

10-Step Guide to Transforming the Intercompany Accounting Function

INTERCOMPANY RESOURCE
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Barriers to Intercompany Accounting Transformation

ROADBLOCKS TO TRANSFORMATION

Despite these challenges, difficulties in intercompany accounting are often ignored, to an extent, even in companies that see intercompany transactions exceeding external sales.

What's the reason for this disconnect between what's needed and how the intercompany accounting function operates?

Simply put: it's complicated. There are a lot of moving parts to manage within intercompany accounting. Disparate systems make data transparency challenging, and it becomes easier to ignore the issue. In a recent Deloitte survey, 21.4% of global multi-national respondents said disparate software was the greatest challenge to streamlined intercompany accounting.* Many companies do not realize there is a better way and prefer to sweep the problem under the rug.

But the impact goes beyond accounting. Risks include fraud and tax penalties. Financial misstatements can impact company reputation and shareholder value. And more organizations are starting to see the need to transform.

*Source: Deloitte, *Cleaning up intercompany accounting: Driving efficiency while managing risk*.
<https://www.slideshare.net/DeloitteUS/cleaning-up-intercompany-accounting-driving-efficiency-while-managing-risk>

OUR GUIDE

It's time for a change.

Transform your intercompany accounting function with FourQ's 10-Step Guide. We'll show you how you can achieve wing-to-wing intercompany automation that enables your organization to reduce risk, lower the financial impact of non-compliance, and improve productivity.



Introduction

THE CHALLENGE

Global expansion is an exciting opportunity for any business. As your company expands its footprint, it acquires new resources, products, and infrastructure that will do a ton of good for the organization as a whole.

But within too many multinationals, one vital function is often neglected in the process—**intercompany accounting**.

Today's intercompany accounting functions face complexities that most organizations never dealt with just a decade or two ago. Industry acquisitions are far more common today, and this consolidation requires dealing with multiple incompatible systems and fragmented ERPs.

Additionally, a proliferation of tax and accounting regulations are heavily enforced, bringing increased risk—especially when cross-border transactions are involved.

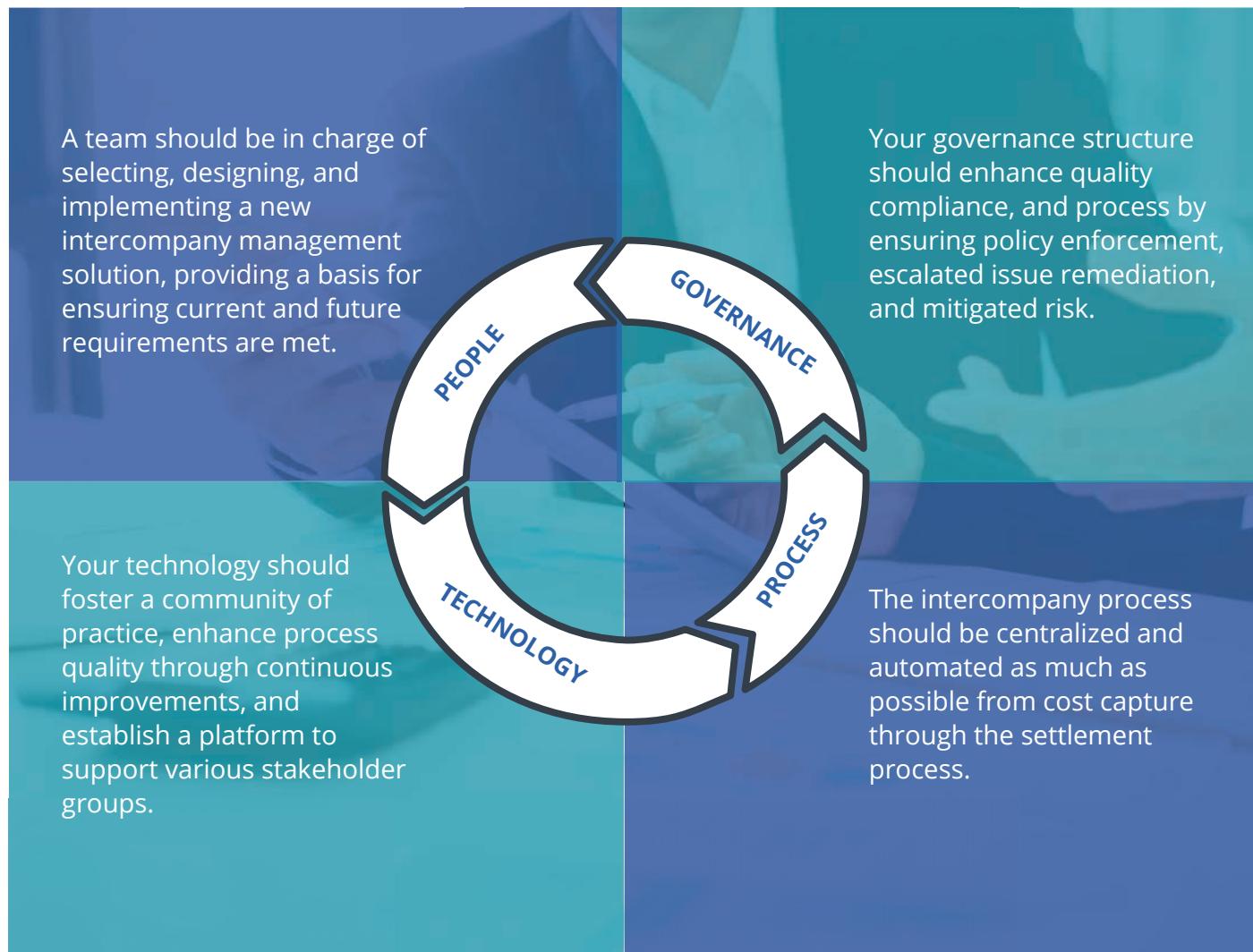
THE IMPACT OF DECENTRALIZED INTERCOMPANY ACCOUNTING

- Poor communication and lack of leadership lead to bottlenecks in processes and month-end close
- Non-integrated systems
- Lack of policies and procedures
- Limited governance framework
- Inconsistent chart of accounts and accounting practices across entities
- Disparate data sources
- Legal entity structure is not aligned with business unit structure
- Increased scrutiny of local statutory reporting
- Difficulty complying with complex US and international tax regulations
- Complex intercompany agreements
- Outdated intercompany billing engines
- Large volumes of ad-hoc transactions without central control or visibility
- Invoice documentation from related party does not meet local reporting requirements
- Untimely settlements
- High FX gains and loss occurring from intercompany activity
- Cash flow difficulties due to misalignment of cash budget to cash demands
- Manual reconciliation increases error
- Financial misstatements impact company reputation, stock price, and shareholder value
- Fraud risk
- Difficulty in understanding I/C P&L

#1 ASSESS THE CURRENT LANDSCAPE

Most companies begin their intercompany transformation by taking a step back. Think through the following critical factors for optimization and develop a baseline for success.

Intercompany accounting functions should comprise your people, governance structure, processes, and technology working together to achieve the same goals.



#2 PERFORM A MATURITY ASSESSMENT

Now that you've established your baseline for success, a maturity assessment can help you identify gaps in existing systems and processes and opportunities to improve. Deloitte has developed a model to help companies assess maturity in the following areas. Are you developing, defined, advanced, or leading?

- Intercompany contracts
- Intercompany pricing
- Data management
- Transaction management
- Reconciliation & elimination
- Netting & settlement
- Internal & external reports



Rating each area on this scale will provide the basis for your intercompany transformation.

Source: Deloitte, Intercompany Accounting and Process Management

<https://www2.deloitte.com/us/en/pages/risk/articles/intercompany-accounting-process-management-survey.html>

#3 GET BUY-IN FROM LEADERSHIP

Cross-functional leadership buy-in is invaluable to transforming the intercompany accounting function. This process will look different for every company and team, but it starts with a maturity assessment. Once you know the impact of a disconnected intercompany accounting landscape, you can demonstrate the value of transformation.

Many executives and leaders respond well to real-world examples from respected multi-national organizations



Using FourQ's OneBiller, the third-largest organization in the world (ranked by foreign assets) centralized and automated the tax optimization and processing of over 500,000 intercompany invoices across more than 100 countries, translating into immediate ROI.

#4 ESTABLISH A CENTER OF EXCELLENCE

A major obstacle to intercompany transformation is lack of centralization and process ownership. Establishing a Center of Excellence (CoE) for intercompany accounting can help to achieve value in the following areas:

Centralization Managing intercompany processes, technology and master data with defined metrics	Standardization Integrating processes across platforms while collaborating with key stakeholder groups
Efficiency/Scalability Integrated technology and process across platforms to support organization growth	Transparency Real-time transaction level details to support audits and gain insight to drive strategic growth
Communication Clear points of contacts and process owners with defined roles and responsibilities	Compliance Actively optimizing for SEC, statutory, tax, and other regulatory requirements

These look different for every company but **may** include:

- Statutory reporting
- Legal
- Tax
- Treasury
- Controllership
- FP&A/Consolidation
- Finance transformation lead/Data management team

#5 REFINING POLICIES AND PROCEDURES

Effective intercompany accounting requires standardized policies established by your CoE. This consolidated oversight team will help to implement these policies along with trade agreements and service agreements that lay out clear intercompany roles and responsibilities. Updated policies should be implemented globally and address areas including:

- Well articulated intercompany policy and procedures to provide clear and understandable guidance
- Defined materiality threshold
- Clear processes in place to follow up on inconsistency and resolve issues
- Periodic review of policies and procedures
- Intercompany procedures clearly called out in close calendar activities

#6 PLAN AND SCOPE

The initial maturity assessment provided you with insight into opportunities for growth and transformation. Once you get buy-in from key stakeholders, the real planning begins. Now is the time to conduct a deep dive into current intercompany processes and conduct an analysis to determine how to best begin technology implementation.

What ERPs are you currently using for which legal entities around the world? What processes are followed within each service type? Map existing processes to each ERP and legal entity to gain a clearer picture of your ideal centralized technology landscape.

- What integrations will you require from an intercompany accounting software solution?
- What technology or process gaps require increased attention?
- Do you have the ability to implement technologies in-house or will you require outside consultation?



RISK MANAGEMENT

During this stage, you should also identify the key risks affecting the projects, assess their impact and develop mitigation strategies. There are four stages to risk management.

1) Identify the relevant risks



2) Assess the impact of the relevant risks on the project



3) Monitor risk on an ongoing basis



4) Take action to avoid or mitigate risk

#7 CREATE A TECHNOLOGY ROADMAP

From here, you will carefully choose the right fit for your team, creating a technology implementation roadmap that will serve as your guide moving forward. Before launching your technology solution, it's important to develop a pilot so stakeholders can get a better understanding of both the value of and the requirements for global deployment before spending a significant amount of time, on a large-scale project.

This pilot should consist of a subset of transactions (representing a small portion of total intercompany transactions) which may be divided by location/region, type of transaction, systems that house transactions, or trading relationships. Your company should continue to monitor this pilot and make modifications before developing training as well as a roadmap for the next wave of implementation.

As you get closer to implementation, it will be important to develop a plan for change management. You will have to assess the impact of this transition, develop appropriate communications, prepare for knowledge transfer and training, and continue to manage the transition as needed.

#8 IMPLEMENT WING-TO-WING AUTOMATION

Finally, it's time to implement a software solution that integrates with your existing ERPs to automate manual processes, reduce back-office costs, reduce compliance and tax risks, and optimize resource efficiency. Of course, this isn't as simple as flipping a switch to "optimize."

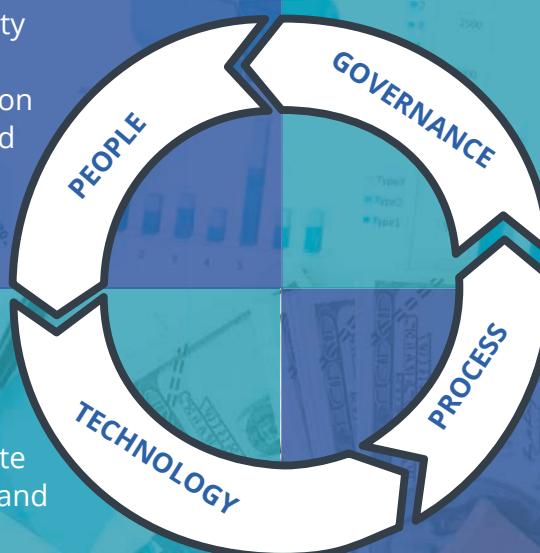
Improved processes should go hand-in-hand with your technology solution to bring together disparate ERPs in a manner unique to your business. And that requires specific expertise in international compliance, intercompany invoicing, reconciliations, settlements, invoicing workflows, and scalable technology implementation and maintenance.

FourQ's experts transform their findings into automated & optimized invoice workflows, streamlined acceptance and dispute processes, and up-to-date compliance documentation for real-time audits. Our implementation team sets up automated processes and implements direct ERP connections to ensure OneBiller is plugged in to all of your systems.

#9 IMPLEMENT CONTINUOUS MONITORING

At the beginning of your intercompany transformation journey, you looked at different areas that would establish a baseline for success. Now, it's time to continuously monitor your people, governance, technology, and process to ensure growth.

- Appropriate segregation of duties (for example, separate individuals for reconciling accounts and correcting reconciliation errors)
- Clearly defined accountability framework
- Updated training materials on policy, procedures, tools and templates
- Automated tool to enable intercompany transactions
- Access to timely and accurate information through robust and dynamic reporting
- Electronics-supporting documentation maintained and provision of audit trail
- Automated matching and reconciliation of intercompany transactions



- Greater management oversight
- Clearly defined roles and responsibilities
- Ability to establish, enforce and maintain standard policy and procedures
- Active use of metrics to track performance
- Well documented and standardized reconciliation policies and guidelines for company
- Clearly defined approval and review process and dispute management
- Proactively managed reconciliation process throughout the month (not just after month end)

#10 MAKE ORGANIZATIONAL CHANGES

Finally, it's time to tackle intercompany transformation **across the organization**. Intercompany optimization doesn't end with establishing the right tools and processes. It's an ongoing process that happens company-wide. Work towards meeting larger goals as follows for intercompany excellence.

- A clear intercompany accounting policy and process that is enforced by the leadership—essential to driving standardization across business units
- A governance model that provides clear guidance on an intercompany process, ownership, handoff points, performance measurement, and escalation points
- A strong organization leadership to enforce process ownership, internal oversight and control, and enterprise-wide policies
- Intercompany agreements and intercompany transactions that meet reporting requirements
- A well-documented and maintained business process for intercompany activities

OneBiller by FourQ

OneBiller is the only full-service software solution that centralizes the intercompany accounting function of multinational organizations to automate manual processes and reduce back-office costs, reduce global compliance and tax risks, and optimize resource efficiency without using a pricey license-based implementation model.

Our Process

PROCESS DESIGN

BUILD & TEST

SUPPORT

Why do Fortune 500 companies choose OneBiller by FourQ Systems?



Wing-to-Wing Service

- OneBiller combines innovative software with decades of experience
- No need for additional spend on implementation consultants
- Implementation is collaborative with internal teams and stakeholders
- Remove intercompany headaches to focus on customers and stakeholders



Automation of Manual Accounting Processes

- Reconciliations
- Settlements
- Invoice workflows
- Intercompany invoicing/transactions



Proven, Scalable & Long-Term Solution to Old Problems

- Scalable with automation
- Expertise implementing solution within Fortune 500 companies
- Experience in most demanding environments



Tax Compliance Through Automation

- Reduce tax audits & penalties through automated tax optimization
- Our global team of tax experts constantly monitors tax changes
- On-demand reporting and documentation
- Tax-compliant invoices



Reduce Intercompany Accounting Costs

- Eliminates financial and compliance risks
- Process automation and simplification
- Increased employee productivity
- Reduced consultancy fees
- Volume-based billing
- Measurable ROI

ABOUT THE AUTHOR



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VP, Transformation



May Ma, Vice President of Transformation at FourQ, positions the finance function to best serve the needs of an organization's stakeholders—optimizing processes, technology, and talent to help global companies achieve their business goals. At FourQ, her mission is to build strategic relationships that propel the company forward, develop the talent needed to serve an ever growing global client base, and help multinational organizations address their complex intercompany challenges.

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FourQ Systems helps large multinational companies optimize their financial transactions and reduce their global tax and compliance exposure. We do this through our custom streamlined intercompany billing and invoice management platform that gives global enterprises transparency around the cost of ownership while cutting down the time and expenses associated with chargebacks and managing invoices.

We've solved the problem of connecting multiple ERPs across the enterprise to process huge volumes of data. This allows our in-house team of finance, tax, and tech experts to tailor our platform to each client's specific country and business-unit needs. Contact our team today for an introductory consultation.