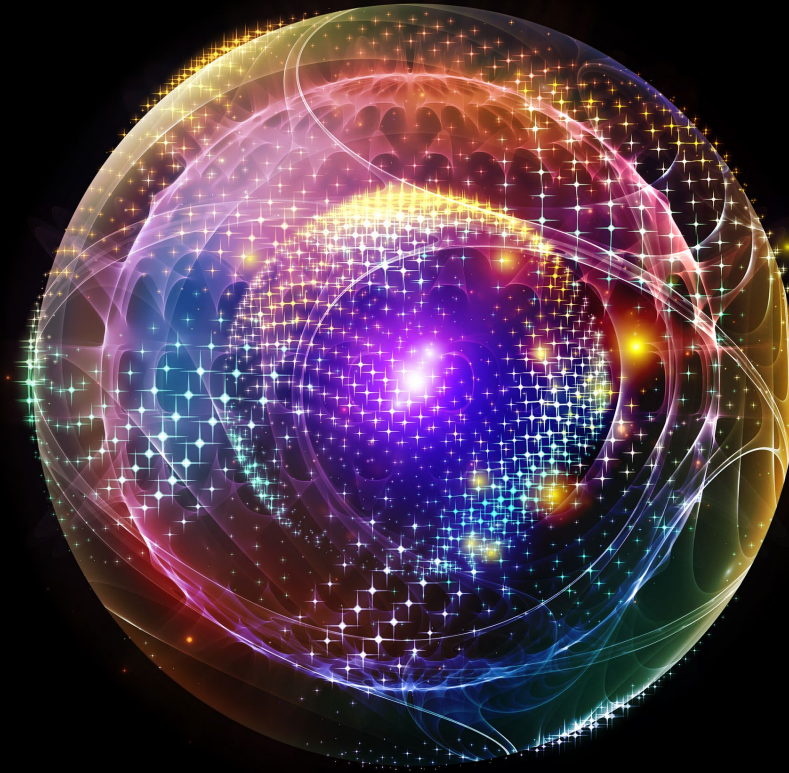# Deloitte.

Creating connectivity during the financial close with
Deloitte, BlackLine, and SAP®

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July 15, 2020

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MAKING AN
IMPACT THAT
MATTERS
since 1845

Agenda

Approaches for transforming and modernizing accounting technology in 2020

Achieving connectivity and continuous accounting with BlackLine and SAP (Account Reconciliation, Journal Entries, Transaction Matching and Intercompany)
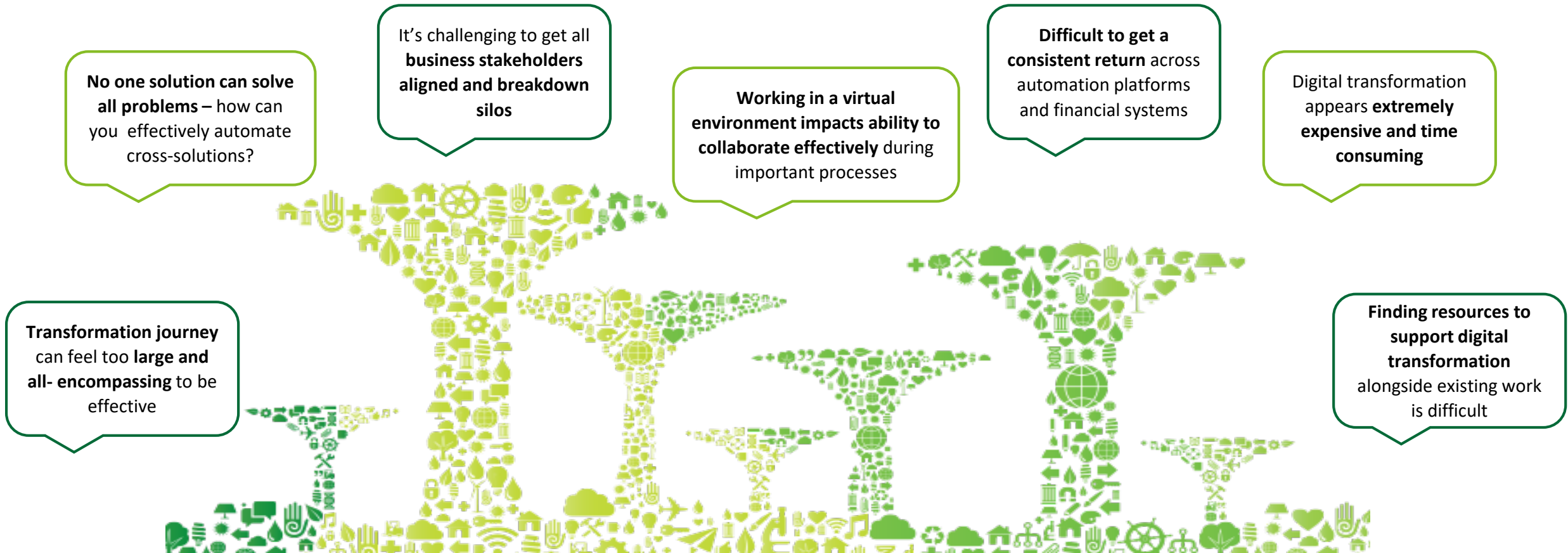
Creating a roadmap for achieving accounting transformation

Q&A

Digital finance and accounting transformation challenges in the market today

We see the market responding in a variety of ways to digital transformation challenges. These include an organization's desire to automate but concern over a lack of consistent return, challenges of working in a siloed environment, and difficulty in effectively automating cross-solution

No one solution can solve all problems – how can you effectively automate cross-solutions?

It's challenging to get all **business stakeholders aligned and breakdown silos**

Working in a virtual environment impacts ability to collaborate effectively during important processes

Difficult to get a consistent return across automation platforms and financial systems

Digital transformation appears **extremely expensive and time consuming**

Transformation journey can feel too **large and all- encompassing** to be effective

Finding resources to support digital transformation alongside existing work is difficult

The importance of modernizing accounting technology in 2020

Now more than ever, organizations should reconsider their use of cloud technologies, automation, and collaboration platforms for long-term virtual accounting work environments
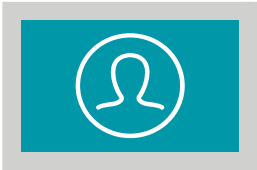
Are my accounting software solutions **on-premise or in the cloud?** How easily **can I access them virtually?**

How streamlined is document hand-off, checklists, signoffs, and accounting workflow both in the US and globally?

Can I trust my underlying data architecture and source systems I am relying on for accounting data?
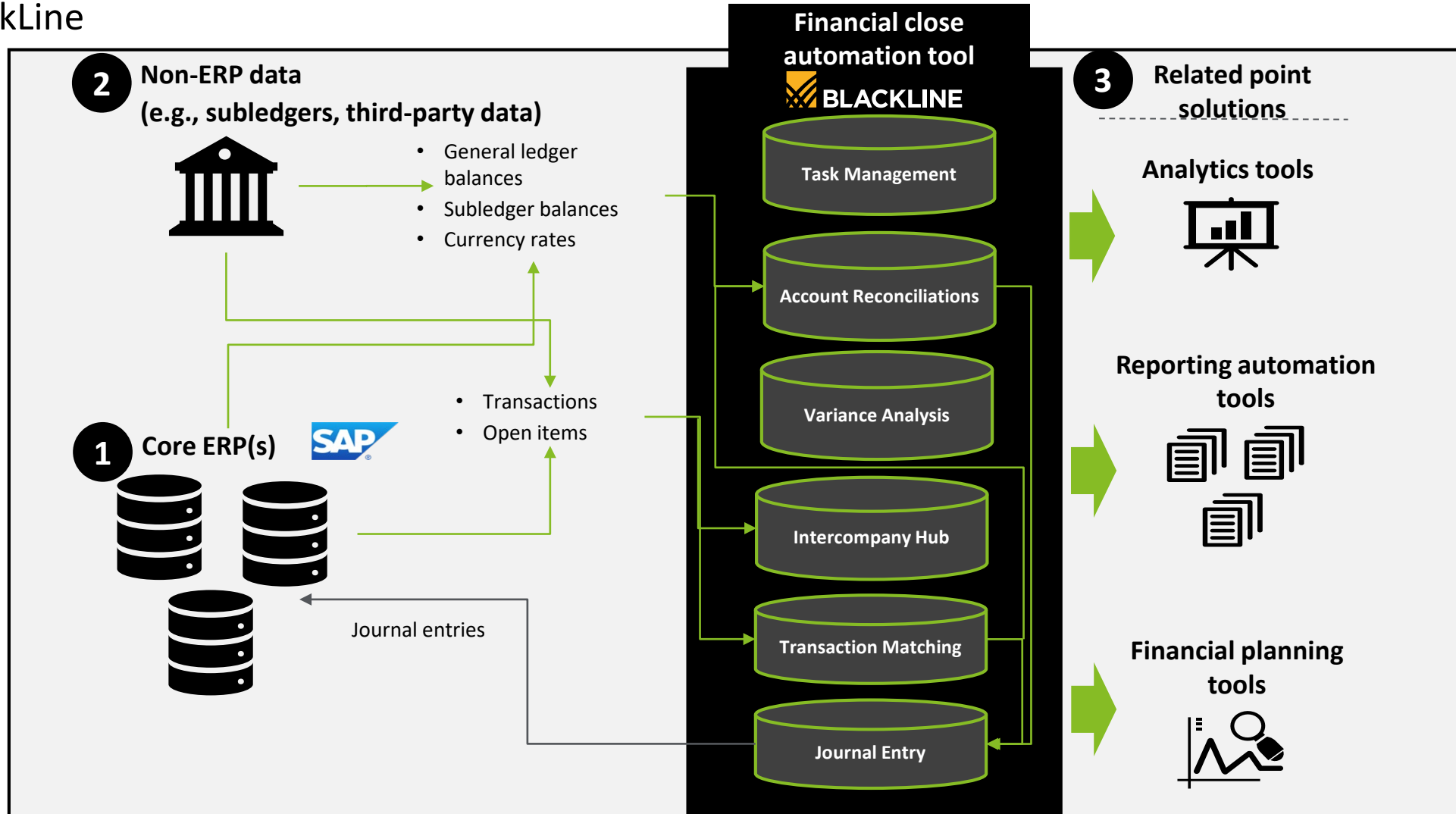
Do I utilize manual accounting process or are portions of my workflow automated?
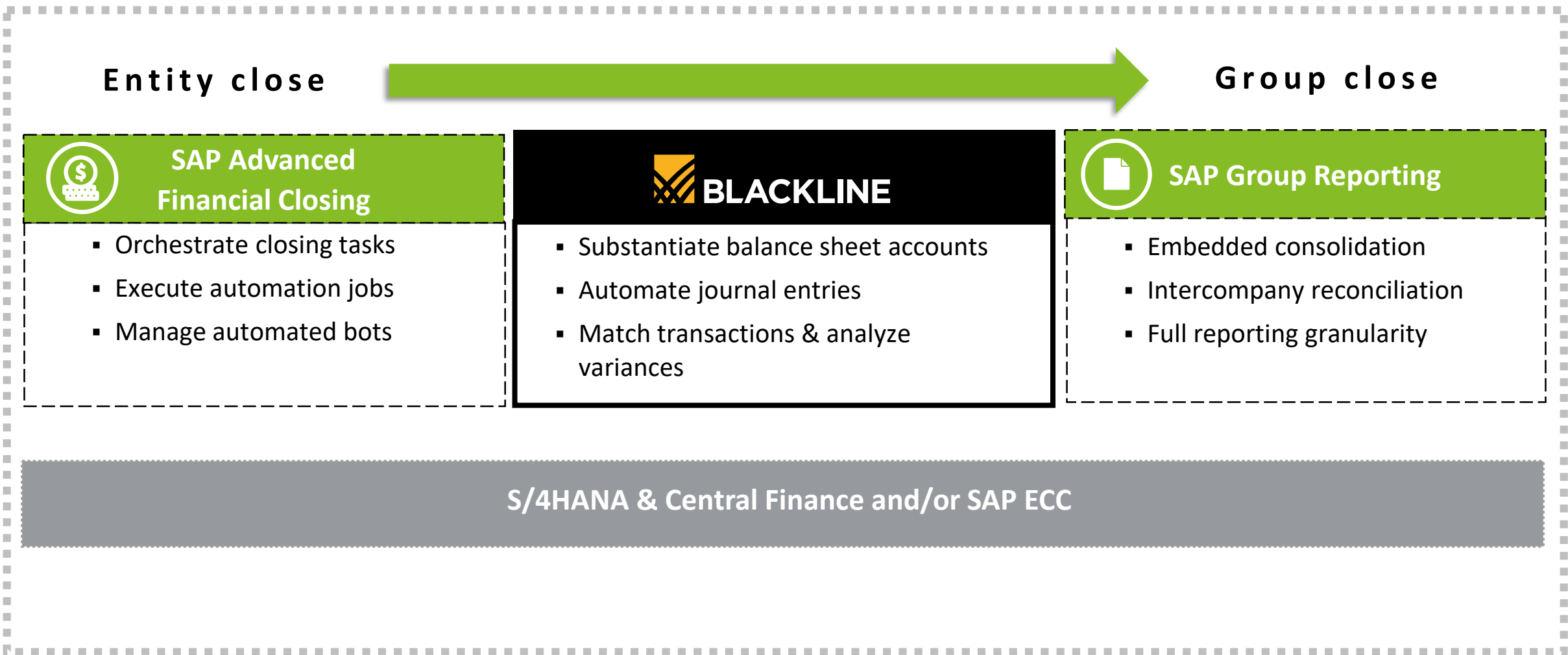
Can I reconcile important accounting information needed for the period-end close and intercompany processes?

Utilizing BlackLine and SAP for greater connectivity during the financial close

A rapid opportunity to modernize connectivity and automate traditional manual processes during the financial close is through the use of joint ERP/Financial Close Automation tool functionality for example, SAP and BlackLine
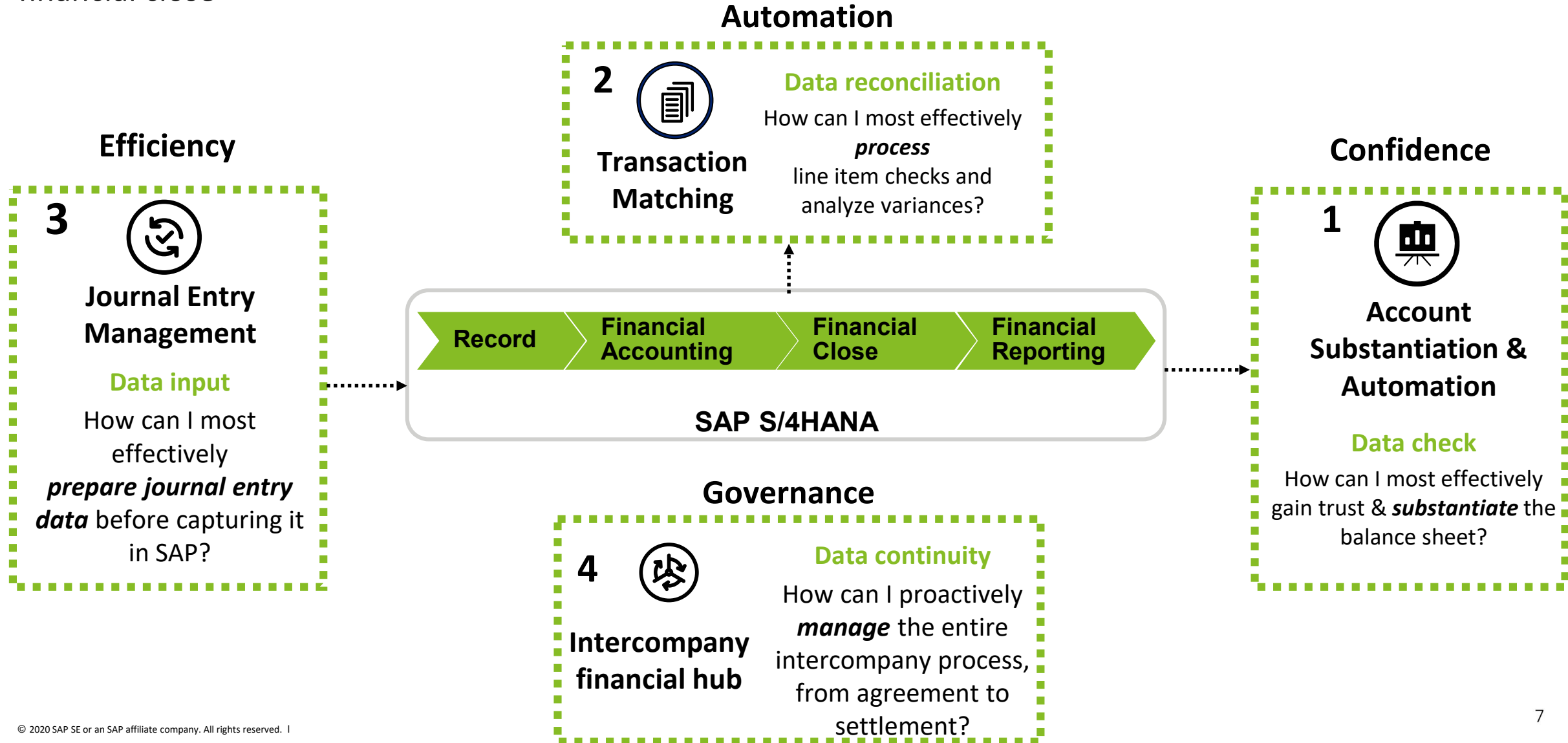

Financial close automation tool
BLACKLINE

- Task Management
- Account Reconciliations
- Variance Analysis
- Intercompany Hub
- Transaction Matching
- Journal Entry

2 Non-ERP data (e.g., subledgers, third-party data)
- General ledger balances
- Subledger balances
- Currency rates

1 Core ERP(s)   SAP
- Transactions
- Open items

Journal entries

3 Related point solutions

- Analytics tools
- Reporting automation tools
- Financial planning tools

Record-to-report: Key components

Entity close ➡ **Group close**

SAP Advanced Financial Closing	BLACKLINE	SAP Group Reporting
▪ Orchestrate closing tasks ▪ Execute automation jobs ▪ Manage automated bots	▪ Substantiate balance sheet accounts ▪ Automate journal entries ▪ Match transactions & analyze variances	▪ Embedded consolidation ▪ Intercompany reconciliation ▪ Full reporting granularity

S/4HANA & Central Finance and/or SAP ECC

Record-to-report: SAP's and BlackLine's integrated solutions

BlackLine complements SAP and related ERPs by delivering added value for a more productive and secure financial close

Automation

2 Transaction Matching

Data reconciliation

How can I most effectively *process* line item checks and analyze variances?

Efficiency

3 Journal Entry Management

Data input

How can I most effectively *prepare journal entry data* before capturing it in SAP?

Confidence

1 Account Substantiation & Automation

Data check

How can I most effectively gain trust & *substantiate* the balance sheet?

Record → Financial Accounting → Financial Close → Financial Reporting

SAP S/4HANA

Governance

4 Intercompany financial hub

Data continuity

How can I proactively *manage* the entire intercompany process, from agreement to settlement?

SAP & BlackLine
What is an **SAP**®Solution Extension ?

SAP Solution Extensions are strategic third-party solutions developed by independent software partners which offer innovative cross-solution and cross-industry functionalities that complement your SAP business solutions.

✓ Partner selection is rigorous and initiated by SAP only

✓ SAP premium qualifies, tests and approves the solutions

✓ Integrated into SAP product roadmap

✓ Sole SAP Solution Extension for the financial close

✓ 700+ joint customers

SAP Partner Network (>18,300 Companies)	**SAP Solution Extensions (31 Companies)**

① Account substantiation and reconciliation

- The account balance **substantiation** process must provide reasonable assurance as to the **accuracy** of financial data at a specific point in time or an **ending balance**

- BlackLine provides **complete substantiation of the process** inclusive of supporting documentation, workflow, exception handling, and adjustments

- BlackLine solutions complement and extend SAP's existing functionality

Substantiation

Comments
Supporting Documentation
Workflow/Certification
Auditability
Review Classifications

Analyze Aging
Handle Exceptions
Form Action Plans
Determine Impact of Adjustments

Reconciliation

Compare Balances
Compare Transactions
Open Item Clearing
System Tie Out
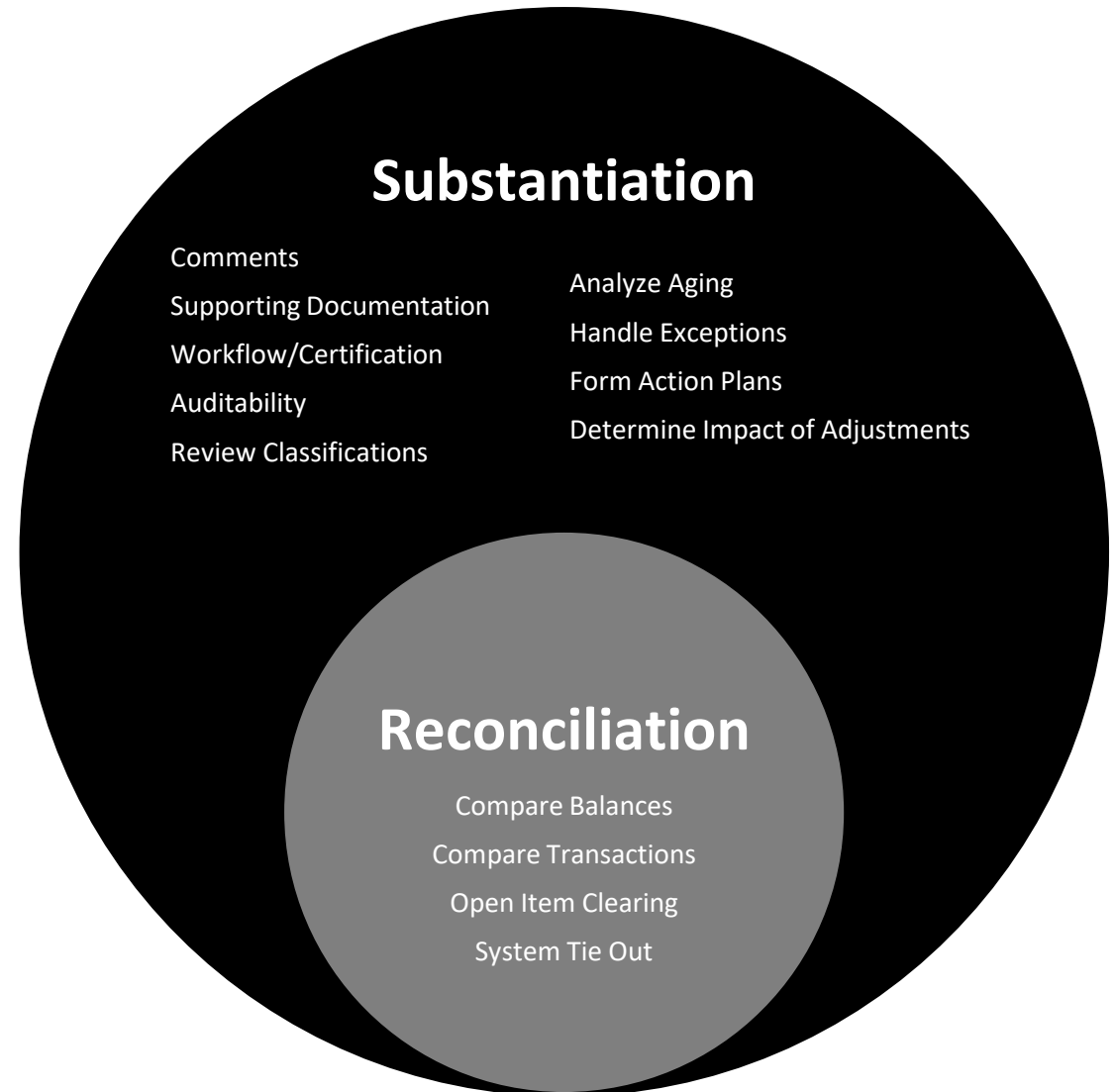
2 Transaction matching

Traditional manual process

- Rainbow spreadsheets
- V-lookups and complex formulas
- Increasing volume
- Mounting open items

Modern Accounting

- Rules-based automation
- Suggested matches
- Focus on exceptions
- Automated clearing and adjustments
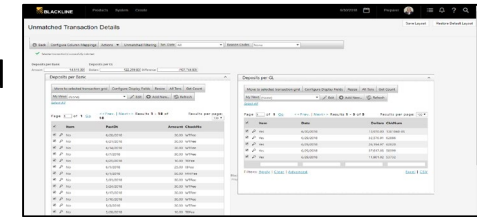
Examples

- Accruals
- AR/AP
- Bank to GL
- Benefits (ADP/Payroll/Insurance Provider Billing/401K)
- Credit Card (Merchant to POS to GL)
- CRM Operations

- Escheatment
- Gifts & Grants
- Gift Cards
- High Volume Accounts
- Intercompany

- Inventory
- P-Cards
- Payroll
- POS
- Purchasing

- T&E
- Tax Withholding & Remittance
- Unclaimed Property
- Warranty Claims

3 Journal entry automation

Data needed to derive journal entries often comes from outside of SAP as a result of business events that are not yet captured in the ERP. Before posting, entries must be substantiated prepared and approved. Isolating and identifying a complete population of journal entries can be cumbersome in a heterogeneous ERP environment

Traditional manual process

- Thousands of **manual entries** posted annually
- **Duplication of efforts** between JEs and account reconciliations (no process integration)
- Binders, share drives storing supporting documents and approvals
- **Spreadsheets** are used to create entries
- Entries are uploaded **to (many) ERPs**
- Approvals frequently occur after posting to GL
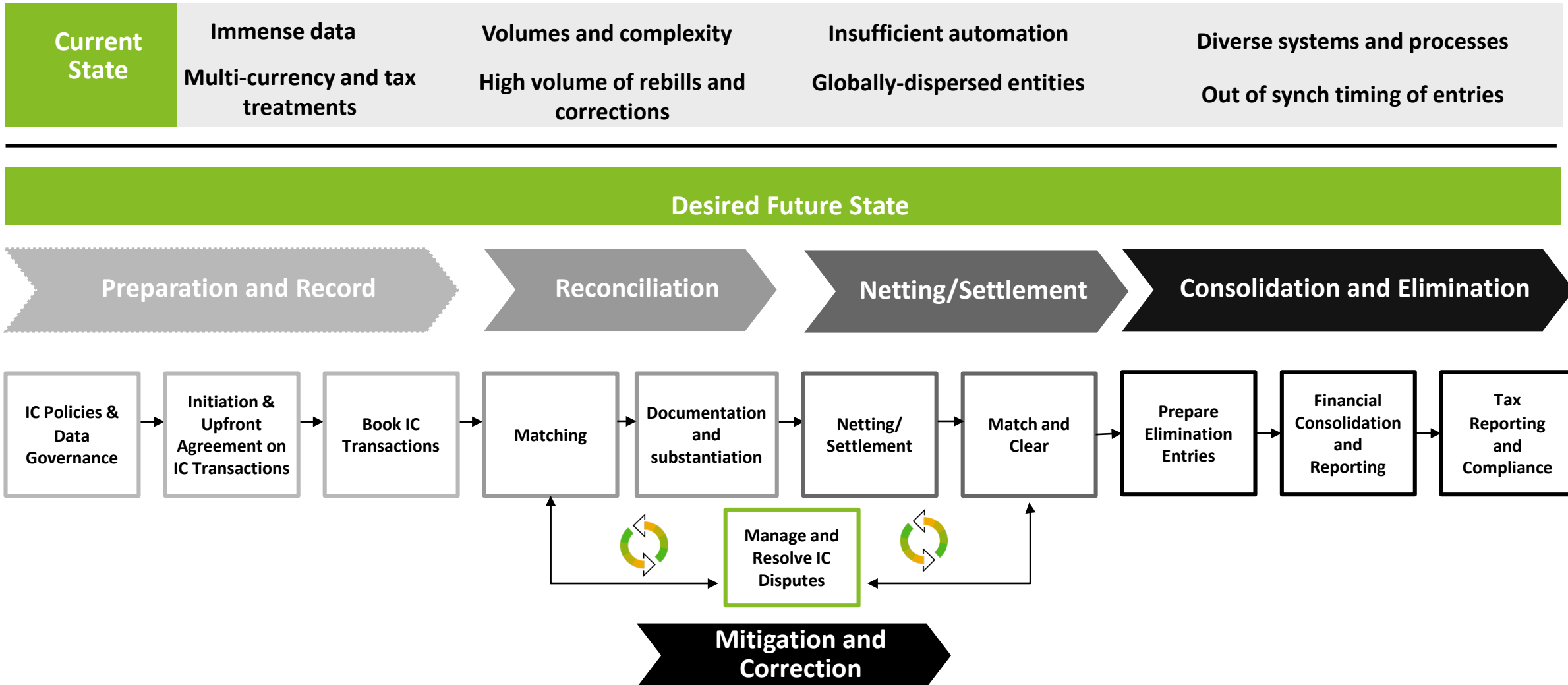- **Significant effort spent on audit testing**

Modern Accounting

- Most **recurring entries fully or partially automated**
- **Master data is auto-validated** against SAP
- Entries can be **"dragged and dropped" as supporting items on balance sheet reconciliations** to eliminate duplicate work
- Business-defined rules drive workflow
- **Audit trail** is seamlessly maintained
- **Segregation of duties** is configured

4 End-to-end intercompany accounting (not just reconciliation)

The intercompany process doesn't start on Day +0. It begins with upfront agreement on transactions and dual-sided bookings minimizing the need for reconciliation.

Current State	Immense data	Volumes and complexity	Insufficient automation	Diverse systems and processes
	Multi-currency and tax treatments	High volume of rebills and corrections	Globally-dispersed entities	Out of synch timing of entries

Desired Future State

Preparation and Record → **Reconciliation** → **Netting/Settlement** → **Consolidation and Elimination**

IC Policies & Data Governance → Initiation & Upfront Agreement on IC Transactions → Book IC Transactions → Matching → Documentation and substantiation → Netting/ Settlement → Match and Clear → Prepare Elimination Entries → Financial Consolidation and Reporting → Tax Reporting and Compliance

Manage and Resolve IC Disputes

Mitigation and Correction

Marketplace examples

Scenario 1

BlackLine is implemented prior to SAP S/4HANA to support future gaps and enhance capabilities

Company: *Global technology manufacturer*

- Rationalized and stabilized close activities prior to migration to SAP S/4HANA
- Developed process re-engineering for the best future state
- Created operating model capacity

Scenario 2

BlackLine is implemented during an SAP S/4HANA initiative to extend capabilities

Company: *US media provider*

- Coordinated Account Reconciliation and Task Management solution go-live in conjunction with SAP S/4HANA
- Coordinated Journal Entry and Transaction Matching solution to analyze gaps in SAP S/4HANA and supported after go-live
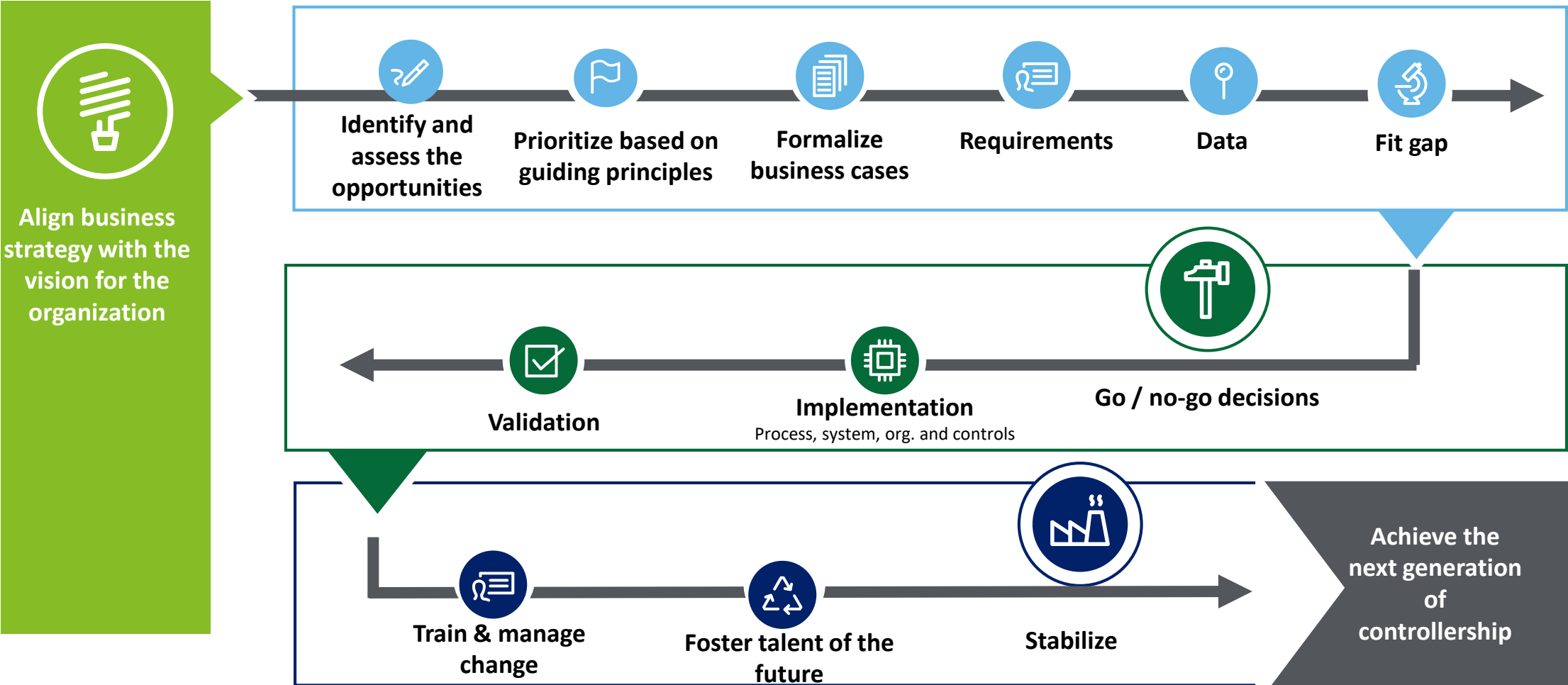
Scenario 3

BlackLine is implemented to support a broader finance transformation Initative

Company: *Global retail company*

- Created connectivity between BlackLine and SAP current and future design considerations
- Facilitated operating model transformation

Creating a roadmap for accounting technology modernization

How can you shift from aspirational ideas to real business cases and implementation of digital solutions?

Align business strategy with the vision for the organization

Identify and assess the opportunities

Prioritize based on guiding principles

Formalize business cases

Requirements

Data

Fit gap

Go / no-go decisions

Validation

Implementation
Process, system, org. and controls

Train & manage change

Foster talent of the future

Stabilize

Achieve the next generation of controllership

Working together to help you transform your financial close experience

The synergy of three leaders offering one integrated approach represents a powerful opportunity to transform your business, innovate, grow, and thrive in an evolving landscape

Deloitte's SAP finance capabilities

Deloitte's dedicated SAP practice and long-term collaboration help your business 'reimagine everything', get the most out of your SAP investments, and position your business for future digital demands.

SAP S/4HANA partner of the year, large enterprises - 2020

The Power of Three:

SAP Global Partner Deloitte.

BLACKLINE

Deloitte's SAP and BlackLine capabilities

Our long-term collaboration with Blackline and access to a globally-aligned network of member firms position us well to assist with global implementations in-region or remotely.

These capabilities span more than 10 years with more than 150 implementations and more than 100 trained Deloitte professionals in BlackLine

NORTH AMERICA BLACKLINE PARTNER OF 2019

GLOBAL 2020 BLACKLINE PLATINUM PARTNER
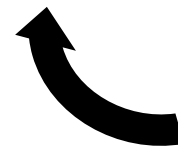
BlackLine SAP Alliance

The BlackLine-SAP Premium Qualified solutions complement your SAP environment by automating processes, strengthening controls and streamlining core close tasks, including use cases such as balance sheet substantiation, journal entry processing, high-volume transactions, clearing open items and intercompany accounting.

Question and answer

Deloitte.