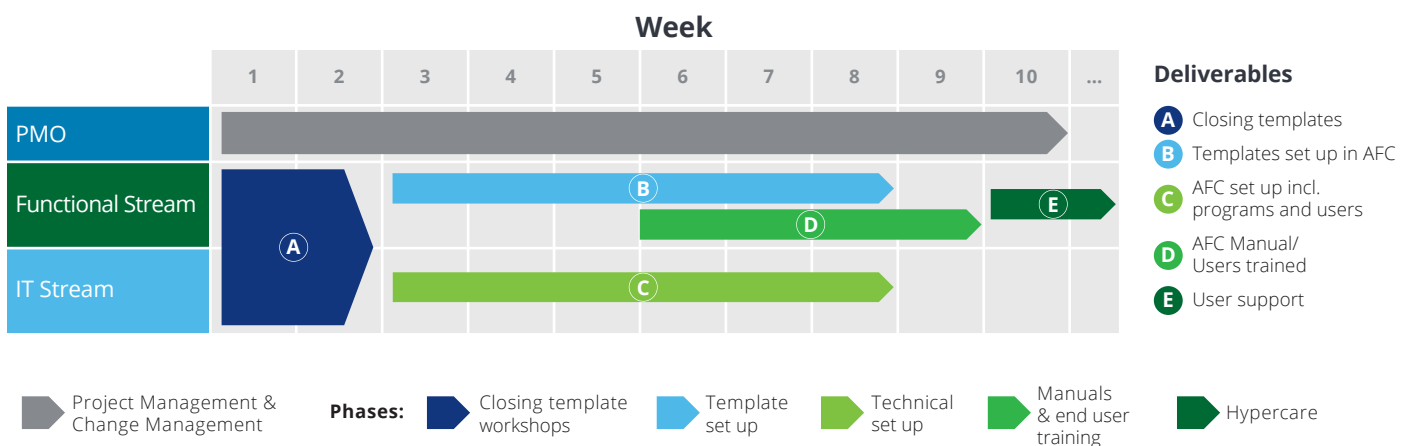
A vision is only as good as a clear plan of action to realize it. After laying solid ground with an orchestration and automation solution, a next step could be to further automate manual tasks. This can be done with intelligent Robotic Process Automation to automate chains that include several steps in different applications (e.g. checking a mailbox, using an excel attachment, and posting in SAP FI) and require cognitive abilities.

In the initial project phase we check the SAP closing template against your current closing processes. The Fit/Gap analysis will be used to modify the template to your needs. If you already use the SAP Financial Closing Cockpit, we will clarify if and how

we can migrate the template. Afterwards we will work in parallel with the SAP team to set up AFC. The Deloitte team will support with the set up of the template in AFC, the SAP team will register client programs and users. In the succeeding phase end users will be trained and provided with manuals. The project will be deployed with user support during the first close using AFC.

Another example is GR/IR reconciliation with machine learning in SAP S/4HANA to help automating the reconciliation of items that do not match because of amount differences, and trigger automatic write-offs of differences not exceeding a defined threshold. Regarding the automation of the intercompany reconciliation process, SAP Intercompany Hub by BlackLine can be added to ease the reconciliation across currencies and geographies in a heterogeneous systems environment.

Fig. 4 – Exemplary simplified project timeline



## Contact us



**Nicolas Roussel**

**Partner**

Enterprise Performance

SAP Finance

Tel: +49 (0)221 97324 394

[nroussel@deloitte.de](mailto:nroussel@deloitte.de)



**Michael Portermann**

**Director**

Enterprise Performance

SAP Finance

Tel: +49 (0)30 25468 5938

[mportermann@deloitte.de](mailto:mportermann@deloitte.de)

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