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THE DEFINITIVE MANUAL JOURNAL ENTRY SOFTWARE SELECTION GUIDE

How to Find the Right Journal Entry
Solution for Your Organization

REDWOOD

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INTRODUCTION

This guide provides you with a practical resource to assist you in your selection of journal entry software.

Journal entry is an extremely labor-intensive and time-consuming part of any close process. In large enterprises month-end journals can easily number the thousands, which often require the completion of unwieldy data validations, error corrections and approval routing to be uploaded to an ERP system for posting.

This guide helps you define a set of criteria that would take care of your current journal entry needs without potentially locking yourself into an application or tool that may need reviewing again in the near future.

While this guide concentrates on journal entry automation solutions the same principles are applicable to any software purchase approach. There are three important steps to consider. First is to define the scope, second is to research and explore the market for solutions that match the scope and the final step is to conduct evaluation prior to making your selection.

You will find a buyer's checklist and additional resources at the conclusion of this guide to assist you on your software selection journey.

01 STEP 1: DEFINE THE SCOPE

It's important to understand the overall organizational goals and objectives you are trying address and also the specific pains that would persist by not solving the problem. Be as specific as possible as you identify and connect these areas. This will allow you to generate a concise list of requirements that will guide you through the buying journey and lead you to a solution that is right for you.

■ BUSINESS GOALS AND OBJECTIVES

Understand the business goals and objectives of the purchase. Ask yourself or others some of these questions to uncover the purpose:

- **What is the purpose of the software purchase?**
- **How does the purchase align with organizational goals and objectives?**
- **Is the solution intended to create money? Or is it to save money? Or to mitigate risks? Or all of these?**

It's important to ask these questions and have a clear response. At some point during the buying process you will need to create a business case to prove return on investment and potentially compete with other organizational priorities and budgets. Without clear understanding and alignment, how can you measure success? One way to really focus on the true impact and alignment of the solution is to focus on the pain points.

■ PAIN POINTS

Let's focus on journal entry activities and the associated pain. Some journal activity is automated within ERP systems. But the reliance on manual preparation means finance teams can still spend days just collating the data needed to calculate accruals, prepayments and adjustments before month-end. Far from being a minor source of frustration, more than half of finance professionals believe they spend too much time on transaction processing of this nature, according to a study by FSN Research.¹

This is an obvious pain to the finance team, which is responsible for collecting, calculating and formatting the data to post these journals, but what about the labor cost of this manual effort? And since these journals are repeated month after month across many parts of the organization, what does this mean in terms of close cycle times? Does the manual effort delay the production of critical reports and statements that are used by senior leadership to make strategic decisions? This is why it's important to understand the full impact of your current scenario and the issues you are trying to address and how solving them will better align to your business goals and objectives.

¹The Future of Financial Reporting (FSN Research, 2018)

REQUIREMENTS

Next, consider the requirements of the software. We may already know that a journal entry solution should include features such as:

- **Journal templates for standardized posting**
- **Controlled approval workflow based on journal values**
- **Journal validations to ensure the proper values are captured and can be posted to the ERP**
- **Automated journal reversal**
- **The ability to attach supporting documentation**
- **A complete audit trail**

But do these features really solve the pain points we've identified for journal entry? That pain is the manual effort endured by the finance team to collect, calculate and format the data needed to create the journals, which can be in the thousands and are repeated every month across the organization. This extra manual activity around journal entries also takes place at the time of the month when finance activity is at its peak, which results in a longer closing cycle and latency in producing key reports and analytics.

The solution you are looking for should certainly include the core journal entry features listed above for starters. But, based on the specific pain around manual effort, it should also automate the full journal process, including the data collection from any system, formatting, calculating and completing the proper journal template.

There is a complete buyer's checklist with more information included at the end of this guide.

02 STEP 2: EXPLORE THE MARKET

By this time in the buying journey, you've probably done research on the internet and used other sources to identify potential vendors that have viable solutions for solving your problem. Now you need to evaluate these potential software solutions based on your true journal entry pain and organizational impact.

RESEARCH SOLUTIONS

Once you have created a short list of vendors you now need to research them again, but this time based on your expanded specific requirements list that is focused on solving the real pain points you have identified.

The claims by most journal entry solutions will sound similar. Expect to see words like automate, manage, approve, validate, electronically certify and archive. We know these words are needed as part of our requirements, but do they solve your problem? To what extent does the solution eliminate the true manual effort in the journal entry process? Make sure to focus on ubiquitous terms such as automation. What does automation actually mean in practice for the solutions you are evaluating? What level of automation do you need to solve your problem and which solution provides that level of automation?

DETERMINE BEST FIT

Now that you truly understand your requirements, how they solve your problem and the solutions offered by various vendors, it's time to determine best fit. This is simply mapping the solution's benefits to how it solves the pain(s) you've identified. In some cases, there is a single vendor that clearly has the unique set of features or value proposition that solves your pain(s). Other times, there are several vendors that seem to be a good fit.

However, if there are more than three vendors, it's good practice to go back and re-evaluate the pain, the impact and alignment to ensure they are properly defined and quantified. One other point to consider here. If it takes more than one vendor to solve your pain/problem, keep looking. In this journal entry scenario, you shouldn't have to purchase a journal entry application plus an automation technology, such as RPA, to achieve the level of automation required.

BUYING CHECKLIST

The basic functionality of journal entry applications will automate up to 20% of the effort. However, a journal entry solution that includes automation of the journal preparation can automate up to 100% of the effort. Your investment in a solution should cover both the preparation of the numbers and a robust process to manage the submission of the numbers. Below is a buying checklist for a complete journal entry solution.

Between 50% to 60% of the time spent on the period-end close can be consumed by the processing of accruals and provisions. And when selecting a journal entry tool people often focus on the upload part of the process – that is the data entry, validation, workflow and approval.

However, in reality 60% to 70% of the effort for journal entry actually goes on the preparation of the data before it is entered onto a template. But this is often overlooked. When you buy a journal entry solution it is important to put an equal, if not higher, priority on capabilities such as retrieval of underlying data, transformation of data and calculation if you really want to eliminate the manual effort and cost in the process, as well as improve controls and reduce the time to close.

Features	Functionality	Description
Journal templates	The ability to create multiple templates to accommodate various journal types.	<p>A single template for all types of journals are error prone and open to manual manipulation.</p> <p>Access control - Who can access and post certain types of journals?</p> <p>The ability to create specific journal types for different types of expenses and costs (marketing expenses, project adjustments etc.).</p> <p>Restrict templates to posting types (IDs or document types, for example) creating clear audit trails.</p> <p>Journal types restricted to specific accounts, range of accounts, account/cost center or other combinations.</p>
Validation	<p>The ability to create "in-template" validation at value level - restricted to accounts, company code, cost centers, etc.</p> <p>The ability to validate against the underlying ERP master data - you should never be able to override the pre-existing validation that already exists.</p> <p>The ability to check whether certain evidence has been provided.</p>	
Posting	The ability to post the final approved JV to ERP using standard API - this will allow final validations avoiding amounts being posted to wrong accounts/account combination.	

Features	Functionality	Description
Reversal	The ability to define reversal date as part of the submission and the system to auto - reverse automatically.	
Posting	<p>The ability to attach entry templates, calculations, Additional documents and evidence.</p> <p>Ability to attach the submitted evidence to posted line items within the ERP. This will ensure that all evidence is kept in a single store.</p>	
Audit	<p>The audit trail is not just the final item posted to the ERP but the entire journey that can easily be followed by an auditor.</p> <p>Includes:</p>	<p>User ID of person creating/completing the journal template.</p> <p>Submission time stamp.</p> <p>Approval flow and user IDs of all persons approving each stage of the journal.</p> <p>Actual posting evidence from the ERP system.</p> <p>Source data, calculations and supporting evidence.</p> <p>Easy to organize and view structure.</p>
Retrieval of underlying data	<p>The ability to extract data from ERP or other sub-systems, such as payroll, HR, contracts, credit management etc.</p> <p>Know what data to access from what system based on different types of journals.</p>	
Transformation of data	Data available in subsystems or the ERP is stored in a way that cannot be consumed as retrieved. The data will need to be transformed before the required calculation can be performed. The selected tool should have easy to configure data transformation capabilities.	
Calculation	The selected tool must be able to take different data sources and perform various calculations for different types of journals.	
Analytics	The solution must provide flexible, pre-configured, live dashboards that provide both operational and management analytics.	

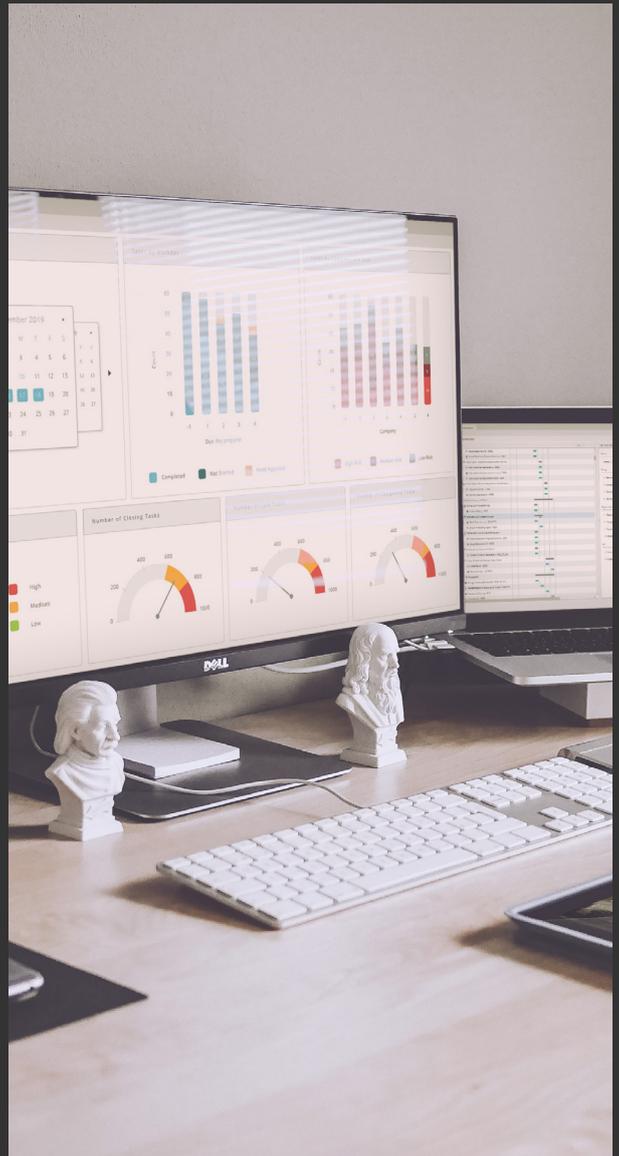
ABOUT REDWOOD FINANCE AUTOMATION

Redwood's cloud-based finance automation platform runs transparently across your entire end-to-end close process. It takes care of your SAP/ERP close tasks natively inside your ERP deployment across different instances and versions, including SAP HANA and S4. It also handles other closing items, such as automated calculations of accruals, provisions, re-class, intercompany reconciliations and postings, and close-related reconciliations, and manages reminders, notifications and dependencies to manual activities such as essential reviews and approvals.

Redwood's finance automation solution is designed to be configured and used by non-technical business and accounting functions. Easy-to-administer workflows, approval flows and thresholds can be used in a way that means everyone from subsidiary accounting teams to corporate SSCs knows their responsibilities, next steps and exceptions. This frees them from onerous, repetitive, detailed and error-prone tasks to focus on higher-value analysis and insight work.

WATCH OUR VIDEO DEMOS:

- Journal Entry
- Balance Sheet Reconciliation
- Intercompany
- Month End Close



**FIND OUT MORE ABOUT HOW REDWOOD FINANCIAL CLOSE AUTOMATION SOFTWARE CAN ELIMINATE
MANUAL EFFORT AND ERRORS AND HELP MAKE YOUR CLOSE A NON-EVENT
WWW.REDWOOD.COM**

