



# Financial planning and analysis – reconciliation

## Closures manufacturing company

- Developed methodologies to reconcile the financials between Spark database (SKU level profitability) and Hyperion Financial Management (HFM - Consolidated Financial ERP) and identify the variances
- Analyzed cost allocations and other differences between the Spark Database and HFM

# Closures manufacturing company needs closures manufacturing company

## Picture this...

You're looking for establish a robust mapping framework encompassing GL Account, Cost Centre, and Department for both HFM and Spark. This meticulously crafted mapping system facilitated the seamless linkage of Spark accounts with their corresponding HFM accounts.

## You turn to Accordion.

We partner with your team to develop methodologies to reconcile the financials between Spark database (SKU level profitability) and Hyperion Financial Management (HFM - Consolidated Financial ERP) and identify the variances. Analyze cost allocations and other differences between the Spark Database and HFM, including:

- 1) Streamlining and conducted a comprehensive analysis from 2 different sources (HFM and Spark database) using the data cubes. The data sources had disparate methodologies in recognizing accounts under each Financial Header, including multiple manual adjustments
- 2) Designing a methodology to discern alterations in the mapping between HFM and GL Accounts, implemented one-time, comprehensive changes in the mapping within the HFM database to facilitate the reconciliation of financials against the Spark database. Identified key GL accounts driving the variances across both databases
- 3) Building automated self-service financial reports on Excel to track the variance between HFM and Spark Database at VCM and EBITDA level for each month

## Your value is enhanced.

You have the linkage between HFM and Spark Accounts enabled the client to discern account-level mismatches, facilitating necessary changes in HFM database and identify the modifications to align data across both databases which enabled consistent & accurate reporting for historical financials on an ongoing basis. You also have the reconciliation report facilitated the seamless alignment of financials for Region 1 between HFM and Spark achieving a significant reduction in variances at the VCM level from \$1.4 M to ~6K and, at the EBITDA level from \$122K to \$1,208.

### KEY RESULT

- \$1.4 M to ~6K VCM level reduction
- \$122K to \$1 EBITDA reduction

### VALUE LEVERS PULLED

- Financial Reconciliation across Spark database and HFM

# Reconciliation for a manufacturing company

## Situation

- Client encountered challenges in reconciling financial data between the Spark database (used to track SKU level profitability) and Oracle Hyperion Financial Management ('HFM') (used for Consolidated Financials reporting) leading to inconsistent financial reporting. Additionally, the client experienced difficulties in generating automated reports to identify key headers influencing variances at the VCM and EBITDA levels
- Partnered with the client to establish a robust mapping framework encompassing GL Account, Cost Centre, and Department for both HFM and Spark. This meticulously crafted mapping system facilitated the seamless linkage of Spark accounts with their corresponding HFM accounts.

## Accordion Value Add

- Streamlined and conducted a comprehensive analysis from 2 different sources (HFM and Spark database) using the data cubes. The data sources had disparate methodologies in recognizing accounts under each Financial Header, including multiple manual adjustments
- Designed a methodology to discern alterations in the mapping between HFM and GL Accounts, implemented one-time, comprehensive changes in the mapping within the HFM database to facilitate the reconciliation of financials against the Spark database. Identified key GL accounts driving the variances across both databases
- Built automated self-service financial reports on Excel to track the variance between HFM and Spark Database at VCM and EBITDA level for each month

## Impact

- The linkage between HFM and Spark Accounts enabled the client to discern account-level mismatches, facilitating necessary changes in HFM database and identify the modifications to align data across both databases which enabled consistent & accurate reporting for historical financials on an ongoing basis
- The Reconciliation report facilitated the seamless alignment of financials for Region 1 between HFM and Spark achieving a significant reduction in variances at the VCM level from \$1.4 M to ~6K and, at the EBITDA level from \$122K to \$1,208

# Methodology/ Approach

## 01 Input Data

- **Profitability data** at account level from Spark database
- **GL account, Cost Centre and Department** mapping for **Spark** direct and indirect accounts.
- **HFM trial balance data**
- GL account, Cost Centre and Department mapping with HFM account
- HFM accounts hierarchy in the balance sheet

## 02 Methodology

- Identified the methodology to map HFM accounts with respective Spark accounts
- Created the **account level hierarchy** to identify the **rollups of the transactions** at Financial header level
- Analyzed the impact of Standard costs allocation across both databases and the effect of over/under adjustments
- Segregated the mismatches into specific categories based on the P&L impact

## 03 Output

- Identified the **rollup mismatches** between HFM and Spark at Financial header level
- Based on account description identified the **correct mapping of HFM and Spark accounts** at Financial header level
- Correction of rollups at financial header in both HFM and Spark for final reconciliation and validation from client

# Reconciliation for region 1

EBITDA Calculation in HFM & SPARK with July YTD Values after making the required changes					
Financial Headers	Value from HFM based on Proposed Header (YTD)	Changes made based on re-allocations	Total value captured under HFM based on Proposed Header (July YTD)	Value from SPARK (July YTD)	Variance between HFM & SPARK (July YTD)
Net Sales	\$ 285,467,651		\$ 285,467,651	\$ 285,474,590	\$ (6,939)
Total Material Costs	\$ 123,774,270		\$ 123,774,270	\$ 123,774,270	\$ 0
Freight	\$ 14,994,749		\$ 14,994,749	\$ 15,000,479	\$ (5,730)
Total Direct Labor	\$ 282,986	\$ 18,530,060	\$ 18,923,046	\$ 18,925,489	\$ (2,443)
Variable Conversion Costs	\$ 2,265,520	\$ 18,609,726	\$ 21,245,246	\$ 21,250,188	\$ (4,943)
<b>Variable Contribution Margin (VCM)</b>	<b>\$ 144,150,126</b>		<b>\$ 106,530,340</b>	<b>\$ 106,524,164</b>	<b>\$ 6,176</b>
Fixed Cost	\$ 70,648,813.2	\$ (37,139,786.0)	\$ 33,029,027	\$ 33,021,642.8	\$ 7,384.3
SG&A	\$ 8,473,853.3		\$ 8,473,853	\$ 8,473,854.4	\$ (1.1)
Other (Income)/ Expense	\$ 474,637.5		\$ 474,637	\$ 474,637.5	\$ -
Management adjustments			\$ -	\$ -	\$ -
Royalty Expense	\$ 8,925,701.4		\$ 8,925,701	\$ 8,925,700.9	\$ 0.4
<b>EBITDA</b>	<b>\$ 55,627,121.0</b>		<b>\$ 55,627,121.0</b>	<b>\$ 55,628,328.6</b>	<b>\$ (1,207.5)</b>

Reconciliation till EBITDA for Region 1

The view helped the client track variance at each Financial header

# Summary of rollups at financial headers

Summary of all the rollups at Financial Header level to Reconcile HFM with Spark				
Proposed Header (SPARK Header)	GL ACCOUNT (HFM)	GL ACCOUNT DESCRIPTION (HFM Account)	Cost Center	Cost Center Description
NET SALES	GL 1	Sales - Customers	C1	Default
	GL 2	Sales - Customers - Unallocated Revenue	C2	Default
	GL 3	Sales - Customers - Unearned Discount	C3	Default
	GL 4	Sales - Customers - Earned Discount	C4	Default
	GL 5	Sales - Customers - Rebate Credits	C5	Default
	GL 6	Sales - Intercompany	C6	Default
	GL 7	Sales - FOREX Results	C7	Forex Revaluations (I/S Only)
	GL 8	Sales - FOREX Results AR	C8	FOREX/Currency Hedge
	GL 9	Scrap Sales - Customers	C9	Default
	GL 10	Sales Returns & Allowances - Customers	C10	Default
	GL 11	Operating Revenue - Customers	C11	Other Income
	GL 12	Operating Revenue - Intercompany	C12	Default
NET SALES Total				
TOTAL MATERIAL COSTS	GL 13	Manufact Exp - Raw Matls Consumed	C13	Other Inventory
			C14	Other Inventory - SAB101 or IAS 18
	GL 14	Manufact Exp - COGS Purchased for Resale	C15	Customer Replacement / Maintenance Parts
			C16	Plastic Closures Purchased
			C17	Other Inventory
	GL 15	Purchase Price Variance	C18	Default
	GL 16	Invoice Price Variance	C19	Default
	GL 17	Cash Discounts on Purchases	C20	Default
	GL 18	Intercompany Purchase Price Variance	C21	Default
	GL 19	Material Variance	C22	Default
	GL 20	Production Matl Cost - Inbnd Frt In Inv	C21	Default
	73150000	Cost of Goods Sold - Material	C22	Default