Solve the 5 most common intercompany transaction challenges

Binary Stream

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Introduction

Recent years have seen a rise in the number of transactions taking place between related companies. Intercompany accounting has become a fact of everyday business, yet, despite this, many remain unaware of the best practices for managing intercompany transactions or have a plan in place to mitigate the risks presented by some of the bigger challenges or issues that can arise when handling high volumes of transactions between related organizations. This booklet covers solutions you can implement to tackle the five core challenges your team is likely to face.

> *Postponing the inevitable and trying to manually address the rising tide of intercompany transactions will only lead to overwhelmed teams without the tools to manage challenges as they arise.*
>
> ***Lak Chahal, CEO at Binary Stream***

5 core intercompany accounting challenges multi-companies face

1. Resource-draining, time-consuming processes
2. Complications due to inconsistent intercompany accounting policies
3. Researching discrepancies and rectifying errors across various entities
4. Lack of tools and disparate, decentralized accounting systems
5. Failure to keep up with local regulatory compliance and accounting standards

Challenge one | Resource-draining, time-consuming processes

Handling intercompany accounting involves tracking, settling, eliminating, and reconciling all intercompany transactions between entities. It involves numerous steps, transaction types, and scenarios that need to be worked through for parent companies to produce an accurate consolidated financial statement.

As companies grow and these transactions increase, finance faces an immense backlog of unprocessed data, improvising manual processes to try and meet deadlines, and error-riddled reports that are effectively useless. All these issues can exist as well as the problem of having the entire team tackling the task of trying to fix them, leaving little time for the many other duties on the average finance department’s plate.

If everyone is busy inputting data manually, rectifying errors and scrambling to get month-ends complete, what happens to the strategic elements of finance? How can your team grow operations if you are already struggling to keep up with the pace of intercompany transactions?

3 solutions for resource-draining, time-consuming processes

1 Automation of all time-consuming processes involved in intercompany transactions

2 Invest in an ERP built to handle the complexities of multi-entity management

3 Centralize intercompany accounting for more transparency and accuracy

Challenge two | Complications due to inconsistent intercompany accounting policies

A lack of documentation may not seem like the most pressing concern if you currently face a bottleneck of intercompany transactions. However, every minute spent defining processes and standardizing the approach to intercompany accounting will save you hours in the long run.

Often, parent companies adjust for all subsidiaries to produce a consolidated financial statement. Yet, there’s no reason individual subsidiaries can’t complete the bulk of this work with the proper guidance. One problem that regularly occurs is different approaches from different teams and little communication from the parent company regarding accounting expectations.

When acquiring new branches or expanding, companies need to sit down and consider every stage of the intercompany process. Building out policies for handling every transaction type, ensuring teams have adequate tools, establishing a global chart of accounts, and communicating changes to existing policies through continuous training and documentation.

3 solutions for complications due to inconsistent intercompany accounting policies

1 Consistent updating of financial data management policies and governance

2 Implement training programs for all finance teams and documentation of all processes

3 Adopt an intercompany accounting framework to create a holistic approach

Challenge three | Researching discrepancies and rectifying errors across various entities

Accurate reporting already costs intercompany accounting teams a lot of time and energy without the additional stress of dealing with errors. Most companies will likely spend most of their time researching discrepancies between reports and rectifying errors on month-ends. Often transactions queried at the end of a month will be weeks old, and parent companies may have to go through multiple departments in a subsidiary to get answers as to what went wrong.

Rectifying errors can cost teams more time than it should take to process an intercompany transaction end-to-end. Wasting time in this manner can impact team productivity and morale, as strategy takes a backseat, and accountants figure out inconsistencies across multiple reports and teams.

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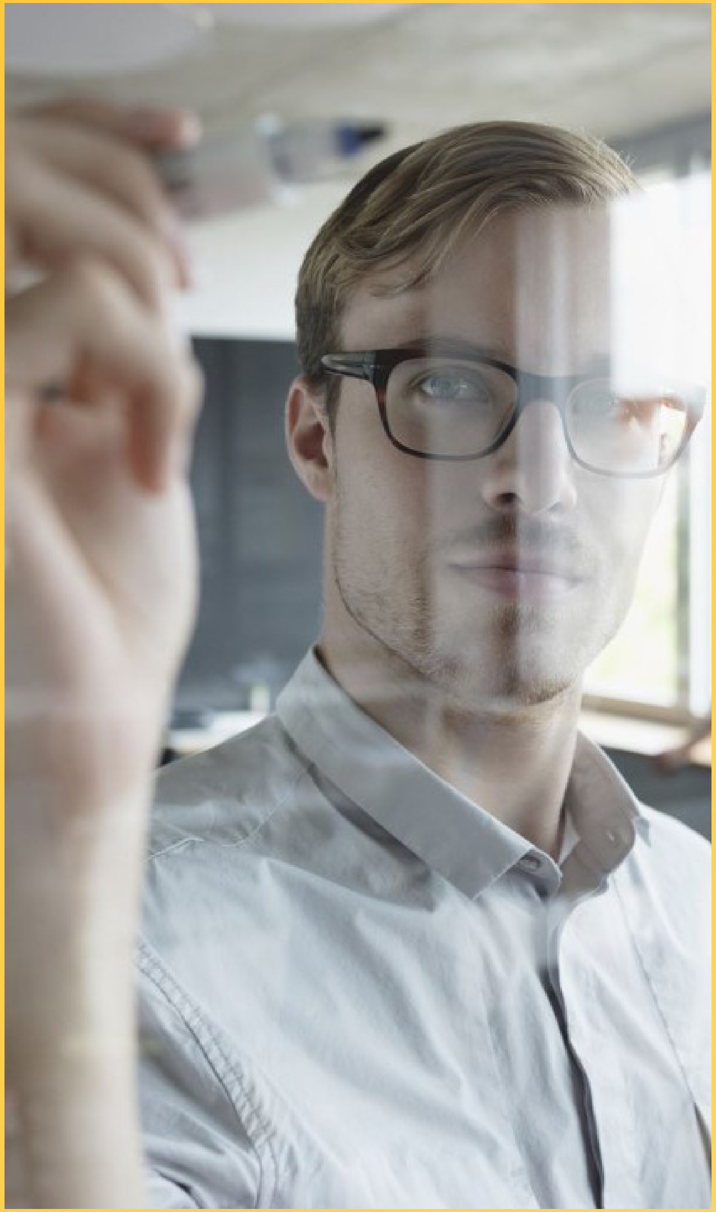

Challenge four | Lack of tools and disparate decentralized accounting systems

The biggest roadblock for accounting professionals is the lack of good tools to handle intercompany transactions. Deloitte polled 4,217 accountants facing intercompany hurdles and found that the most common challenge was decentralized accounting systems.

Far too many multi-entity companies operate from disparate accounting systems, with teams handling finance in silos, importing, and exporting reports, and updating records manually. This scenario is an administrative nightmare and a recipe for financial disaster.

It is worth noting that transferring sensitive financial information in this way is a process vulnerable to security breaches and data manipulation. In the worst cases, it can lead to issues with filing taxes, the loss of essential documents, and reporting that fails to meet compliance requirements.

Finance needs to convince leadership teams of the cost of non-compliance and alert them to the amount of time and money commonly saved by investing in the right tools. Financial transformation often doesn’t begin until it’s long overdue, and when it comes to multi-companies, it should be a top priority before problems start to arise.

3 solutions for lack of tools and disparate decentralized accounting

1. Invest in centralized ERP systems that create one source of truth

2. Focus on software built for managing intercompany transactions

3. Prioritize systems built to automate consolidated financial statement

Challenge five | Failure to keep up with local regulatory compliance and accounting standards

Non-compliance is a risk most multi-companies should not be willing to take, yet it's a risk that many take every day when they postpone financial transformation. Global accounting standards like IFRS 10 and ASC 810 are non-negotiable, and teams must work to keep intercompany transactions in line with the expectations in these guidelines.

Often companies have developed high-level strategies to tackle compliance issues, but the real work happens at the line-item level. Creating smooth workflows involves implementing global policies and frameworks that meet the growing demands of governing bodies.

3 solutions for failure to keep up with local regulatory compliance and accounting standards systems

1 Appoint someone to be a subject matter expert on IFRS 10 and ASC 810

2 Establish a centre of excellence to define, govern and communicate compliance requirements

3 Invest in a system built to enable compliance with relevant accounting standards

Why automation is the answer to these challenges

Although several solutions exist for each issue, automation is at the heart of each. Postponing the inevitable and trying to manually address the rising tide of intercompany transactions in your company will only lead to stressed teams without the tools to properly manage the issues.

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Suitable ERPs will allow your team to manage end-to-end intercompany processes without headaches so that you can focus on growing operations through strategic initiatives.

Lak Chahal, CEO at Binary Stream

Introducing our intercompany accounting solutions

Streamline your intercompany transactions and simplify accounting across multiple entities with the power of our industry-leading solutions. Enable compliance, automate reconciliations and eliminations, and maintain a centralized source of truth between entities. If you'd like to partner with a team that will be with you every step of the way, then we're here to help. When we work with your company, you don't just get a solution, we put our best people at the heart of your roadmap to success.

Microsoft preferred solution

Gold
Microsoft Partner
Microsoft

30+ countries across the globe

20+ years implementing scalable solutions

1900+ customers successfully transformed

Wonderful, wonderful, wonderful. A joy to work with Binary Stream. Everyone was super helpful and positive, which had a big impact on the success of the implementation.

MoxiWorks

The team at Binary Stream helped us get everything going. They addressed our questions as they came up and helped us stay on track throughout the implementation. Their hands-on approach was key in the whole process.

AiM

Every month since we've implemented MEM, we have not had an out-of-balance company. And that is an absolute miracle.

Signature HealthCARE

Binary Stream

Streamline your intercompany transactions today

Comprehensive solutions to meet the demands of intercompany accounting. Everything from automation of reconciliations and eliminations to audit-friendly reports that help keep your team strategically aligned. All this, embedded directly within Dynamics 365.

Discover more

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