

By Dave Turbide, CFPIM, CIRM

# Improve Processes All Year Long

*Analyzing your year-end close*

If you are reading this anywhere near the time of publication, you probably have just completed the year-end close cycle at your company. How was it? Was all the needed information readily available? Had all analysis and corrections been done before crunch time? How many spreadsheets did it take to pull the information together and cross-check it? Do you dread this whole process and wish there was a better way? Will you soon forget the pain and go back to “business as usual” until the next year-end close trauma?

There is no better time to initiate system improvements than when their limitations are fresh in your mind. In this context, “system” is not just the

start to drift away from optimum. Plus, they are better able to take early corrective action and avoid serious problems including scrap, out-of-spec products, unexpected cost changes, shrinking margins, inefficiencies of all kinds, and compliance issues.

### Where to look

Think about what kind of information you had to chase down during last year’s close. All too often, managers have to do a physical inventory count monthly or quarterly to come up with the cost of goods and work in process (WIP) inventory value. If this isn’t the scenario at your company, perhaps the year-end physical inventory count was significantly different from what inventory records showed. Many people have to count WIP because their systems don’t track shop activity accurately, not to mention the difficulty assigning value to partially completed products. All of

these issues are the result of missing, incomplete, or dysfunctional transactional systems.


While fixing these systems certainly will make the year end a lot less stressful, it also will improve the accuracy and usefulness of month-end close and analysis and pay dividends day-to-day in reduced shortages, better on-time completion performance, less cost and waste, and more.

Engaging direct general ledger links from operational applications greatly reduces the number of manual ledger entries that must be made. Most systems have these links; but, many times, they have never been set up and activated. More importantly, direct links will be more detailed for analysis and problem-cause investigation

and more accurate because they are directly tied to what’s happening out in the plant. Of course, this assumes that the procedures are accurately tracking activities.

Accounting folks might not want all that detail in the ledger itself, so most systems can create consolidated entries and retain the detail elsewhere. That information is a huge advantage when tracking the source of a problem. Having ledger detail that can be traced back to the actual activity that produced it is, as they say in the credit card commercials, priceless.

Most companies have software in place to track activity in the shop and warehouse and automatically link these activities directly to ledger entries. Organizations, however, usually do not have the procedures in place and the discipline necessary to capture the information in a timely and accurate manner. Automated data collection systems can help, and modern-day monitoring and analysis systems take it to the next level. They feature alarms and statistics to help managers get the most benefit from the data that are collected and managed within the core enterprise resources planning applications.

With the appropriate procedures and discipline, existing software can be put to more complete and beneficial use, making the year-end close smooth and stress free. More than that, you will enhance your ability to manage the business; detect and correct problems earlier; and identify areas for improvement that will increase performance, competitiveness, and profitability. 

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computer and the software, but the entire process including procedures and nonsystem activities.

Granted, year-end close is only a once-a-year activity, and it may seem wasteful to invest in expansive process changes merely to relieve stress in January. However, information more effectively managed throughout the year can pay big dividends every day and every month, not only when it’s time to fill out tax forms.

Leaders at many public companies who were dragged kicking and screaming into upgraded reporting and information management to comply with Sarbanes-Oxley are finding real value in these new systems and procedures. These professionals are more aware when critical measurements

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