

# Fast month-end reporting

Delight the chief executive by completing your month-end reporting process inside three working days. **David Parmenter** continues his explanation of how it is done

This second article with tips on streamlining your month-end reporting continues where last month's left off.

## 5 Avoid high processing of accounts payable (AP) invoices at month-end

The last thing the AP team needs is to receive a tsunami of invoices on the last day of cut-off. It is important to push processing back from the end of the month by avoiding a payment run at month-end. It is better practice to have weekly or daily direct credit payment runs with none happening within two days of month-end.

## 6 Early closing of the AP ledger and accruals

If AP is held open after month-end, you will find it difficult to complete prompt month-end reporting. What is the benefit of holding open AP for one or two days? We could hold the accounts payable open for six months after month-end and still not get the plumber's invoice that arrives when they are doing their year-end and realise they have forgotten to invoice for work done.

Better practice is to cut off AP at noon on the last working day or earlier. For a tight cut-off, budget holders will need to have cleared all outstanding issues regarding purchase invoices a day earlier (day -2) to give the AP team time to meet the cut-off deadline. Budget holders can then complete their accruals in the afternoon of day -2, as long as they are given a guarantee that all invoices sent to AP within the deadline will be



processed prior to the AP cut-off, or accrued directly by the AP team.

## 7 Early closing-off of accounts receivable (AR)

Immediately close off AR on the last working day or, better still, noon on the last working day, with transactions in the afternoon carried forward to the first day of the new month. Closing off earlier may be required for an organisation where the sales representatives make a lot of sales, and create a lot of paperwork, on the last working day of the month, eg car dealers. You simply tell them, 'All sales made on the last day of the month will now be in the following month.' This will start their game a little earlier.

## 8 Early capex cut-off

Why perform depreciation calculations at month-end when clever organisations do so much earlier? They close off capital projects at least one week before month-end. Any equipment arriving in the last week is therefore treated as if it arrives next month. It can still be unwrapped, driven or

## NEXT STEPS

- 1 Email me ([parmenter@waymark.co.nz](mailto:parmenter@waymark.co.nz)) for some more tips on how to improve AP processes.
- 2 Move cut-off of AP to noon on the last working day or earlier.
- 3 Move cut-off of AR to 5pm or noon on the last working day.

plugged in. The depreciation is calculated and posted by day -3. In my workshops I have found accountants, with organisations where depreciation is not significant, who use the depreciation calculations from the annual plan and correct to actual at month 6, 11 and 12.

## 9 Early inventory cut-off

If the last day of the month's production is delaying your month-end, make the inventory cut-off at the close of business on day -2 with all production

on the last day being carried forward to the next month. This gives one day to check the valuation and records.

Always avoid a month-end stock count: these should be done on a rolling basis and be held no nearer to month-end than the third week of the month – a jewellery chain I know counts watches one month and gold chains the next at a quiet time during the month. ■

**David Parmenter is a writer and presenter on measuring, monitoring and managing performance**

## FOR MORE INFORMATION:

Read the first part of this article at [www.accaglobal/ab51](http://www.accaglobal/ab51)

[www.davidparmenter.com](http://www.davidparmenter.com)

[www.davidparmenter.com/courses](http://www.davidparmenter.com/courses)

