

# Conquering your month end close

Strategies to streamline your close and improve accuracy

# Introduction



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## Agenda

# Conquering your month end close

*Strategies to streamline your close and improve accuracy*

Introduction

What does a successful close look like for your company?

Planning the close

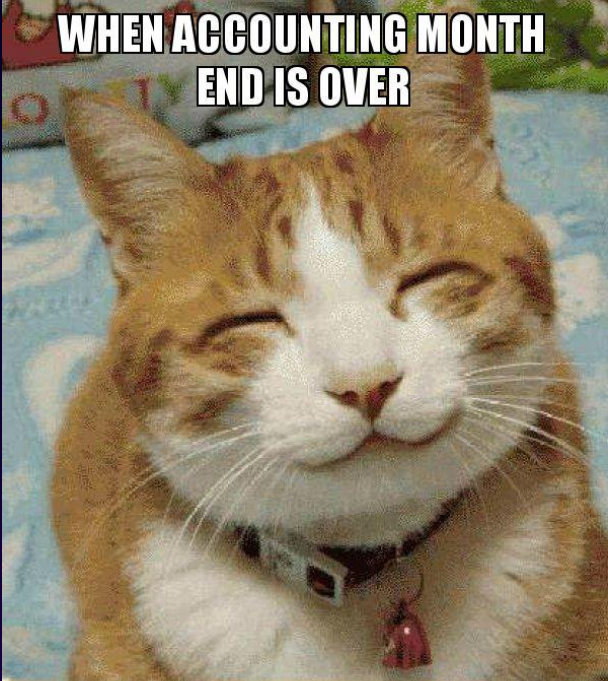
Executing the close

Case study – *Implementing an automation tool*

Q&A



**WHEN ACCOUNTING MONTH  
END IS OVER**



**It's month-end close**



**AGAIN**

**WHEN THERE IS AN EVENT DURING  
ACCOUNT MONTH END**



**WHEN YOU FINALLY  
FINISH MONTH-END CLOSE**



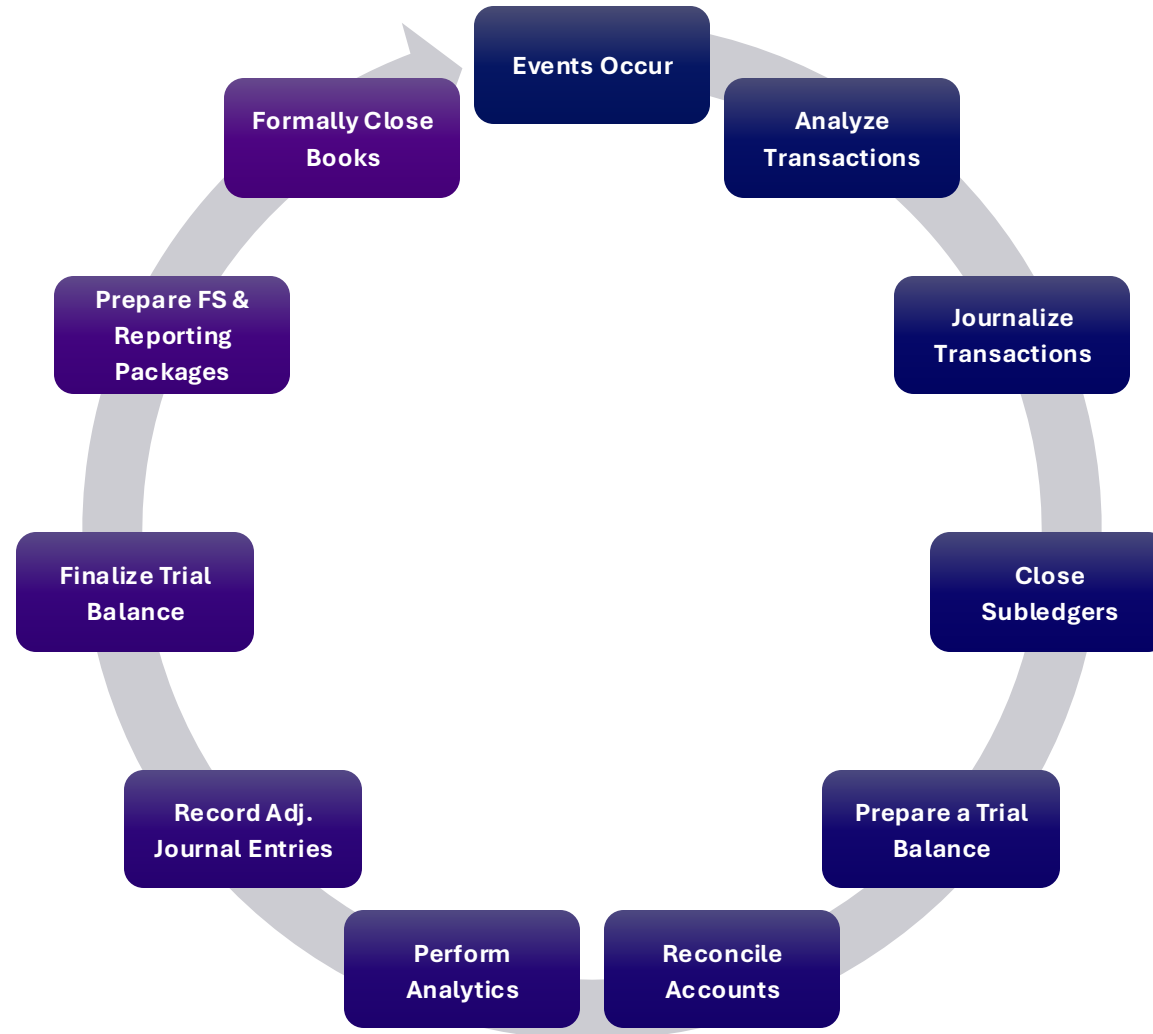
# How long does it take your company or team to complete their close?

- Under 5 business days
- Within 5 – 10 business days
- Within 10 – 15 business days
- Within 15 – 30 business days
- Longer
- Not applicable



**What does a successful  
close look like for  
your company?**

# Financial statement close process



# Defining what *CLOSED* means is crucial for success

## Who is using the deliverables?

- C-Suite
- FP&A
- Public or private financial statements
- Reporting to a parent
- Bank covenants
- Auditors



# Defining what *CLOSED* means is crucial for success

## What are the deliverable?

- Trial balance
- Balance sheet reconciliations
- Fluctuation analysis and analytics
- Management reporting
- Financial reporting package
- Financial statements
- Auditor PBC

# Defining what *CLOSED* means is crucial for success

## How much time do we have?

- Ensure mutual understanding of all deadlines
- Set realistic expectations with operational users
- When 'flash' data provided, ensure users know what is still open
- Focus on balancing speed and accuracy; Quality is always key
- Keep team morale in mind

**Goal:** Accurate, Reliable and Timely (ART) reporting



# What is the most challenging part of closing your books?

- A. Timing too fast
- B. Complexity of accounting
- C. Staffing constraints
- D. Systems/Technology
- E. Not applicable



# Planning for a successful close



# Components of a successful close



# People and organization

- Understand your teams' skills and capabilities
- Put the right people in the right place
- Preach ownership and accountability
- Ensure team members know why they are doing a task
- Clear and timely communication
- Challenge team members to see deliverable from user perspective
- Create detailed desktop procedures
- Cross-train
- Keep an eye out for morale
- Don't forget about international and subsidiary teams



# Components of a successful close

It takes a team effort to close



# Project management

## Project management leads to quality and timeliness

- Detailed checklists of all tasks is essential
- Include key due dates (work backwards from reporting timeline)
- Assign all tasks and assign reviewer and include a due date and leave time for review
- Identify controls and ensure these receive appropriate attention
- Create dashboards to easily monitor progress
- Hold team members accountable
- Be flexible





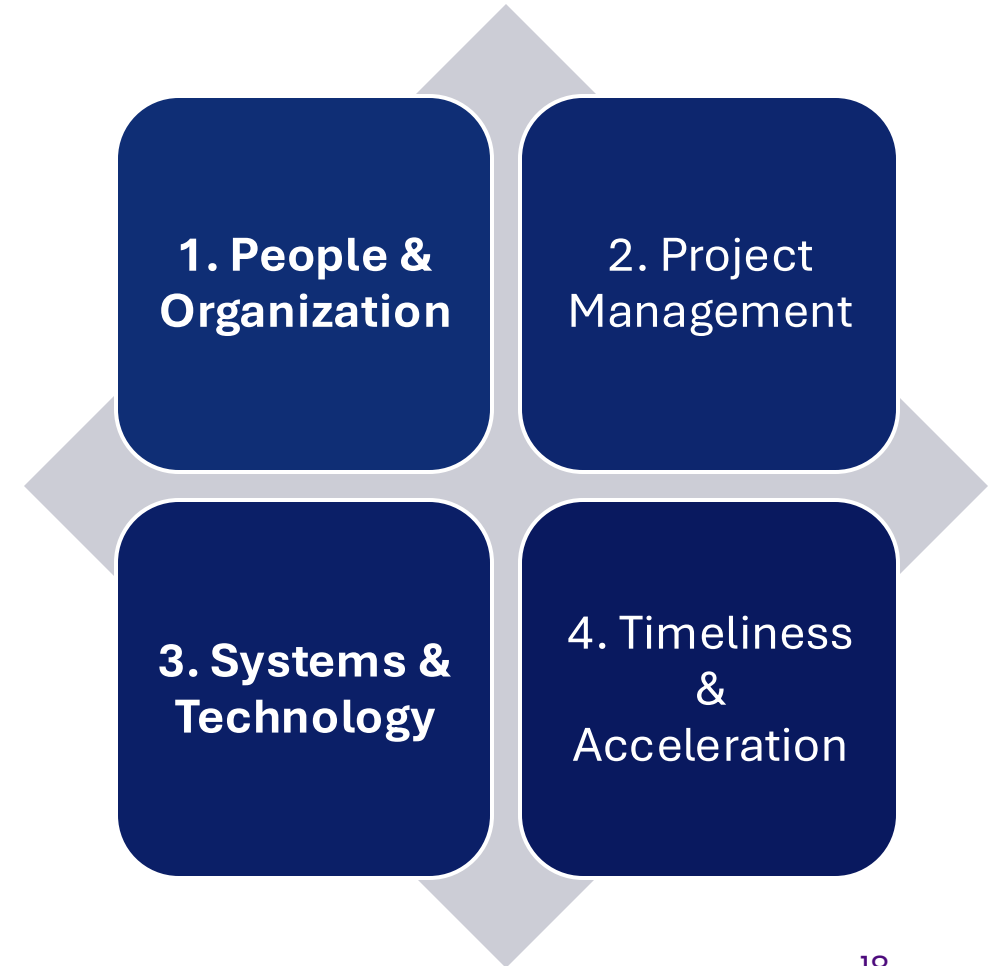
# Project management examples

Account Type	Frequency	Preparer Start Date	Preparer Due Date	Preparer Actual Date	Reviewer Actual Date	Status
Cash and Equivalents	Monthly	3/31/2023	4/5/2023			Open
A/R, net of Allowance	Monthly	4/3/2023	4/5/2023			Open
Other Receivables	Monthly	4/3/2023	4/5/2023			Open
Employee Advances	Monthly	4/7/2023	4/7/2023			Open
Security Deposits	Monthly	3/29/2023	4/7/2023			Open
Prepaid Expenses	Monthly	3/30/2023	4/7/2023			Open
Fixed Assets, net	Monthly	4/6/2023	4/7/2023			Open
Intercompany	Monthly	4/7/2023	4/8/2023			Open
Intangible Assets	Monthly	3/30/2023	4/8/2023			Open
Accounts Payable	Monthly	4/3/2023	4/8/2023			Open
Other Current Liabilities	Monthly	4/5/2023	4/8/2023			Open
Salaries, Wages, and Commissions	Monthly	4/3/2023	4/8/2023			Open
Taxes Payable	Monthly	4/8/2023	4/12/2023			Open
Capital Lease Obligation	Monthly	3/29/2023	4/12/2023			Open
Stockholders equity	Monthly	4/13/2023	4/14/2023			Open

# System and technology

**Take advantage of technology to improve the close process**

- What are your in-scope systems?
- How are these systems integrated?
- Availability of information
- Data validation
- Support for journal entries
- Automate as much as possible



# Components of a successful close

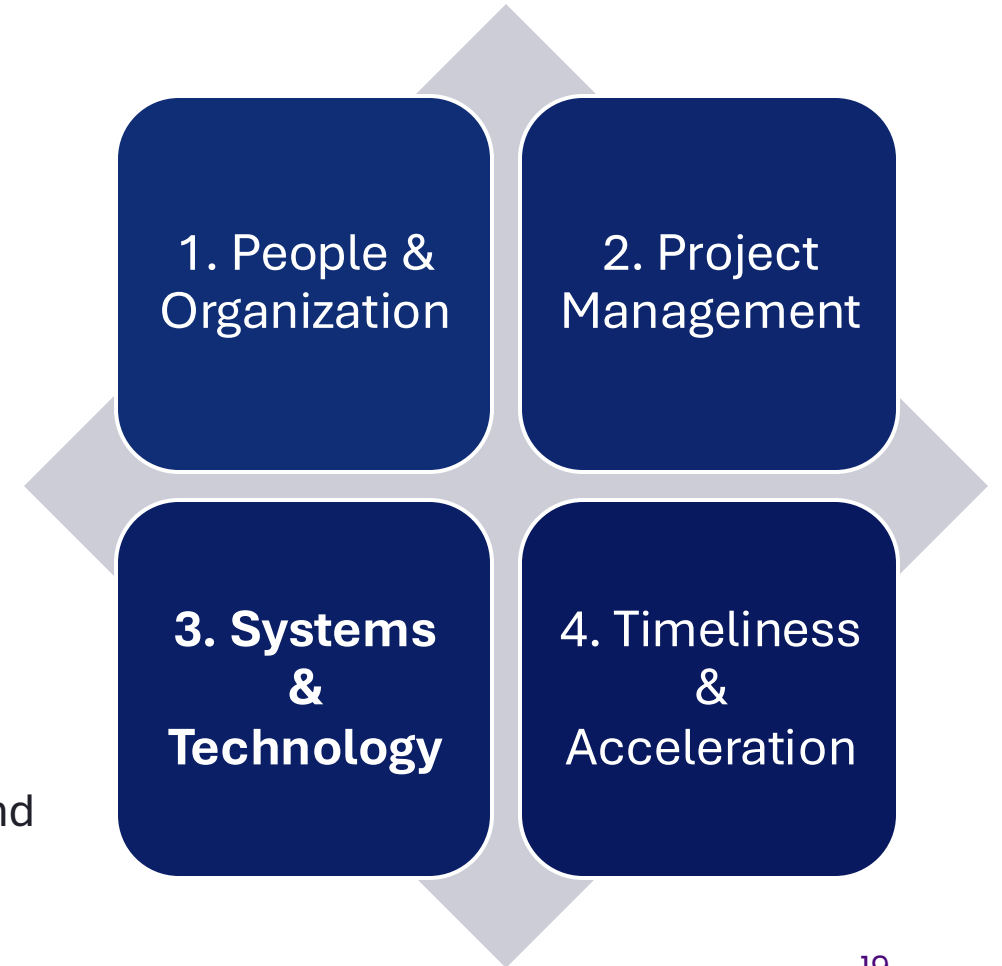
## Take advantage of technology to improve the close process

### Quality first!

- Well-controlled
- Predictable

### Then accelerate!

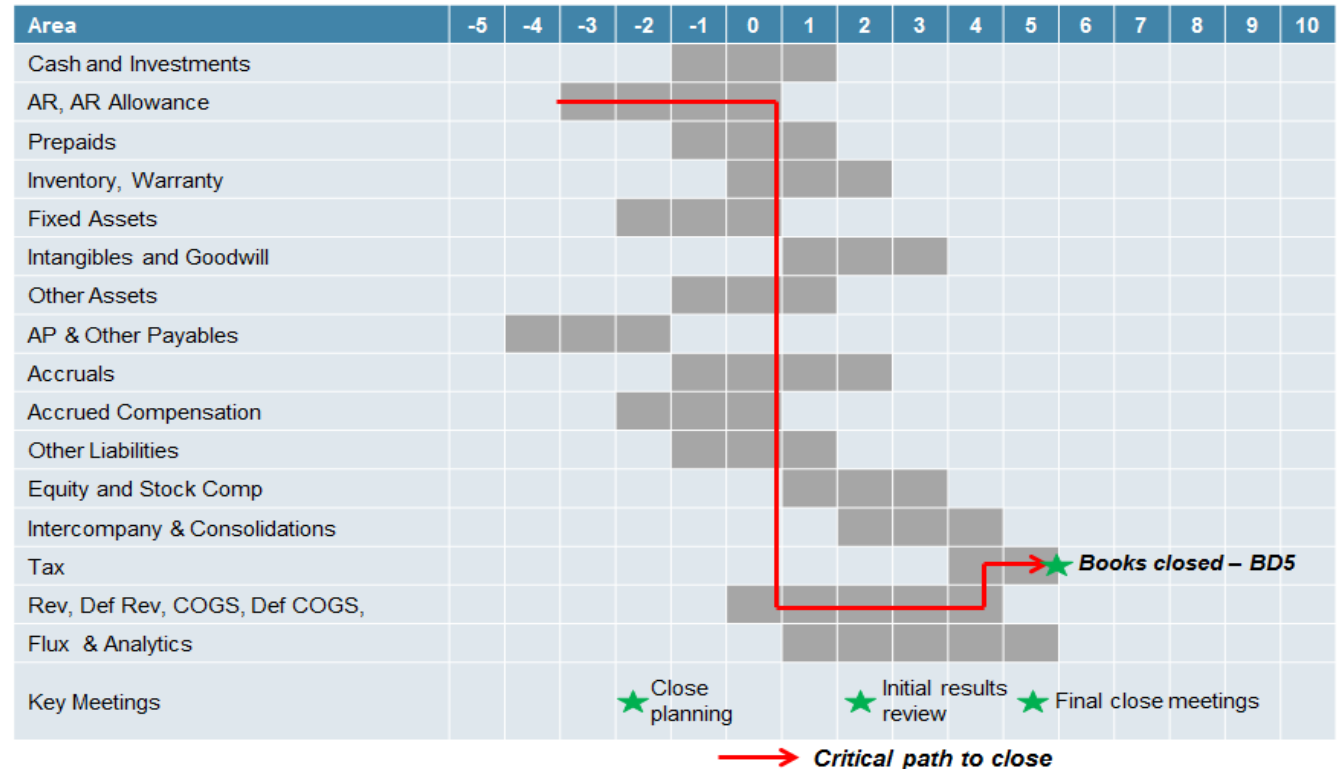
- Push as much prior to month end as possible
  - Record reversing journal entries
  - Record amortization entries
  - Schedule based entries (such as lease and debt)
  - Roll forward reconciliations and other schedules/JE support
  - Leverage materiality thresholds
- Consider closing AP and other subledgers prior to month end day (e.g., Day -2)



# Know your due dates

## Take advantage of technology to improve the close process

- Internal dependencies
- External dependencies
- Time/Effort to complete tasks
- Errors/Issues upstream





**Executing the close**

# Pre-close meetings

## Conduct pre-close meetings

- Consider including groups outside of accounting to understand operational aspects that could impact accounting
- Ensure mutual understanding of deliverables and due dates
- Establish expectations for estimating accrued liabilities
- Set expectations for working hours and communication protocols

# Communication is the key!

- Establish preferred method for communication during close (Slack, email, Zoom)
- Use close management tool functionality (or a shared workspace) to provide notes and track issues
- Establish cadence of stand-up meetings and provide opportunities for team members to correspond and collaborate
- Use dashboards to track status
- Create an environment where timely communications of issues is encouraged

# Accountability

- Coach team members to own their work and take pride in timely and accurate work
- Help team understand WHY they are performing a task
- Challenge team to think from the user of the end-product perspective
- Will help team members set appropriate expectations for the balance
- Aid in thinking how balances impact the company as a whole
- Help in understanding materiality

# Project management

- Don't let execution of tasks distract from project management
  - During the heat-of-the-battle it is natural to stop tracking status
  - Encourage continual updating of checklists
- Continually monitor dashboards and proactively follow up when tasks are slipping
- Establish a time when all tasks are updated
  - Incorporate status tracking in stand-up meetings
- Keep an eye on workloads for everyone
- Identify if certain tasks could/should be allocated to other team members
- Keep morale up
- Conduct a retro call/discussion

# How confident are you in your existing close processes?

- A. Very confident
- B. Somewhat confident
- C. Neither confident nor unconfident
- D. Somewhat unconfident
- E. Very unconfident
- F. Not applicable





# Case study

# Case study

## What does closed mean to you?

**Company ABC Co. records are considered closed when:**

- Accounting analyses have been completed
- Journals and month-end entries are posted
- Key balance sheet and P&L accounts are reconciled
- Financial statements are prepared
- Management reviews are performed
- Potential errors are corrected
- Management reporting is completed



# Observations: ABC Company's top 3 issues

- In general, ABC Co. has a lot of manual processes
  - Updating close calendar
  - Rolling forward close tasks
- Reconciliation process is often delayed
  - Confusion over task ownership
  - Deadlines are not communicated
  - Dependencies hold up reconciliation process
  - Approval and review process is messy
  - Support is hard to locate from historical periods
  - Adjusting entries, such as reclassifications can delay close
- Accrual calculation process is often delayed
  - Estimates are hard to support
  - Estimates are missed or removed improperly





# Proposed solutions

- Frontload close work
- Identify and minimize bottlenecks
- Implement standard templates and procedures
- Other support
- Utilize tools to support automation



# Utilize tools

## NetClose, key features

### Task management

- Close calendar and checklist templates
- Auto-generation each accounting period

### Subledger enhancements

- Accruals module
- Amortization module

### Reconciliations

- Auto-reconciliation criteria & automation
- Real-time GL to subledger reconciliations

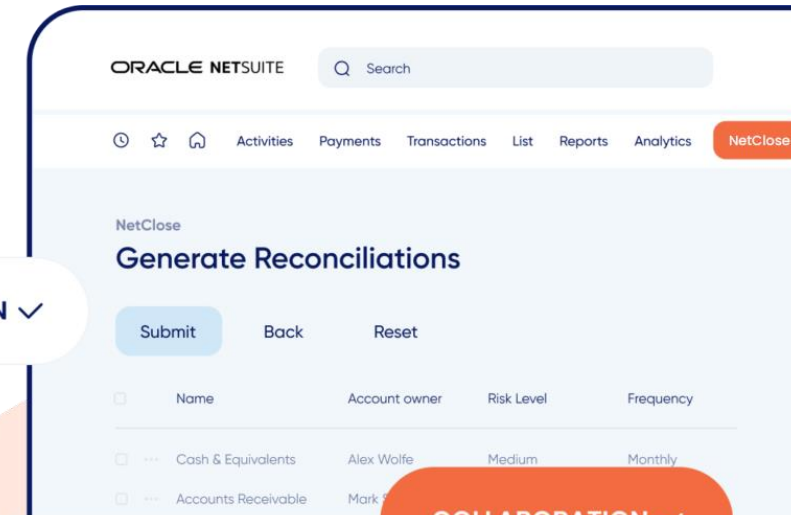
### Flux analysis

- Account-level fluctuation materiality
- Automated flux explanation requirement

### Close controls

- Ability to lock subsidiaries, transactions, accounts/types, & other segments

### RECONCILIATION ✓



### COLLABORATION ✓

78%

33%

18%



Automated

## Recap



### Summary

- What does a successful close for your company look like?
- Planning the close
- Executing the close
- Utilize technology and close management tools



### Key takeaways

- Define what 'closed' means for all parties
- Planning is key: Set appropriate expectations at the team level
- Constant communication is key
- Once a good process is established, look to optimize



# Q&A

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# Thank you



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