White Paper

Atoti Operational Subledger

Facilitating and Shortening the Accounting Period Close

Why do so many business users in financial management struggle with the financial accounting close?

At each month end, valuable time is spent consolidating data from different systems, performing reconciliations, preparing manual General Ledger adjustment entries, or investigating postings rejected from the GL feed. Typically, spreadsheets are used to store business rules, perform calculations, and execute many other tasks such as the creation of manual postings. This results in standalone, error-prone processes that are complex to modify in the event the business policy changes. Furthermore, financial managers must meet high data quality standards and ensure that any action is traceable and fully audited. As a result, closing the accounting period within the required number of days is only achieved with increased overtime effort and higher costs.

Atoti Operational Subledger is an innovative software application designed to facilitate and shorten the accounting period closing cycle through real-time data consolidation, rule- based automation, and interactive analysis. Not only does Atoti Operational Subledger accelerate the accounting period close, but it also enhances traceability and improves the overall reliability of the accounting data.

Tailored to meet operational needs of business units' financial managers, Atoti Operational Subledger helps business unit financial managers organize, analyze, and verify the detailed accounting event postings in an optimal manner prior to feeding the summarized journal entries to the corporate General Ledger.

Sitting seamlessly between multiple transactional systems and the GL, Atoti Operational Subledger is where accounting data can be gathered, analyzed, validated, and maintained for the purpose of business unit financial reporting.

Atoti Operational Subledger is built on top of the industry leading Atoti aggregation and calculation engine.

Collecting accounting data from a variety of sources — transaction systems, systematic or manual journal entries — Atoti Operational Subledger translates and enriches that data based upon accounting rules to produce detailed postings that are summarized by posting date, ledger, business unit, etc. to feed the corporate General Ledger.

Entirely configurable, the accounting rules stored in Atoti Operational Subledger automate the creation of standard journal entries that are tied to business events such as local currency equivalents, reversals, alternative basis, or balance recognition, thus saving financial managers valuable time. Any posting, even the manual ones, are organized into an accounting task that follows a workflow to capture the required levels of approval to post to the GL. All along the way, the data is audited so that financial managers have a clear vision about where the data came from and how the postings were generated.

Business unit financial managers are able to analyze the data at a level of detail that is not available in the corporate General Ledger. Analysis and reporting, including aggregation / slice & dice / filtering, etc. is possible on business elements contained in Atoti Operational Subledger that may not be needed, or of interest for the corporate GL. This facilitates the detection of errors and subsequent root cause analysis. What-if simulations can be performed to understand the financial impact of new transactions on the business's financial statements.

Real-time account balance calculation and analysis

A frequent issue is the lack of data timeliness. Financial managers don't always have access to the latest trial balances, roll forward, or income statement reports from applications that are batch processed. Because Atoti Operational Subledger is built on a real-time aggregation and calculation engine, Account Balances are instantly calculated when the postings are entered. There is no need to wait for the next batch process to begin the analysis: trial balances, roll forward, or income statements are immediately available for analysis. Automated notifications are possible to alert users when account balances reach certain threshold levels, or to keep track of the arrival of data from external sources. Drill-through capabilities speed-up the investigation of changes in account balances by pinpointing the contributors to the account balance change. Users have access to the current period, as well as to prior period data, and their audit trails, to help in the analysis and investigation. Not only is the time to close significantly reduced, but also the close process is more efficient.

Quicker response to changes through user-configurable rules

Atoti Operational Subledger stores data transformation rules, accounting rules, workflow processes, and all of the accounting task creation logic that pertains to the accounting period end close. While changes to these rules are only made after proper validation and testing, the ability to make changes to the underlying logic rests in the hands of the business's power users.

Technical staff do not need to make code changes in the application and organize a new Release. Let's consider a new audit requirement that now requires postings in excess of $100,000,000 to obtain additional approval: Atoti Operational Subledger "power user" is able to modify the workflow rules. Once tested, the modified state transition logic is immediately updated in the production environment without introducing a single code change or requiring the system to go offline.

Instant what-if analysis for enhanced impact assessment

Atoti Operational Subledger differs from other applications by providing the financial manager with the ability to perform instant what-if analysis. Postings can be entered to simulate a new product or a new financial accounting rule. As a result, What-if analysis can be done by the financial manager to immediately assess the impact of introducing a new accounting policy, a new transaction, a new accounting rule, or a new product on the business' financial statement.

Unparalleled level of data granularity for better reporting

Atoti Operational Subledger is ideal for those business units that need to keep greater detail of accounting postings for reporting and analysis than is maintained in the corporate General Ledger. Detailed data that is not available in the GL is available to the business unit financial managers. In addition, financial managers can enter adjustments to the accounting data directly within Atoti Operational Subledger. For example, if the financial manager discovers a business unit reporting issue after the corporate GL period is closed, he can always adjust the underlying details for his own business unit reporting and analysis directly within Atoti Operational Subledger. All data in Atoti Operational Subledger does not have to be included in the GL extract data. As a result, the business unit is in full control of the business unit's period close.

Business **Benefits**

Atoti Operational Subledger provides financial business units with the ability to accelerate the financial close and improve its overall quality and reliability.

Business benefits include:

- Unified financial reporting system: Data from multiple disparate processes is captured and audited in Atoti Operational Subledger and held in a consistent format.

- Real-time analysis: Analysis of the data can begin as soon as it arrives – there is no need to wait for batch processes to see the impact of a data feed to the account balances.

- Data granularity: Detailed data retained in Atoti Operational Subledger rolls up to and reconciles with the corporate GL. Business unit financial managers can track the details of account balances; details that are not normally available in the corporate GL.

- Less manual entries: The number of manual entries required is reduced by automating the creation of postings via the accounting rules.

- Traceability of data from source to GL: The history of an accounting task shows the source, the rules, the workflow, and the approval process to which that accounting task was subjected.

- What-if analysis: Business unit financial managers can perform what-if analysis to see the impact of new products or new accounting policies.

- Process re-runnability: It allows data corrections to be made at the source and re-run through Atoti Operational Subledger with only delta postings required if prior results were already posted to the GL.

- Reduced dependency on IT: Power users can modify accounting rules without the need to have IT code and deploy new versions of the software.

Powered by Atoti

Atoti Operational Subledgerr is built on top of the award-winning data analytics platform Atoti.

Atoti features an object-based, in-memory, real-time aggregation platform with rule based continuous queries. Atoti captures massive amounts of data and computes sophisticated measures instantly, making them available for real-time, intraday or historical analysis. This delivers the following technical advantages:

Data schema agnostic: Atoti Operational Subledger is agnostic to the source or structure of the chart of accounts data and will facilitate the mapping of transaction data into the format required for journal entry postings, thus eliminating time-consuming data manipulations. Atoti Operational Subledger does not require the installation of yet another set of reference data that needs to be mapped from transaction system(s) to the GL.

Ease of integration: Its schema-less nature allows Atoti Operational Subledger to use data from many systems and to integrate within big enterprise ecosystems readily.

Configurability: Configurable accounting rules enable the transformation of transaction data into subledger postings. Configurable workflow rules assign maker/checker responsibility by accounting task type.

Advanced reporting: Complex scheduled and ad-hoc reporting functions are available on all aspects of the data model (postings, tasks, etc.)

Incremental processing: Atoti Operational Subledger absorbs data as it arrives and performs what-if simulations for new accounting policies. Adjustments entered in Atoti Operational Subledger may be business specific details not sent to the corporate GL, or manual postings intended to correct the corporate GL.

Case study

Shortening the monthly close at a large financial organization

Problem

A large financial institution in the US wanted to improve their monthly reporting close process. More specifically, they pursued the following goals:

- Reduce the number of manual entries that are posted to the corporate-wide general ledger system each month
- Improve the rejection rate of systematic postings to the general ledger due to invalid account numbers or other bad reference
- Introduce straight-through processing
- Reduce the time to close the accounting period each month.

These goals were in competition with the business needs to add new products in an environment where there already existed a number of transaction systems that were not easy to modify and did not connect directly to the general ledger system to ensure proper reference data validations. The financial accountants were spending unnecessary days each month-end performing reconciliations, investigating postings rejected from the general ledger feed, and preparing manual general ledger adjustment entries.

The key control points continued to grow, not lessen.

Solution

The firm decided to implement Atoti Operational Subledger. As a result of financial accountants using Atoti Operational Subledger:

- Transaction systems now feed into the subledger every day
- Journal entries are created from the transaction system feeds, using user extendable rules
- Validation rules use general ledger reference data to ensure that subledger postings will feed into the GL without error
- Straight-Through-Processing can be established using workflow rules to allow postings to flow to the general ledger with user defined approvals
- Manual adjustments made in Atoti Operational Subledger are subject to the same validations as all systematic postings
- All actions and rule executions are audited

Results

The financial institution achieved the following benefits:

- The number of rejections from the general ledger has reduced nearly 90%
- Financial accountants have a complete view of the postings entered to a given account for a given business unit for the particular instrument ID
- 40% of the monthly postings are created through systematic interfaces and businessrule processing, and further effort is focused on raising that to 70% within the next year
- Detailed reporting is available in the subledger before postings reach the general ledger
- There are now only 3 key controls in the monthly close process Overall, less time is being spent on correcting rejected postings; introducing Atoti Operational Subledger reduced the accounting close period by 1 – 2 days each month-end.

ActiveViam

About ActiveViam

Founded by industry experts, ActiveViam understands the data analytics challenges faced by financial institutions across trading desks, risk, and compliance. ActiveViam pioneered the use of high-performance analytics in finance, helping the largest investment banks, asset managers and hedge funds make better decisions, explain results with confidence, and simulate the impact of their decisions. ActiveViam's mission is to deliver train-of-thought analysis on terabytes of data in the most cost-effective way so clients can explain their results with confidence and model the scenarios that will optimize their business. ActiveViam specializes in risk data analytics for one of the fastest moving and most regulated industries with a presence in the world's leading financial marketplaces - London, New York, Singapore, Sydney, Hong Kong, Paris and Frankfurt.

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