Modern accounting maturity model

Your flight map to growth

netgain

Table of contents

12

**Stage 2:
Taking off**

14

**Stage 3:
In flight**

16

**Stage 4:
Cruising altitude**

18

**Where do you
fly from here?**

Modern accounting maturity model: Your flight map to growth

In the early stages of a new business, you often find yourself building the plane as you fly. There's much to do and limited resources to do it. So, businesses tend to develop processes, including accounting ones, as needs arise.

As your business grows, your accounting function must grow with it. Standardizing processes and adopting the right tools to achieve maturity will give you the financial insight you need to chart your path to the next stage.

But accounting is evolving rapidly, and growing your accounting function with modern systems can feel like uncharted territory. That's why we put together this modern accounting maturity model to help you plan your flight path.

This e-book will explore what maturity looks like for modern accounting functions, the path to maturity, and how investing in the right platforms can help you get there faster.

"Maturing accounting processes is a long-term journey that needs sustained effort over time. Think of improvements in incremental steps rather than trying to leapfrog to full maturity. There's a natural progression based on what's most important to your business."

Nathan Smart
President and Founder of Netgain

How do you measure maturity in accounting?

There are five key indicators that help determine the maturity of an accounting function:

Accounting method

Is your accounting proactive or reactive? As the accounting function matures, it must go beyond base-level bookkeeping. The goal is to keep track of assets and liabilities for financial forecasting.

Operational processes

Are your accounting processes clearly defined, standardized, and automated? As your business matures, the accounting function must handle more and more data. Standardized processes help increase efficiency and data integrity.

Data insights

Can the accounting team answer financial questions with real-time data? A modern and mature accounting function helps drive the business forward with real-time data insights.
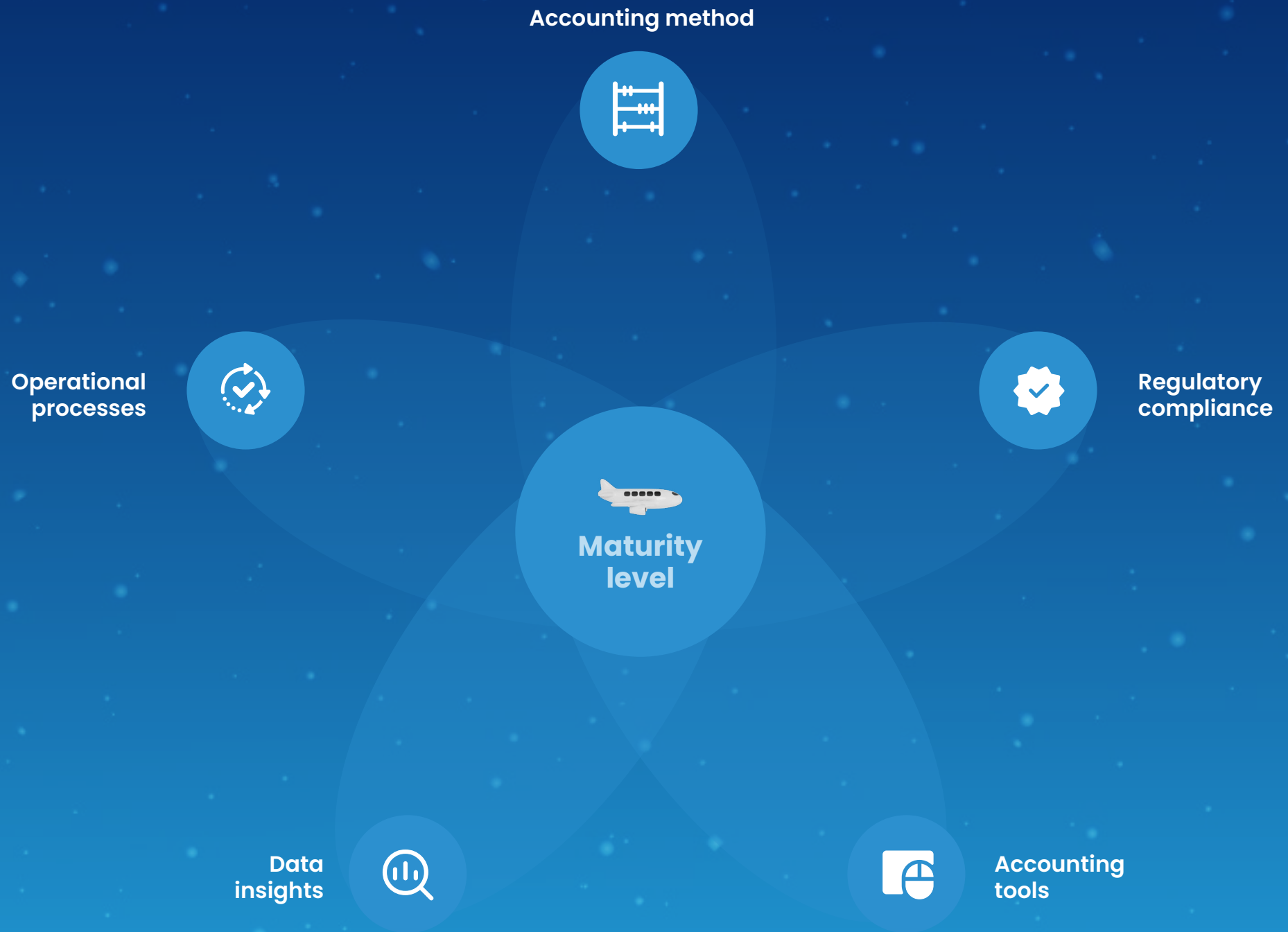
Accounting tools

How do existing platforms (or lack thereof) support or hinder operations? It's common to adopt tools as the need arises early on. But as your department matures, it's crucial to integrate your tech stack for synchronized data and better collaboration.
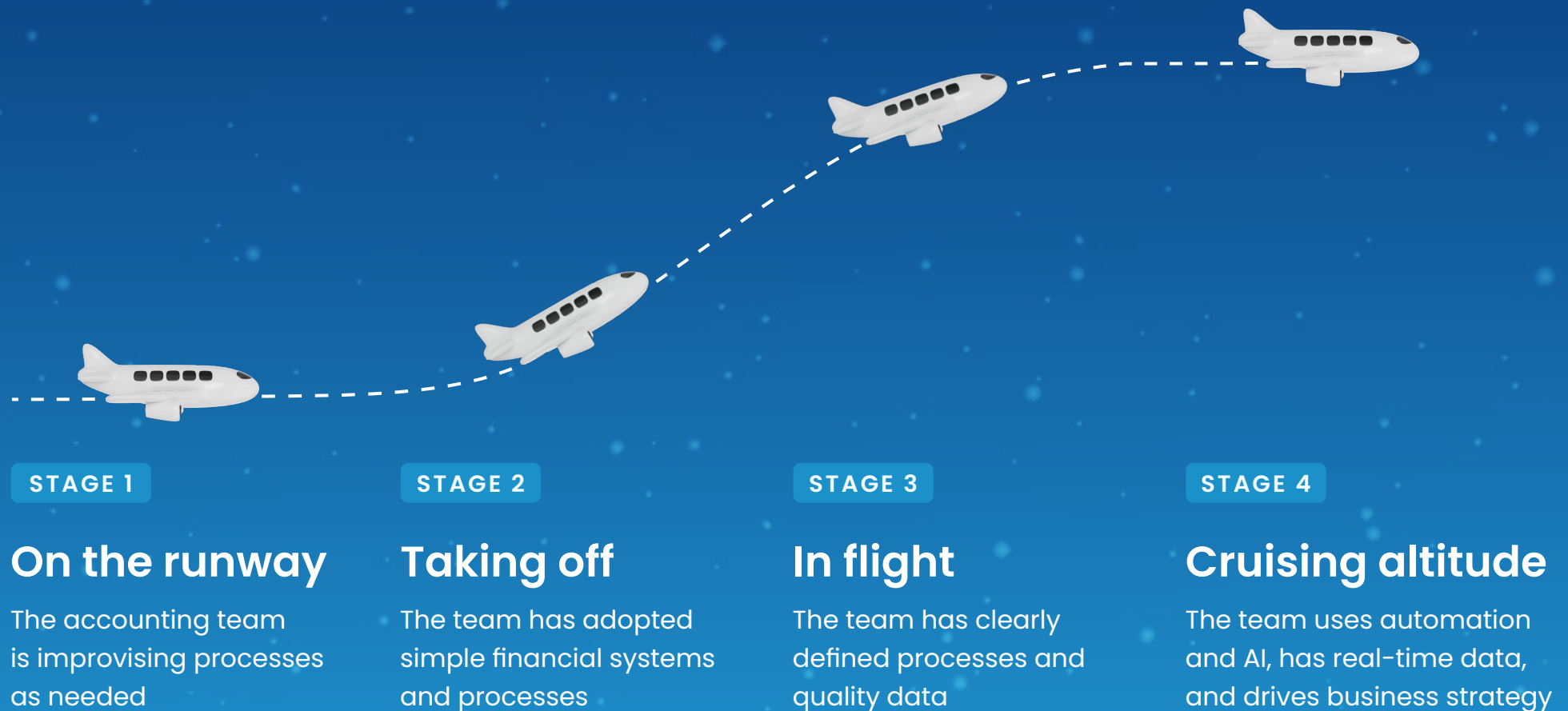
Regulatory compliance

How confident are you in reporting, transparency, and compliance? A mature accounting function has clear audit trails in a centralized platform to simplify audit season.

Accounting method

Operational processes

Regulatory compliance

Maturity level

Data insights

Accounting tools

Modern accounting maturity stages and flight map

Let's explore what these five indicators look like at each stage of maturity and how to reach the next stage.

STAGE 1

On the runway

The accounting team is improvising processes as needed

STAGE 2

Taking off

The team has adopted simple financial systems and processes

STAGE 3

In flight

The team has clearly defined processes and quality data

STAGE 4

Cruising altitude

The team uses automation and AI, has real-time data, and drives business strategy

On the runway

At this stage, the accounting team is improvising processes, building the plane as they fly.

Accounting method

The accounting function is reactive, recording transactions after someone has cut a check, received a deposit, or made a credit card payment. The team is giving little thought to accruals and liabilities.

Operational processes

The accounting function lacks formalized processes. The team is tackling projects and making decisions as they come up. They're working out of disparate spreadsheets, lacking visibility into the big picture.

Accounting and close tools

The department manages accounting processes and financial reporting entirely on Excel, exporting bank transactions into a spreadsheet and classifying them. This means there are often manual errors that delay the workflow and the team wastes a lot of time context switching.

Data insights

Financial data is only backward looking, reflecting transactions that have already taken place. This means there's limited data to forecast or create future projections.

Regulatory compliance

At this stage, there is no significant focus on compliance with regulatory requirements. The accounting team tracks transactions only for bookkeeping purposes, capturing what took place so they have good information for tax accountants at the end of the year.

How to move toward the next stage

Develop a strategy to begin working proactively rather than reactively.

Create a budget for accounting systems and software, compare options, and adopt key systems for your department.

Taking off

At this stage, the accounting department has prepared for takeoff by adopting financial systems and standardizing key processes. This allows the team to get a glimpse into the business' financial health.

Accounting method

The accounting function is getting more proactive, recording upcoming expenses in a simple accounting solution like QuickBooks. This creates a timing lag between the recognition of revenues/expenses and cash flows. The team has two views of their financials: accrual and cash books.

Operational processes

The team has standardized processes for the most commonly occurring accounting tasks, like recording sales and cash receipts, receiving vendor bills, and properly recognizing accounts payable.

Accounting and close tools

The department has adopted simple accounting software like QuickBooks for certain accounting processes. This is supplemented with supporting schedules created in **Excel**, like fixed asset or prepaid expense schedules.

The team also relies on third-party vendors like Shopify for sales processes and must manually transfer data into their accounting solution.

Data insights

With more data in the system, the accounting team can understand key metrics like day sales outstanding or cash conversion cycles. However, they frequently export data to Excel for offline forecasting and analysis.

This frequent context switching means it takes the accounting team a long time to gather data and answer questions about the financial health of the business.

Regulatory compliance

With more consistent documentation and data, the team is moving toward compliance. However, there are areas of financial statements that aren't compliant with Generally Accepted Accounting Processes (GAAP), like revenue recognition, matching principle, or industry-specific standards.

2
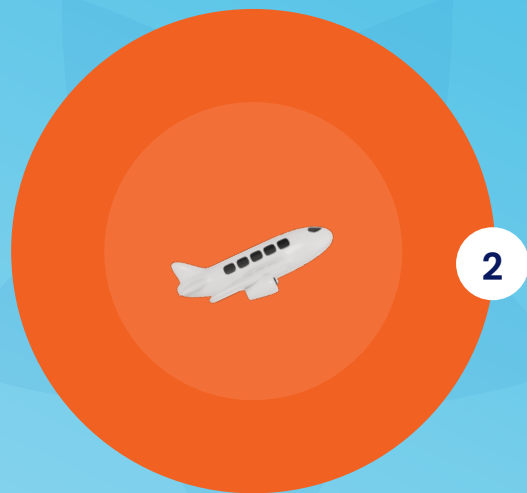
How to move toward the next stage

Explore how you can evolve your tech stack to meet your accounting needs, like adopting an enterprise resource planning (ERP) system.

In flight

At this stage, the accounting department is in flight, driven by clearly defined processes, quality data, and a reliable cadence period over period.

Accounting method

The accounting function is still focused on management reporting with accrual and cash base accounting, but there's an additional layer of GAAP financials on top.

Operational processes

All major accounting processes like **monthly close** are defined and have clear segregation of duties, making them consistent and predictable.

The team has a clear view of the company's financial health. This allows them to identify areas for improvement and growth.

Accounting and close tools

The accounting team has outgrown their simple accounting solution, like QuickBooks. They're adopting a more robust ERP system like NetSuite or Sage Intacct, with additional reliance on non-ERP financial systems.

Data insights

The accounting team can compare data against prior periods, understand differences across periods, and perform data analysis to update management on the financial health of the business.

To perform this analysis, the team relies on integrated or exported data in Excel or additional analysis tools like Power BI or Tableau.

Regulatory compliance

The accounting team can produce GAAP financials for investor reports, bank reports, and other requirements.

The business has auditable processes that provide the necessary data to prepare for an Initial Public Offering (IPO). However, the accounting team has to manually double-check the data to make sure they're fully compliant and have enough confidence in their financial statements to be publicly traded.

3
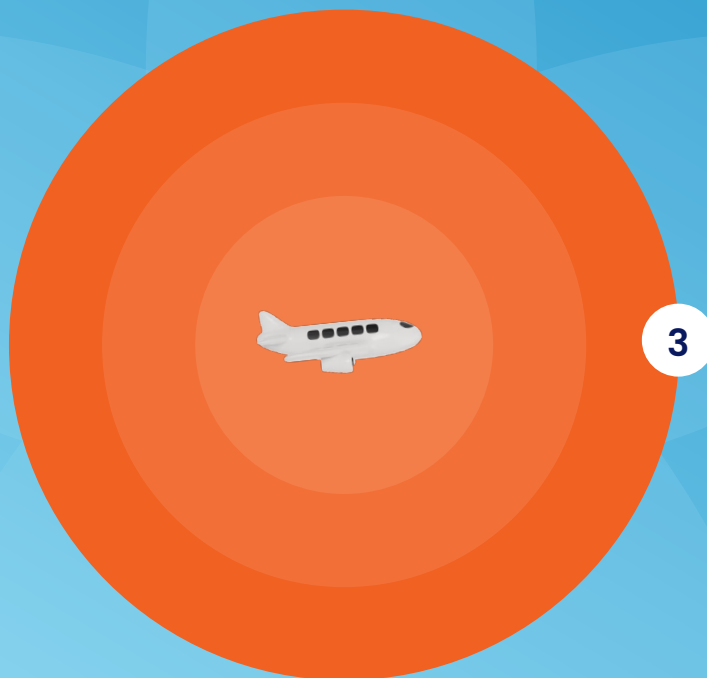
How to move toward the next stage

Consider whether your existing systems are helping your team work as efficiently as possible.

Research software that offers automation and AI features and is fully integrated with or embedded in your ERP for effortless data transfer.

Cruising altitude

At this stage, the accounting function is leveraging automation and AI to simplify processes. Now, the team can spend more time on strategy.

The accounting department has a 40,000-foot view of the company's financials, helping them drive additional value for the company.

Accounting method

There is dimensionality to the accounting team's financial reporting. They can create different scenarios for management reports, GAAP financials, and tax reports. The team can easily change scenarios based on the audience and answer questions with real-time data.

Operational processes

The accounting team has an integrated tech stack leveraging automation and AI. This allows them to manage monthly accounting tasks effectively with little manual intervention. They're also tracking metrics that help evaluate efficiency and optimize processes.

Accounting and close tools

The team uses embedded solutions — like **close accounting**, **lease accounting**, and **fixed asset management software** — to create a fully connected ERP. Little financial data resides outside the ERP, creating a single source of truth.

Data insights

Centralized, real-time financial data gives the accounting team the necessary insight to drive business decisions and create proactive financial strategies. This makes the accounting team a key player in propelling the business forward.

Regulatory compliance

The accounting team has unified, clearly auditable data, giving them full confidence that their financial statements are IPO ready.

The centralized platform also gives auditors access to the data they need. With clear segregation of duties and full audit trails for every action, audits are easier than ever.
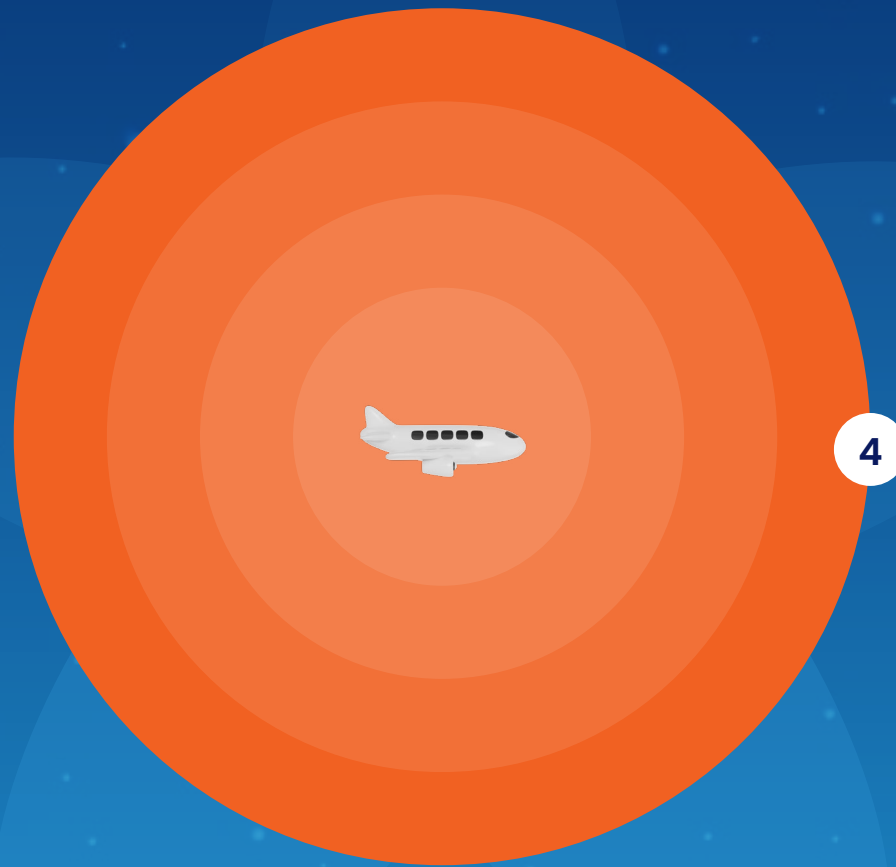
4

Where do you fly from here?

Now that the accounting function is fully optimized and operating smoothly, you can spend more time focusing on **contributing to the growth of the business**. Plus, you have time to dedicate to continuous improvement, ensuring the accounting department continues to innovate, remains agile, and keeps up with the evolving industry.

"A mature accounting department transforms accountants from typical bookkeepers to insightful advisors who can be catalysts for growth. Equipped with reliable financial data and forecasting, they propel the business to new heights."

Nathan Smart

President and Founder of Netgain

Your accounting software stack is your flight control system

Accounting systems are a core part of financial maturity for a business. The right software can help you steer your business in the right direction, improving your operational processes, visibility into your company's financial health, and compliance with regulatory standards.

Additionally, software can make all the difference in your team's day-to-day work, either getting in their way with time-consuming manual processes or boosting their efficiency with **AI tools**, automation, and crystal-clear financial data.

When accountants can automate tedious manual tasks, they can find better **work-life balance** and stress less about manual errors. This can increase their job satisfaction, making it easier to retain accounting talent in a competitive job market.

Netgain can help

Netgain was founded by former Big 4 accountants to transform the way accounting teams work. We designed our accounting software to be the flight control system accounting teams need to work more efficiently and evolve from number crunchers to strategic advisors.

With NetSuite-native solutions and tools compatible with any ERP, we can help you build the fully integrated tech stack you need to soar to the next stage of maturity.

Take a **tour of our products** or **get in touch with our team** to get a personalized demo and discover how Netgain helps you redefine your impact on your business.

netgain