
Achieving a Day One Close in the Finance of the Future

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Abstract

In today's digitalized finance landscape, achieving a day one close is no longer an aspiration but a necessity for forward-looking financial operations. This shift is driven by the increasing demands on CFOs to operate across business lines and provide timely, actionable business insights. To accomplish this goal requires strategic and operational frameworks that incorporate the integration of advanced tools, technology, and continuous accounting principles. When done correctly, organizations achieve more effective decision-making through real-time insights, cost-effective operations by leveraging automation, unified financial views via standardized data models, and accelerated financial reporting and investor relations processes.

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1. Introduction

Day one close is not an aspiration but a must-have from a finance of the future lens in a digitalized environment. Envision completing the financial close process on the first day of a new accounting period. While seemingly ambitious, the concept of a "day one close" is increasingly vital for organizations aiming to enhance efficiency, accuracy, and strategic decision-making. Achieving a day one close can significantly streamline financial operations, making them more effective and responsive. This article delves into the strategic and operational objectives crucial to achieve a day one close, as well as the tools and techniques that support this change.

2. The Need for a Day One Close

Chief Financial Officers (CFOs) today face considerable pressure to provide timely and insightful business insights. Demands from CFOs are greater than ever to operate across lines of business and provide business insights. To meet these demands, transitioning from traditional manual financial processes to more automated and integrated systems is essential. The benefits of this transition are evident:

1. Effective and timely decision-making across the line of business and provide business insight for effective decisions.
2. Running a cost-effective operating model.
3. More unified views across GAAP Accounting and Management.
4. Real-time decision-making.
5. Accelerating the 10Q/10K and Investor Relations process to facilitate earlier and proactive review of financial data, reports, and schedules.

3. Enabling Finance of the Future

Achieving the finance of the future will require CFOs to shift their thinking from the priorities of the past. Three areas that are critical for delivering greater real-time insights, minimizing human error, and driving speed in workflows and decision-making are as follows:

- Moving to an operating model that allows employees to adjust their work to focus on pressing business topics.
- A clearly defined unified data model to guide the collection and storage of the rising volume of data needed to perform the types of analytics the business requires.
- Advanced tools and technology applied to complex tasks and automate transactional activities.

4. Finance of the Future - Strategic and Operational Goals

Day one close embeds the principles of continuous accounting and daily close on certain line items to get to a day one close. A day one close embeds automation, control, and period-end tasks within day-to-day activities, allowing the accounting calendar to more closely mirror the broader business. Strategic and operational enablers will allow achieving a day one close. Key opportunities, both strategic and operational in nature, are available to drive the organization to a day one close.

1. **Implement Continuous Accounting Principles** Continuous accounting involves maintaining current financial data by integrating billing and collections systems with real-time revenue and expense data entered directly into the Enterprise Resource Planning (ERP) system. This approach minimizes the need for manual adjustments at the end of the month or quarter. Surveys indicate that finance executives consider continuous accounting crucial for enhancing efficiency and accuracy in reporting ([Trintech](#)).
2. **Automation and Digitization** Achieving a day one close relies heavily on automating financial processes. This requires utilizing advanced tools and technologies to handle complex tasks and automate transactional activities such as consolidation, reconciliation, and data collection. Advanced technologies like Cloud ERP and Enterprise Performance Management (EPM) can help reduce manual labor and speed up the close process ([Trintech](#)) ([KPMG](#)).
3. **Estimates and Materiality Thresholds** Employing estimates and setting materiality thresholds facilitate the completion of essential activities ahead of the critical close timeline. Non-essential close activities can be addressed off-quarter, while high-volume activities are continuously monitored, alleviating the end-of-period workload.
4. **Unified Data Model** A unified data model is critical for supporting a day one close. Standardized data fields and high-quality master data enhance efficiency by reducing the effort needed to process source data feeds. This ensures all financial data is consistent and ready for analysis and reporting ([KPMG](#)).
5. **Operating Model** Developing a streamlined operating model that reduces the siloed nature of functions will enhance process and resource efficiencies (i.e., straight-through and rules-based processing, resource optimization) that will yield faster processing times, effective digital enablement, and reduced control points for more effective outputs.
6. **Enabling Technologies** Consider incorporating advanced technologies such as Blockchain, Artificial Intelligence (AI), and Machine Learning (ML) into your operations. Blockchain, known for its robust security and transparency features, can greatly contribute to achieving a seamless day one close. By utilizing blockchain for financial transactions, organizations can ensure data integrity while reducing time-consuming reconciliations. Moreover, blockchain offers a reliable and accurate single source of truth, thereby facilitating precise and timely financial reporting. In addition, AI and ML can automate repetitive tasks and provide valuable predictive insights that assist in making well-informed decisions promptly. Leveraging these technologies enables the analysis of vast amounts of financial data, allowing for the identification of patterns and anomalies. This proactive approach enables efficient management of potential issues before they can negatively impact the financial close process ([SpringerLink](#)) ([Publications AAAHQ](#)).

5. Outcomes of Day One Close

1. **Empowered Accounting and Finance:** Accounting and finance will have more time to interact and act as a mission control for data analytics and financial insights. More broadly, accountants can take on a more strategic role.
2. **More Informed Decisions:** Immediate access to critical financial data and reports to enable efficient decision-making. Continuous data analysis for what-if analysis provides strategic guidance to make future decisions during the financial period (financial statement analysis).
3. **Transaction Efficiency:** Close activities which were typically only executed at the end of a financial period can now be processed throughout the month (e.g., reconciliations, suspense clearings, I/C settlements). There is no need to wait until the end of the period to run processes that have previously been run only at period-end (allocations, trial balance, consolidations).
4. **Improved Data Integrity:** Mistakes are more likely to be spotted early. The same goes for spotting errors, fraudulent transactions, and inefficiencies. The more accountants practice this routine, the better they will get at it, improving overall data integrity.
5. **Easier Compliance and Auditing:** The less manual intervention in a business's accounting processes, the more likely that organization is to stay compliant with SEC and Regulatory requirements. With all that information in an automated system rather than spreadsheets, auditors can also easily see the source of everything because relevant files are attached to all records and transactions.
6. **Culture of Continuous Improvement:** Accounting standards, the state of markets, and technology change quickly, and continuous process improvements allow the finance team to keep accounting on the cutting edge.

6. Survey Insights and Industry Trends

Recent surveys indicate a growing adoption of automation in financial close processes. A Gartner survey revealed that 55% of finance functions aim to achieve a touchless financial close by 2025, driven by the need for faster, more accurate, and cost-effective operations ([Trintech](#)). Additionally, Trintech's 2021 Global Financial Close Benchmark Report found that organizations using advanced automation experienced significant improvements in efficiency and data accuracy, supporting the move towards continuous close and real-time financial reporting ([Trintech](#)).

7. Case Studies and Examples

Example 1: Automation of Journal Entries One organization employed robotic process automation (RPA) to manage routine journal entries. This automation reduced the time spent on manual entries and increased accuracy, allowing the finance team to focus on more strategic tasks ([Publications AAAHQ](#)).

Example 2: Real-Time Financial Reporting A multinational corporation adopted continuous accounting principles, enabling real-time financial reporting. By integrating their ERP system with advanced analytics tools, they achieved a day one close, providing immediate access to financial data for decision-making ([Planful](#)) ([Trintech](#)).

Example 3: Blockchain in Financial Reconciliation A global company implemented blockchain technology to streamline its financial reconciliation process. Using blockchain, the company reduced the time spent on reconciliations by 50%, ensuring data accuracy and enhancing the security of financial transactions.

8. Conclusion

Achieving a day one close is transformative, requiring a blend of strategic vision, operational efficiency, and advanced technology. By embracing continuous accounting, automation, a unified data model, and innovative technologies like AI, ML, and blockchain, organizations can significantly enhance their financial close processes. The benefits extend beyond efficiency gains to include improved decision-making, enhanced data integrity, and a culture of continuous improvement. As finance evolves, the day one close will undoubtedly become a crucial element of the future.

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