

Guide

# Roadmap to journal entry excellence

How to identify and overcome challenges every step of the way.



AICO

# The challenge of streamlining accounting journals

One of the idiosyncrasies in accounting is that the most important core function – journal entries – is fraught with complicated manual processes. While many accounting functions and even many journals are now automated and streamlined, manual journals continue to be a productivity pain for accountants and auditors alike.

Part of the problem is that the out-of-the-box journal entry features in ERP systems generally fall far short of what is needed to support accountants with manual journals, especially if your ERP is a couple of years old. So more and more organisations today try to supplement the ERP system with other solutions to streamline the process. But without some more powerful automation, greater process management capabilities, centralised compliance tools, and seamless financial close integration, it's hard to really get the process under control.

It's worth going through the trouble of streamlining your journal process because there are many productivity killers, and you can overcome more of them at each stage. But that's not all. Achieving journal management excellence will also make governance and compliance so much easier.

Use this roadmap to learn where you are in your journal management journey and how to move forward. However, you should bear in mind that the challenges raised further along on the journey are equally valid at earlier phases. And don't forget that there is no need to take things one step at a time. You can simply find a solution that solves the problems highlighted every step of the way on the road to excellence in journal entry management.

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# 1. From manual work to automated tasks

If you use Excel spreadsheets for journal creation and standard ERP system functionality for process management, then you could benefit from automation. Even if you have or can soon get your hands on a newer ERP version, the journal entry management functionality is still more limited than you might think, bogging down your team with several manual tasks.

## It's time to look into automation solutions if you...



Create more than 500 journal entries per month.

Investments to cut the time required for each journal will have a strong ROI.



Store hard copies of journals and supporting evidence in binders.

It will take unnecessary extra time if something needs to be checked later.



Use spreadsheets to post journal entries to the general ledger.

You run the risk of data entry errors and the process is slow and complex.

## Case in point: Excel pitfalls

As much as they may be a time-honoured tradition in accounting departments, there are simply too many frustrating examples of what can go wrong with spreadsheets, especially when it comes to journal entry management.

Wait, who entered the wrong account number – why didn't anybody notice sooner?

Not again, the ERP reported an error when I uploaded data from Excel and now I have to look everywhere for the cause...

C'mon, do I really have to enter the same figures twice?

Oh no, a validation error! Who created this file again?

Really, do we have to paste this figure into 12 different spreadsheets?

What a pain, I have to make the same journal entry each month – from scratch!

Oops, I tried to post a journal entry, but the period was closed, so I had to start all over...



## Challenge: Repetitive manual tasks

Managing journals from your ERP system and Excel results in many repetitive manual tasks, which in turn makes the process prone to data entry errors. The tasks that claim the most unnecessary time and are capable of being streamlined with intelligent automation are:

- Journal creation in spreadsheets(as opposed to pre-defined templates).
- Manually uploading and posting journals to the ERP system.
- Manual journal reversals.
- Manually redoing recurring journals.
- Complex journals like provisions, allocations, and accruals.
- Printing journals along with supporting evidence for approvals and archiving them in binders.

All of these tasks drain valuable time and energy from your team that could be spent on more value-adding activities. In addition, the data entry errors require even more time and hassle to go back and correct after the fact. Bear in mind that what these repetitive tasks are costing you may not be immediately apparent if the costs are hiding behind salaries. Consider how much time is spent on each journal entry and how much of your department's budget is spent on salaries for this time.

## Solution: Streamlining manual tasks with automation

Automation is the natural first step toward streamlining some of the manual tasks in the journal entry process. For example, an automated journal creation process integrated with your ERP system can save time by validating data such as company codes and cost centres to eliminate any data errors while also getting the data into the ERP faster.

You can also achieve efficiency gains by automating recurring journals and journal reversals. Rather than creating a set of recurring journals requiring their own approval process each month, such a set of journals could be created once and approved once as a set and then automatically posted each month. Automating the journal archiving process with complete audit trails is a great way to make auditors' lives easier and save some trees while you are at it. You can also leverage intelligent automation features to make complex journals like provisions and accruals much faster and easier.

## 2. From task automation to process management

Now that you have deployed some automation solution such as robotic process automation (RPA) or other applications for purposes like automatic journal upload to the ERP system, you have probably already eliminated several inefficiencies. While steps like these are a good start in streamlining the journal entry process, you need to take a more holistic approach to the process to go beyond improving individual tasks.

**It's time to look into process management solutions if you...**



**Coordinate journals by email.**

This drains time, adds complexity and impairs process visibility.



**Manage journals for more than 12 distinct legal entities.**

You stand to make major productivity gains by managing processes from a single interface.



**Use multiple ERP systems.**

You can avoid complexity and bottlenecks with live ERP integration from a single interface.



## Case in point: Email headaches

We've been relying on emails for so many things for such a long time that their resulting headaches and frustrations may seem unavoidable. But that doesn't have to be the case anymore if you can pinpoint where emails fall short and find a better way.



## Challenge: Poor visibility

Although you may have automated some tasks, you probably still do not have very good process visibility. Also, solutions such as RPA make it even more important to be able to see and follow how the robots are working and coordinate the manual work before and afterwards to avoid bottlenecks and errors that take time to go back and fix. Relying too heavily on emails makes it easy to lose track of current journal status, such as how many and which journals are:

- Waiting to be posted.
- Missing supporting evidence.
- Waiting for someone's approval.
- Rejected due to insufficient supporting evidence or an error.
- Approved and posted to the ERP system.
- Due within the current period end close.

Without better visibility into each stage of the process, it's difficult to measure the efficiency of the entire process and identify bottlenecks. Consider how a lumberjack uses machinery to get into the perfect position, efficiently cut down the tree, easily load the timber onto the machine and transport it away. Focusing on streamlining only one part of the journal process is like only focusing on how to cut down the tree without considering the work before and after like transporting the timber away.

## Solution: Completing the big picture with process management

With process management, you'll avoid having to deal with so many emails and manual work moving data between systems. Instead, you can customise a dashboard from which you can track whatever is important to you throughout the process. For example, everyone involved can stay on top of exactly which journals are at which stage, see exactly when it's time to take over after an RPA bot has laid the groundwork, and find the source of a bot error faster. This gives team efficiency a real boost as everyone doesn't need to notify each other by email when it's their turn.

Look for a solution with live ERP integration so you can see different legal entities from a single dashboard. Customisability makes it easier to manage complex organisations as the dashboard can be customised to display as far down as a specific business unit or as far up as the whole group of companies.

## 3. From process management to centralised compliance

With a birds-eye view of the entire journal entry management process from a dashboard customised to suit your needs, you have probably found and eliminated several bottlenecks. For example, your journal entry management solution should be able to send automatic notifications of actions to be taken and allow you to track task status from a dashboard. This enables you to avoid the information overload and inefficiencies from mountains of emails. However, although you have better visibility into the process, you may still be lacking the capability to enforce critical compliance.

### It's time to look into automation solutions if you...



**Use email or paper-based approvals.**

You can save time and track compliance easier with centralised compliance.



**Are missing supporting evidence for some journals.**

You need a system that requires supporting evidence by default.



**Don't have clearly defined journal handling roles.**

You need a journal management system that allows you to define who can create, approve, and post journals.

## Case in point: Unenforceable rules

What is the point of going through the trouble of making specific rules if they aren't being followed? And if you don't know if they are being followed, how is that any different?

Doh, someone made five EUR 20,000 entries to get around the EUR 20,000 limit for approval...

Oh no, someone attached calculations without the required report for supporting evidence.

Uh oh, someone attached an email as supporting evidence but forgot to remove sensitive personal data.

Really, the office dog ate the paper-based approval you were supposed to submit yesterday?

Wait, why did the same person both create and approve a journal?



## Challenge: Poor compliance

Without the capability to enforce specific rules, how will you know if they are even being followed? It can hurt your department's efficiency if it takes more effort than it should to verify compliance with corporate policies. This could also make it harder to prevent and detect material misstatements and fraud. But the stakes are even higher if you are subject to stock exchange rules and regulations governing journal entries. And if you aren't listed today, what if you become listed in the near future?

Some of the key rule types that are difficult to enforce without centralised compliance functionality include:

- Segregation of duty rules.
- Journal approval rules.
- Supporting evidence rules.
- Journal data protection rules,
- Audit trail rules.

For example, how do you prevent the same person from creating, posting and approving a journal in practice? How will you know whether approval rules based on journal value are followed? And how do you make sure the supporting evidence is always there and correct?

## Solution: Enforcing rules with centralised compliance

With centralised compliance, you'll no longer have to simply hope and pray that rules are being followed. By leveraging smart algorithms and defining all rules from a centralised dashboard, you can gain the flexibility to set up highly specific rules. With data available from all the systems used in the process, it's easy to keep everything up to date with detailed and accurate triggers.

Keep approvals under control by automatically triggering or bypassing approval requirements based on the value of a journal entry. By defining roles in your central compliance dashboard, you can enforce the segregation of duties by default. In addition, you can set different supporting evidence type requirements by parameters such as legal entity, journal value and cost centre.

## 4. From isolated journal management to integrated financial close

Adding centralised compliance functionality to task automation and process management gives you a complete setup that is almost unbeatable when considering journal entry management on its own. However, you probably still use separate applications for journal entry management and other parts of the financial close process such as account reconciliation and closing task management. The lack of robust integration between these can cause delays and inefficiencies during the closing period – a couple of days when time is of the essence.

### It's time to look into automation solutions if you...



Use separate applications for journal entry and other financial close processes.

Unnecessary complexity is created by the need to switch between these systems during closing.



Have journal data that is not synced in real time across all financial close processes.

Your integration is not live, causing many unnecessary delays.



Upload the same supporting evidence to two or more separate systems.

Better financial close integration would eliminate the need to manually support the same entry in different phases.



## Case in point: Batch update waiting games

Many integrations are based on batch updates where data is transferred from one system to the other only at set intervals, such as once per night, or when a manual update is forced. This can slow your team down and make their work more difficult in several ways.

Aargh, how much longer do I have to wait until this journal entry shows up in account reconciliation?

Hold on, you have to wait until tomorrow morning to see today's journal data in the other system.

Oh no, I got carpal tunnel syndrome from switching between windows so many times!

Grr, I had to force a manual update to get my journal figure into the account reconciliation system...

Hey, I still didn't see that same update in close task management until the next day.

## Challenge: High complexity

Timing is critical in the financial close process and having to switch between different applications, interfaces, and windows makes the whole process take more time. Some of the factors that really add to the complexity problem are:

- The lack of automatic linking of closing tasks and related journal entries.
- The inability to create a journal directly from closing tasks.
- The inability to journal away an incorrect reconciliation on the spot.
- The inability to reconcile accounts by linking them back to the journals, which have related supporting evidence and approval.

You are in double complexity trouble if your integration between closing task systems and the journal management system is not live. Batch upload integrations may require your team to switch between programs even more to force a manual update when time is of the essence or to check when the data has flowed through to the other systems. When it comes to the size of your company's system architecture, in other words, how many different systems your company uses for journal entry and financial close management, the bigger they are, the harder they fall.

## Solution: Tying together financial close with live integration

Live integration allows you to tie together disparate financial close tasks in a single connected platform. This greatly reduces complexity and saves time by decreasing the number of windows your team has to switch between. Instead of waiting for journal data to flow through to the rest of the financial close process, you can just keep working without unnecessary delays.

You can also initiate journal actions from within other financial close functions. For example, you can achieve major efficiency improvements in the reconciliation phase by being able to instantly journal away errors and reconcile accounts by linking them back to journals. That's the beauty of having journals automatically linked to closing tasks when you create journals from within these tasks. This takes task automation and streamlining to a whole new level, allowing your team to do essentially anything and everything from a single interface.

## Challenge: High complexity

Timing is critical in the financial close process and having to switch between different applications, interfaces, and windows makes the whole process take more time. Some of the factors that really add to the complexity problem are:

- The lack of automatic linking of closing tasks and related reconciliations.
- The inability to automatically create a journal entry directly from a reconciliation automatically post to the ERP.
- The inability to automatically post a journal entry from a reconciliation to the ERP and refresh reconciliation figures live.
- The inability to reconcile accounts by linking them back to the journals, which have related supporting evidence and approvals.

You are in double complexity trouble if your integration between closing task systems and account reconciliation is not live. Batch upload integrations may require your team to switch between programs even more to force a manual update when time is of the essence or to check when the data has flowed through to the other systems. When it comes to the size of your company's system architecture, in other words, how many different systems your company uses for account reconciliation and financial close management, the bigger they are, the harder they fall.

# Recap the rewards of excellence

Finally, the power of automation frees up your team to no longer do twice the work and waste valuable time on manual processes. With intelligent process management, you can easily keep track of the process from start to finish and eliminate bottlenecks. With centralised compliance, you can enforce complex rules and reduce the risks of non-compliance and fraud. With live integrations with your financial close functions, you can see and update all your journal entry data in real time from a single interface. And most importantly, live integrations with all your ERP systems save so much time.

This is end-to-end journal entry – where smart technology makes it much easier for accountants to do their jobs every step of the way. Don't forget, regardless of where you are in your journal entry management journey, you can always leap ahead instead of taking it one step at a time. And, in fact, if you invest in very limited systems along the way, you may ultimately be wasting money. Go for a system that supports the highest level of efficiency and delivers excellence right from the start.

## Continue with: **Journal entry automation deep dive webinar**



Webinar

August 22nd at 14:00 CET

**Journal entry  
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