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Closing The Books Is Now A Lesson In Corporate FinTech Innovation

By PYMNTS

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Corporate accounting software is now a continually evolving space, but progress doesn't occur in a vacuum: External forces and trends, from changing regulations to increased adoption of FinTech by the enterprise, force businesses to adjust how they record and report financial data.

Often, this all comes to a head at the end of every month or quarter when businesses must close the books. The data from these periodic closings can be instrumental in providing organizations with key benchmarking information about their financial standings, and yet businesses still struggle to gain the insight they need.

Technology is now instrumental to corporate accountants' jobs, and to their efforts to overcome challenges like a lack of transparency and understanding of financial data. According to **research** released by Right Networks last year, corporate accountants are eager to embrace FinTech, as the ability to access company data "anywhere, anytime" ranked as their number one priority, driving cloud adoption among this profession. More than half of accountants surveyed agreed that cloud-based solutions were helping them address demands to not only provide accounting services, but to also act as an advisor to their corporate customers.

The cloud is hardly the only innovation disrupting the accounting space, however. And, according to close management software company **FloQast,** the technologies that are impacting the market are also continually evolving.

Rob Feinstein, vice president of Product at FloQast, told PYMNTS that this excitement over innovative technology is a response to the ebbs and flows of the close management process.

"Managing the month-end close is a process of continual improvement," he said. "It's best practice to review the just-completed close and look for opportunities to be better next time."

Improved performance can come in the form of faster close processes or in enhancing transparency of the financial data included in monthly or quarterly reports. FloQast, which launched its Close Analytics solution less than a year ago, is already **updating the tool** with expanded capabilities, including the ability to compare the most recent close to past closures to see how the process has evolved over time.

"The core of the close process remains the same: corroborate the numbers in the general ledger," explained Feinstein. "The advent of new technologies means corroborating data exists in more systems — [like] payroll, expenses, electronic banking records and more. So, the close process adapts by taking inputs from more of those systems."

This places pressure on service providers to be able to connect into the array of digital systems companies deploy. But as companies like FloQast keep up with the ever-changing needs of their corporate customers, these solutions have to also keep pace with changes in the broader corporate finance market.

Open Banking initiatives in the EU, U.K., U.S. and elsewhere, for instance, are guiding the evolution of the corporate accounting and close market, Feinstein noted.

“Open Banking could have a significant impact on [the] close process in that it will help automate reconciliations of cash accounts,” the executive explained. “In most cases these days, accountants must log into their financial institution’s online banking portal to download the latest transactions into a spreadsheet, then either import into their general ledger application or reconcile manually using Excel.”

“But it would be a lot more efficient if close management apps were able to connect directly to the bank and reconcile transactions with the data in the GL [general ledger] system,” he continued.

This is one area of the close process that has to wait for the broader FinTech market to catch up, Feinstein explained.

“Right now, that has to be done on a bank-by-bank basis,” he stated. “Open Banking could make it possible for an application such as FloQast to build a single connector for every bank, since all banks would be using the same API.”

Feinstein mused on the other technological developments and FinTech innovations likely to affect the close process in the near future. Take Big Data, for instance. While the general ledger is not yet packed with massive volumes of data, the ongoing deployment of digital platforms in the enterprise could mean that Big Data technologies could make their way into this market.

“So far. the advent of Big Data has not yet impacted the close process,” the executive said. “But perhaps someday close management solutions will use Big Data in combination with artificial intelligence to analyze large sets of information — purchases, for example — and then use that to validate general ledger outputs in the accounting system, in addition to traditional work papers. It could provide an added internal audit function embedded into the financial close.”

Artificial intelligence (AI) is expected to significantly disrupt the corporate accounting space. Research from BlackLine **published** earlier this month found nearly half of corporate accountants said AI was already playing a role at their companies, and nearly a third said they’re investigating the use of AI tools. Accounts payable, accounts receivable and reconciliation are all top targets of AI disruption, the survey found, but nearly a third also said that artificial intelligence had the potential to enhance automation of the financial close too.

Driving these trends, of course, is data — and the enhanced ability to analyze it. That is key to not only ensure accurate closes, but to also help companies benchmark their financial positions and compare metrics to past performances or industry peers. Feinstein added that continuing evolution of corporate accounting software platforms, which are becoming more specialized, is adding more data to the mix, challenging the close process and creating new opportunities (and pressures) for close management software providers.

"New expert tools have emerged for things like sales commission calculation, which are the new sources of truth for those inputs to the general ledger," he said. "FloQast, and Close Analytics specifically, will need to adapt to gather and track those inputs more efficiently and provide insights to guide the most efficient close possible."

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B2B PAYMENTS

GE Accounting Lands In SEC Crosshairs

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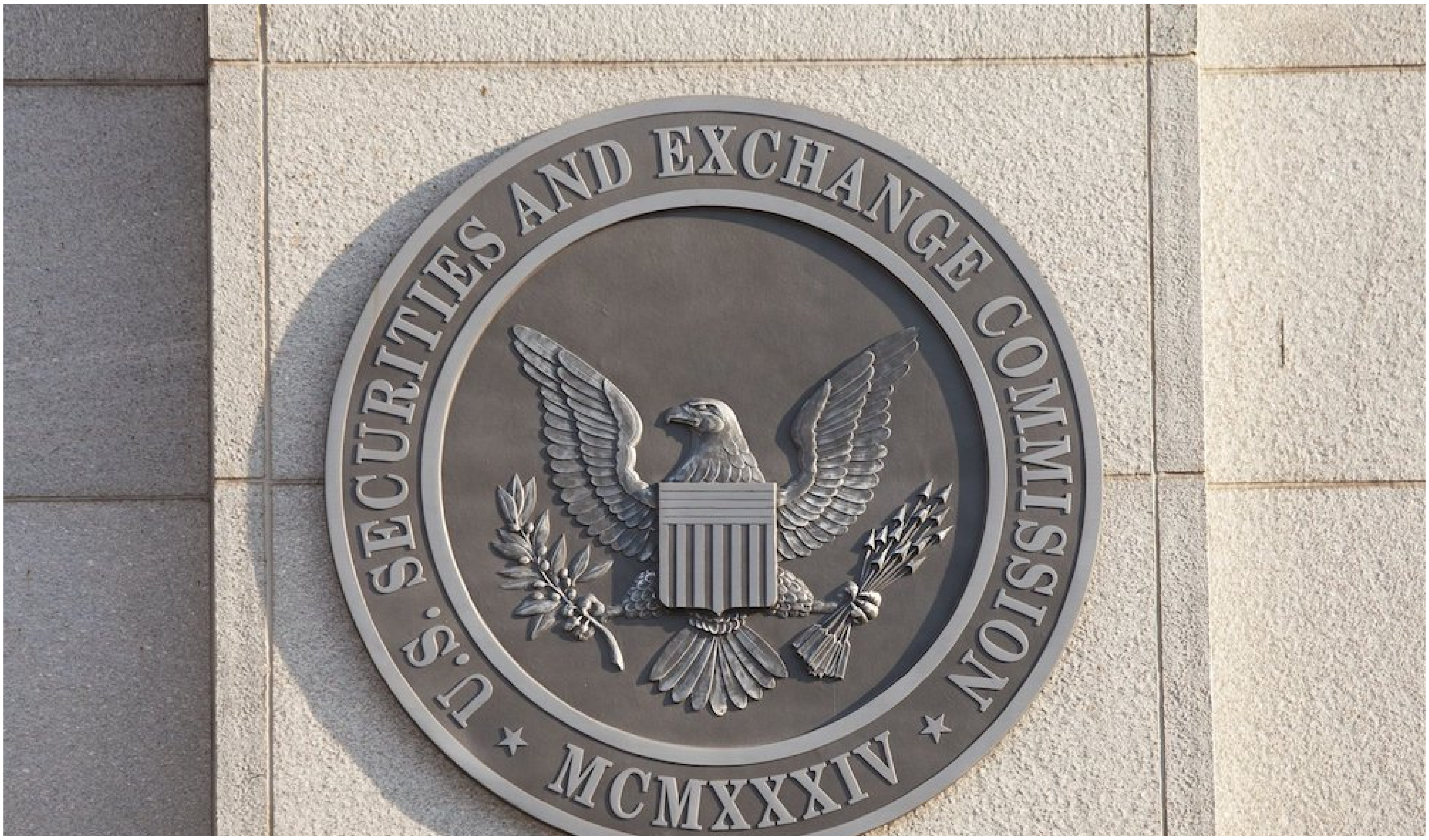

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The U.S. Securities and Exchange Commission (SEC) has reportedly opened an investigation into the accounting practices of digital industrial company General Electric (GE).

Washington Post reports this week said GE revealed the SEC's probe was linked to its disclosure of a miscalculation in its insurance unit. According to the news article, GE admitted it had underestimated the cost of insurance for individuals who live longer than expected, costing the company $15 billion.

The **SEC** is now probing to understand how GE miscalculated its projections and other potential issues in its accounting tactics, including how it tallied revenue from its power plant, jet engine and other industrial equipment sales via long-term service agreements.

"It's very early days," said the company's chief financial officer, Jamie Miller, in a call with analysts this week. "There's nothing here I'm overly concerned about."

The *Washington Post* said the SEC had not yet commented on the investigation.

GE released its **Q4 2017 earnings data** earlier this week, revealing a one-time $6.2 billion tax charge related to the nation's recent tax reform. The company also said that its financing unit, GE Capital, will make up for the $15 billion cost of its insurance operations by making statutory reserve contributions over the course of seven years. Stocks plunged following the earnings report.

According to the *Washington Post*, the energy company's stocks have declined more than 40 percent over the last year, a result of ongoing financial struggles. Its Q4 losses totaled $10 billion, a large decline compared to the $3.48 profit the company posted during the same period a year prior.

"GE Needs to hit 2018 targets on cost cuts, asset sales and improved earnings and cash flow," said Jim Corridore, independent investment research firm CFRA equity analyst, in a research note cited by the publication. "We will look for progress before becoming more positive."

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