

TIPS *from* LauberCFOs

Speed Up Your Month End Process to Get Information While it is Still Valuable

The availability of financial information is critical to enable managers to respond to changing business conditions. It is impossible to make informed decisions without information. The timeliness of the information is also critical. If you don't have information, you can't use it. Likewise the sooner you get information the more valuable it is. In this issue, we discuss how to speed up the month end closing process. A sample closing schedule is included on Page 2.

There are typically only a few items that hold up the month end process and prevent completion of financials by the 7th or 8th working day after month end. Let's take a look at them:

Following a Closing Schedule

Using a detail schedule at month end is an essential factor in speeding up the completion of financial statements.

Bank Statements

Historically it was not unusual for bank statements to be received a week or more into the new month. Reconciling cash to the bank statement is an important control and one that shouldn't be shortcut. However, today most banks have an online product that provides the detail account information in real time. Some banks charge for this but the cost is nominal when compared to the cost of operating with stale information.

Inventory Pricing

For many companies, especially manufacturers the monthly task of valuing inventory can be a time consuming process, especially if the company does not have an integrated system. While there is no simple solution to this dilemma, a review of the unique facts in a company can normally turn up acceptable alternatives that will speed up this process. Things to consider:

- Invest in improving the accuracy of whatever system you use so you can let the system do the work.
- Focus on implementing "data collection" on the shop floor to facilitate valuation of work in process.

- Often the 80 / 20 rule will apply. 80% of the value can be determined by costing 20% of the items. Develop a reasonable methodology to estimate or otherwise efficiently determine the value of the remaining 20%.

Vendor Invoices

It is not unusual to receive some vendor invoices a week or two into the new month. If this is a consistent problem the concept of Estimated or Accrued Accounts Payable might be appropriate.

At the end of the month, enter all vendor invoices that have been received. Then, perform a review of all open purchase orders and receiving reports. Make an estimate of the cost of any open items and record in a separate liability account. This entry is reversed in the next month and offset by recording the actual invoices when received.

Payroll Accrual

The final item that typically slows down the closing process is calculating the payroll through the end of the month. The normal process would be to take the first payroll after the end of the month and if 4 of 10 days fell in the prior month, 40% of that payroll report would be recorded in the prior month.

In most companies with stable employment this accrual (estimate) could be calculated in the same manner but using the last payroll prior to month end instead.

On the next page is a sample Month End Closing Schedule. Use this as a template and modify it to fit your individual circumstances. If you'd like to personally discuss how to improve the timeliness of your financial statements, call us at 414-273-8060 or, outside of Milwaukee, at 800-358-8060, or send an e-mail to: John.Lauber@LauberCFOs.com.

A LauberCFO would be happy to arrange a confidential meeting to discuss your unique circumstances.

Sample Month End Closing Schedule

<u>Description of Task</u>	<u>Due Day</u>	<u>Time if Critical</u>	<u>Complete</u>
Cut off Shipments to customers	Last day of month	3:00 PM	
Cut off inventory receipts	Last day of month	3:00 PM	
Physical count of "A" inventory items	Last day of month	2nd shift	
Complete cash receipts entry including lock box	1st working day		
Complete standard invoicing	1st working day		
Download bank statement	1st working day		
Run month end detail reports for A/R, A/P & Inventory	1st working day		
Roll computer system forward to new month	1st working day		
Review and correct closed job report	2nd working day		
Review work in process inventory quantities & valuation	2nd working day		
Complete valuation of physical inventory	2nd working day		
Post manual inventory transfers	2nd working day		
Complete non-standard invoicing	2nd working day		
Review open purchase order log	2nd working day		
Review final sales register	3rd working day		
Complete accounts payable entry	3rd working day		
Run final A/R and A/P aging	3rd working day		
Mail accounts receivable statements	4th working day		
Calculate sales commissions	4th working day		
Calculate payroll accrual	4th working day		
Complete bank reconciliation	4th working day		
Calculate standard journal entries	5th working day		
Review recurring journal entries	5th working day		
Post all journal entries to general ledger	5th working day		
Review general ledger for proper account distributions	5th working day		
Run preliminary financial statements	5th working day		
Begin review and account analysis	5th working day		
Complete review and account analysis	6th working day		
Verify that bank note balances agree with statements	6th working day		
Compare balances with budget and investigate deviation	6th working day		
Prepare monthly reporting package	7th working day		
Deliver final monthly financial package	7th working day	3:00 PM	

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