

# Year end reconciliations project

## Trading software solution provider

Prepared, finalized and posted pre and post acquisition year-end adjustments, prepaid journals, opening and monthly trial balances in the various entities of the client group. Conducted Reconciliations for reserve accounts, FX translations and intercompany transactions.

# Trading software solution provider company needs seamless year end reconciliations

## Picture this...

You're looking to identify, finalize and post the adjustments, reconcile the three statement financials to achieve a consistent monthly and annual financial position for both standalone and consolidated entities. Unreconciled and inconsistent books of accounts for both standalone entities and the consolidated entity would potentially affect audit requirements. Furthermore, you were looking for potential M&A opportunities which necessitated these reconciliations to have consistent accounts.

## You turn to Accordion.

We partner with your team to prepare, finalize and post pre and post acquisition year-end adjustments, prepaid journals, opening and monthly trial balances in the various entities of the client group. Conducted Reconciliations for reserve accounts, FX translations and intercompany transactions, including:

- 1) Conducting extensive transaction level RCA to address unreconciled accounts and inconsistencies in year-end financial positions including identification of FX translations
- 2) Preparing, finalizing and posting adjustment and reconciliation entries for pre and post-acquisition periods in NetSuite sandbox and Production environments. Achieving consistent entity-level and consolidated-level financial position driven by thorough validations in both the environments
- 3) Importing opening and closing trial balances for migrated entities which would ensure reporting continuity based on acquisition and migration of the business

## Your value is enhanced.

You have achieved a consistent year and end closing position by posting accurate Journal Entries which helped reduce Trial Balance variances by 10-50% for different accounts. You have attained a 50% cost savings for the client to ensure they are well-positioned for future inorganic expansion opportunities. You have also established the foundation to maintain and sustain consistent account positions and implemented a robust reconciliation process for all balance sheet accounts

### YEAR END RECONCILIATIONS PROJECT

#### KEY RESULT

- Reduced Trial Balance variances by 10-50%
- Achieved a 50% cost reduction for the client

#### VALUE LEVERS PULLED

- Conducted transaction level and entity wide analysis to identify adjustment and reconciliation entries.
- Facilitated the posting of entries in NetSuite production.
- Performed reconciliations at both entity and consolidated levels to ensure a consistent year end position.

# Year end reconcillation solutions for commodity trading software provider

## Situation

- Company was carved out of a PE-owned energy trading software firm. To avoid disruption to ongoing business operations post- migration, it was essential to complete the reconciliation process in the newly created and migrated entity within tight timelines.
- Unreconciled and inconsistent books of accounts for both standalone entities and the consolidated entity would potentially affect audit requirements. Furthermore, client was looking for potential M&A opportunities which necessitated these reconciliations to have consistent accounts.
- Partnered with the client to identify, finalize and post the adjustments, reconcile the three statement financials to achieve a consistent monthly and annual financial position for both standalone and consolidated entities.

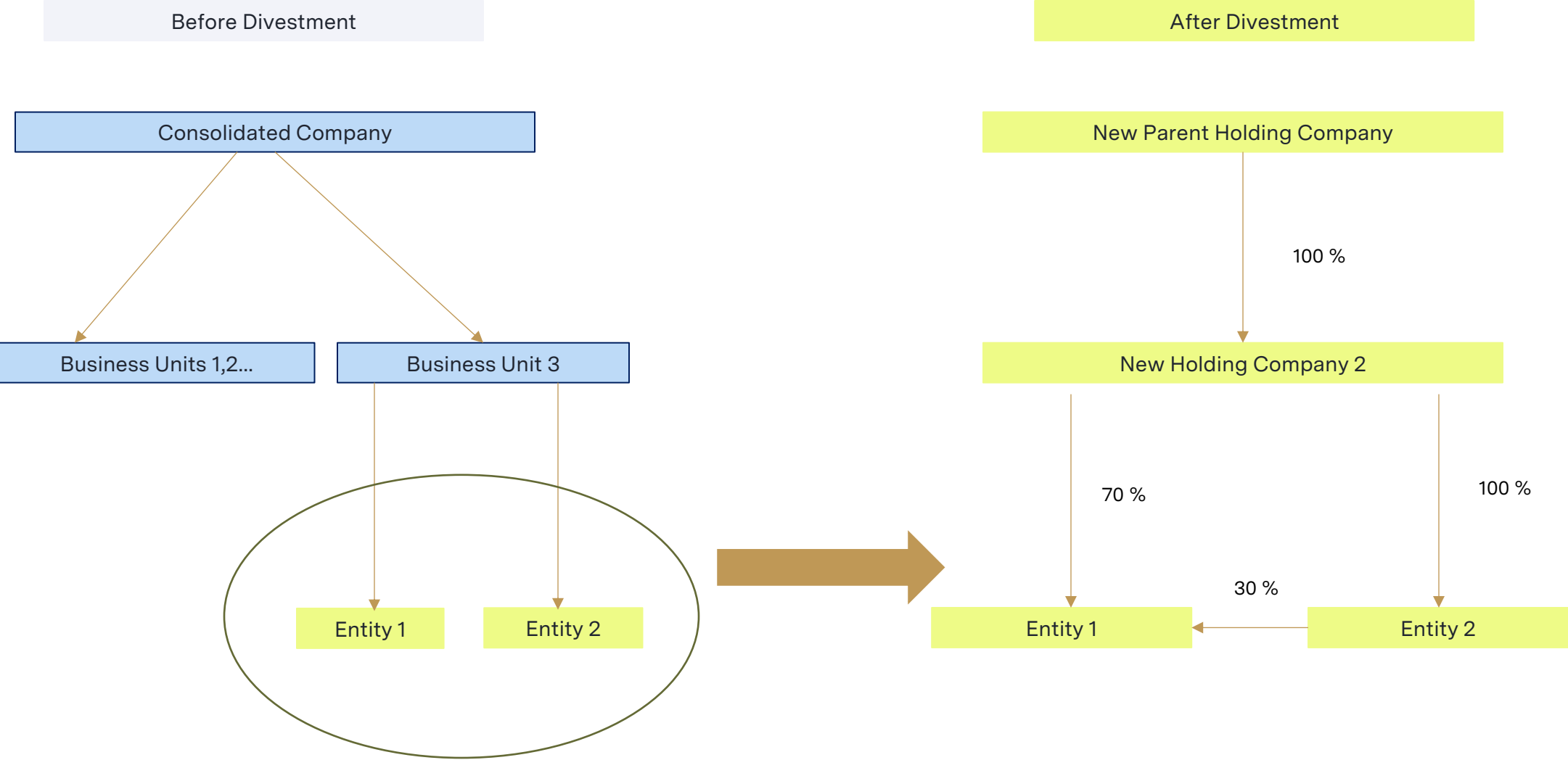
## Accordion Value Add

- Conducted extensive transaction level RCA to address unreconciled accounts and inconsistencies in year-end financial positions including identification of FX translations
- Prepared, finalized and posted adjustment and reconciliation entries for pre and post-acquisition periods in Netsuite Sandbox and Production environments. Achieved consistent entity-level and consolidated-level financial position driven by thorough validations in both the environments.
- Imported opening and closing Trial Balances for migrated entities which would ensure reporting continuity based on acquisition and migration of the business.

## Impact

- Achieved a consistent year and end closing position by posting accurate Journal Entries which helped reduce Trial Balance variances by 10-50% for different accounts.
- Attained a 50% cost savings for the client to ensure they are well-positioned for future inorganic expansion opportunities
- Established the foundation to maintain and sustain consistent account positions and implemented a robust reconciliation process for all Balance Sheet Accounts

# Holding comparison before and after divestment process



# Overview of accounting data sources and challenges

## SOURCE



- NetSuite Trial Balances and Account Level extracts pre and post system Migration
- Accounting and Consolidation excel reports with details of the Divestment
- Audited TB values at each entity level

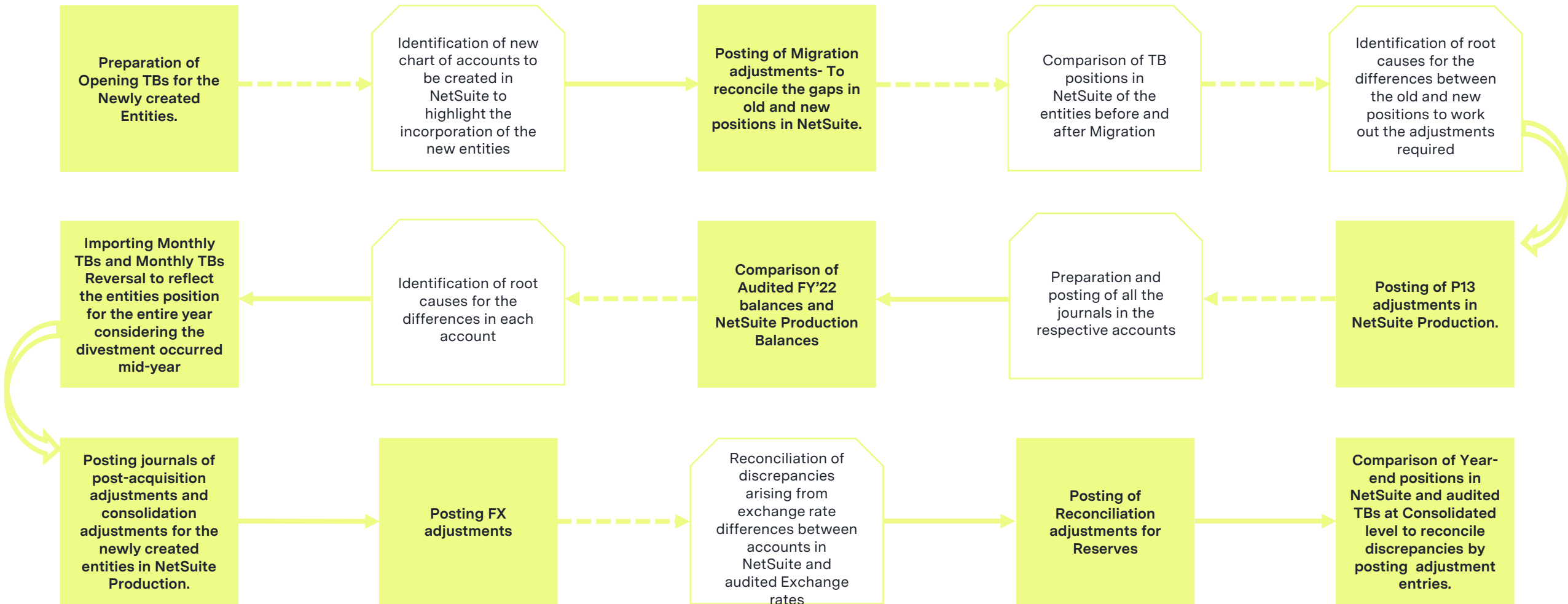
## CHALLENGES



- In addition to the complexities of Divestment, the migration from the legacy system to the NetSuite instance further compounded challenges in identifying inconsistent entries
- Cross holdings, cross entity loans and intercompany transactions
- Identifying TB Balances dispersed across multiple accounts in NetSuite post-migration.
- Resolving the issue of double counting of Currency Revaluation for migrated foreign currency postings.
- Identifying purchase invoices post-migration with double-counted Tax amounts.
- Identifying entries recorded in the Base Currency rather than the Original Currency, causing FX differences during consolidation.

# Year-end reconciliation of finance records – process flow

Facilitated the maintenance of clean books of accounts post migration of the carved-out client.



\* TB- Trial Balance, FX – Foreign Exchange

# Output – entity level

Trial Balance with Gaps

## Comparison of NetSuite TB with Audited TB

Financial Row	Balance as per NetSuite	Balance as per Audit	Variance
Realized Gain/Loss	-£15,601.86	-£15,601.86	£0.00
Rounding Gain/Loss	-£0.03	-£0.03	£0.00
Unbilled Receivable	£9,897.67	£9,897.67	£0.00
Unrealized Gain/Loss	£49,807.69	£56,057.69	£6,250.00
VAT on Purchases	£20,823.96	£13,323.96	-£7,500.00
VAT on Sales	-£160,176.40	-£106,176.40	£54,000.00
1100 - Revenue	-£2,154,401.31	-£2,154,401.31	£0.00
1200 - Cost of Sales	£309,343.71	£309,343.71	£0.00
1300 - Operating Expenses	£210,674.65	£210,674.65	£0.00
1500 - Other Expenses	£15,929.60	£15,929.60	£0.00
9000 - Non-current assets	£419,300.09	£419,300.09	£0.00
9400 - Equity and reserves	-£89,504.39	-£89,504.39	£0.00
93300 - Prepayments	£64,606.51	£64,606.51	£0.00
9100-10 - Trade receivables	£116,448.03	£176,448.03	£60,000.00
9100-20 - Investment	£0.00	£0.00	£0.00
9100-30 - Other current assets	£31,157.10	£31,157.10	£0.00
9200-10 - Trade Payables	-£95,530.85	-£95,530.85	£0.00
9200-40 - Lease liabilities	-£93,405.55	-£93,405.55	£0.00
97000 - Share capital	£0.00	£0.00	£0.00
9200-50 - Provisions	-£50,023.00	-£50,023.00	£0.00
93400- - Cash and cash equivalent:	£942,452.61	£942,452.61	£0.00
AP Open Trx Migration	-£63,405.55	-£55,905.55	£7,500.00
AR Open Trx Migration	£739,111.77	£678,861.77	-£60,250.00
Contract Liabilities non-recurring	-£94,162.93	-£154,162.93	-£60,000.00
Contract Liabilities	-£113,341.55	-£113,341.55	£0.00
<b>Total</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>

- Observed gaps in some of the accounts at the end of the year due to migration error.
- Identified the root cause of the differences and posted the adjusting entries in NetSuite to reconcile gaps.
- Achieved clean Trial Balance which ties back with the Audited Trial Balance.

Clean Trial Balance

## Adjustments posted in NetSuite

Account	Debit	Credit
Unrealized Gain/Loss	£6,250.00	
AR Open Trx Migration		£6,250.00
VAT on Purchases	-£7,500.00	
AP Open Trx Migration		-£7,500.00
VAT on Sales	£54,000.00	
AR Open Trx Migration		£54,000.00
9100-10 - Trade receivables	£60,000.00	
Contract Liabilities non-recurring		£60,000.00

## Comparison of NetSuite TB with Audited TB

Financial Row	Balance as per NetSuite	Balance as per Audit	Variance
Realized Gain/Loss	-£15,601.86	-£15,601.86	£0.00
Rounding Gain/Loss	-£0.03	-£0.03	£0.00
Unbilled Receivable	£9,897.67	£9,897.67	£0.00
Unrealized Gain/Loss	£56,057.69	£56,057.69	£0.00
VAT on Purchases	£13,323.96	£13,323.96	£0.00
VAT on Sales	-£106,176.40	-£106,176.40	£0.00
1100 - Revenue	-£2,154,401.31	-£2,154,401.31	£0.00
1200 - Cost of Sales	£309,343.71	£309,343.71	£0.00
1300 - Operating Expenses	£210,674.65	£210,674.65	£0.00
1500 - Other Expenses	£15,929.60	£15,929.60	£0.00
9000 - Non-current assets	£419,300.09	£419,300.09	£0.00
9400 - Equity and reserves	-£89,504.39	-£89,504.39	£0.00
93300 - Prepayments	£64,606.51	£64,606.51	£0.00
9100-10 - Trade receivables	£176,448.03	£176,448.03	£0.00
9100-20 - Investment	£0.00	£0.00	£0.00
9100-30 - Other current assets	£31,157.10	£31,157.10	£0.00
9200-10 - Trade Payables	-£95,530.85	-£95,530.85	£0.00
9200-40 - Lease liabilities	-£93,405.55	-£93,405.55	£0.00
97000 - Share capital	£0.00	£0.00	£0.00
9200-50 - Provisions	-£50,023.00	-£50,023.00	£0.00
93400- - Cash and cash equivalents	£942,452.61	£942,452.61	£0.00
AP Open Trx Migration	-£55,905.55	-£55,905.55	£0.00
AR Open Trx Migration	£678,861.77	£678,861.77	£0.00
Contract Liabilities non-recurring	-£154,162.93	-£154,162.93	£0.00
Contract Liabilities	-£113,341.55	-£113,341.55	£0.00
<b>Total</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>

# Output – consolidated level

Comparison of NetSuite Consolidated TB with Audited Consolidated TB post adjustments

Financial Row	Parent Entity 2	Parent Entity 1	Entity 2	Entity 1	Total	Balance as per Audit	Variance
Realized Gain/Loss	£0.00	£0.00	-£5,778.47	-£15,601.86	-£21,380.32	-£21,380.32	£0.00
Rounding Gain/Loss	£0.00	£0.00	-£0.01	-£0.03	-£0.04	-£0.04	£0.00
Unbilled Receivable	£0.00	£0.00	£3,665.81	£9,897.67	£13,563.48	£13,563.48	£0.00
Unrealized Gain/Loss	£0.00	£0.00	£18,447.29	£56,057.69	£74,504.98	£74,504.98	£0.00
VAT on Purchases	£0.00	£0.00	£7,712.58	£13,323.96	£21,036.54	£21,036.54	£0.00
VAT on Sales	£0.00	£0.00	-£59,324.59	-£106,176.40	-£165,500.99	-£165,500.99	£0.00
1100 - Revenue	£0.00	£0.00	-£797,926.41	-£2,154,401.31	-£2,952,327.72	-£2,952,327.72	£0.00
1200 - Cost of Sales	£0.00	£0.00	£114,571.75	£309,343.71	£423,915.46	£423,915.46	£0.00
1300 - Operating Expenses	£0.00	£0.00	£78,027.65	£210,674.65	£288,702.30	£288,702.30	£0.00
1500 - Other Expenses	£0.00	£0.00	£5,899.85	£15,929.60	£21,829.45	£21,829.45	£0.00
9000 - Non-current assets	£0.00	£0.00	£155,296.33	£419,300.09	£574,596.42	£574,596.42	£0.00
9400 - Equity and reserves	£0.00	£0.00	-£33,149.78	-£89,504.39	-£122,654.17	-£122,654.17	£0.00
93300 - Prepayments	£0.00	£0.00	£23,928.34	£64,606.51	£88,534.85	£88,534.85	£0.00
9100-10 - Trade receivables	£0.00	£0.00	£43,128.90	£176,448.03	£219,576.94	£219,576.94	£0.00
9100-20 - Investment	-£100,000.00	-£47,500.00	£475,000.00	£0.00	£327,500.00	£327,500.00	£0.00
9100-30 - Other current assets	£0.00	£0.00	£16,539.67	£31,157.10	£47,696.77	£47,696.77	£0.00
9200-10 - Trade Payables	£0.00	-£8,850.00	-£35,381.80	-£95,530.85	-£139,762.64	-£139,762.64	£0.00
9200-40 - Lease liabilities	£0.00	-£8,650.00	-£34,594.65	-£93,405.55	-£136,650.20	-£136,650.20	£0.00
9200-50 - Provisions	£0.00	£0.00	£0.00	-£50,023.00	-£50,023.00	-£50,023.00	£0.00
97000 - Share capital	£100,000.00	£65,000.00	-£18,527.04	£0.00	£146,472.96	£146,472.96	£0.00
93400- - Cash and cash equivalents	£0.00	£0.00	£349,056.52	£942,452.61	£1,291,509.13	£1,291,509.13	£0.00
AP Open Trx Migration	£0.00	£0.00	-£23,483.54	-£55,905.55	-£79,389.09	-£79,389.09	£0.00
AR Open Trx Migration	£0.00	£0.00	£273,745.10	£678,861.77	£952,606.87	£952,606.87	£0.00
Contract Liabilities non-recurring	£0.00	£0.00	-£314,875.16	-£154,162.93	-£469,038.08	-£469,038.08	£0.00
Contract Liabilities	£0.00	£0.00	-£241,978.35	-£113,341.55	-£355,319.90	-£355,319.90	£0.00
<b>Total</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>

- Identified new Chart of accounts to be created and uploaded opening Trial Balances of Parent Entities in NetSuite.
- Posted the consolidation adjustments in NetSuite to achieve a consolidated Trial Balance which ties back to the Audited consolidated Trial Balance.



# Learnings

- 1) Exposure to Accounting complexities in a Divestment process .
- 2) Gained learnings in FX translations that impact accounting and reconciliation process.
- 3) Insights into treatment of intercompany transactions and how Cross holdings, cross entity loans are addressed during a complex Divestment transaction.