ASPECT4 Financial Management Functions and Processes

In the ASPECT4 software, EDB Gruppen has exploited the latest technology for working with ERP, CRM and the Internet. The purpose of this process paper is to provide an introduction to all the tasks and assignments that can be solved with ASPECT4 Financial Management. The paper should be read by consultants, auditors, company owners and everybody working with ASPECT4 Financial Management.

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Adding value to business

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1   Introduction

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ASPECT4 is used within a great number of businesses and industries, such as electronics, wholesale, food industry, recycling, graphics, iron and metallic industry, pharmaceutical industry, furniture, plastics, textile, carpet manufacturing, wine, timber and DIY, transportation etc.

1.1   The ERP Solution ASPECT4

We have specialised in providing solutions for trade, manufacturing, service, and for the industry verticals textile, transportation and timber. These businesses all integrate with the same financial management system.

The backbone in ASPECT4 are stable products, all meeting the international standards for user interface, database concept and development tools. This means that our systems are timeless and open to the technological development in the future.

1.2   ASPECT4 Financial Management

Approximately 300 people are working with ASPECT4. The solution is used by roughly 400 companies in most parts of the world, but with emphasis on Denmark and Scandinavia. With such a widespread system, we have gained thorough knowledge regarding the requirements that apply to a financial management function in 2008.

The solution is built on modules and parameters and can be scaled to suit any company size.

ASPECT4 Financial Management is fully integrated with the rest of the ASPECT4 product palette, but via an interface solution integrations can be achieved for most business' 'presystems'. This gives the best conditions for creating simple processes and a high level of automated responses for accounting.

The end result is that the company will have a powerful management tool to find the best possible relationship between value creation and resource usage with increased earnings as the result.

1.3 The Usefulness of ASPECT4 Financial Management

Thanks to customer requirements and requests for future oriented systems, EDB Gruppen has collected a lot of experience through the years.

Some of the advantages with ASPECT4 Financial Management are:

- That the solution is parameter based.

- That the solution has an easy and flexible adaptation for the user.

- That the solution has a graphic and modern user interface.

- That the solution streamlines the company's procedures and enables eliminating all kinds of double entries.

- That the solution releases resources from routine tasks.

- That the solution can integrate all processes via the portal and give increased control, less administration and thereby greater earnings.

1.4 ASPECT4 Client – Easy and Clear

Information flow today is massive. A solution to this problem is a personally designed portal adapted to the users' needs and requirements. Each individual user must have an easy and well-arranged possibility to navigate in the systems that are relevant to her/him. Via ASPECT4 Client, the user has access to all relevant functions from only one place, to office systems and to internet. This makes navigation easy and clear.

Figure 1.1: ASPECT4 Client
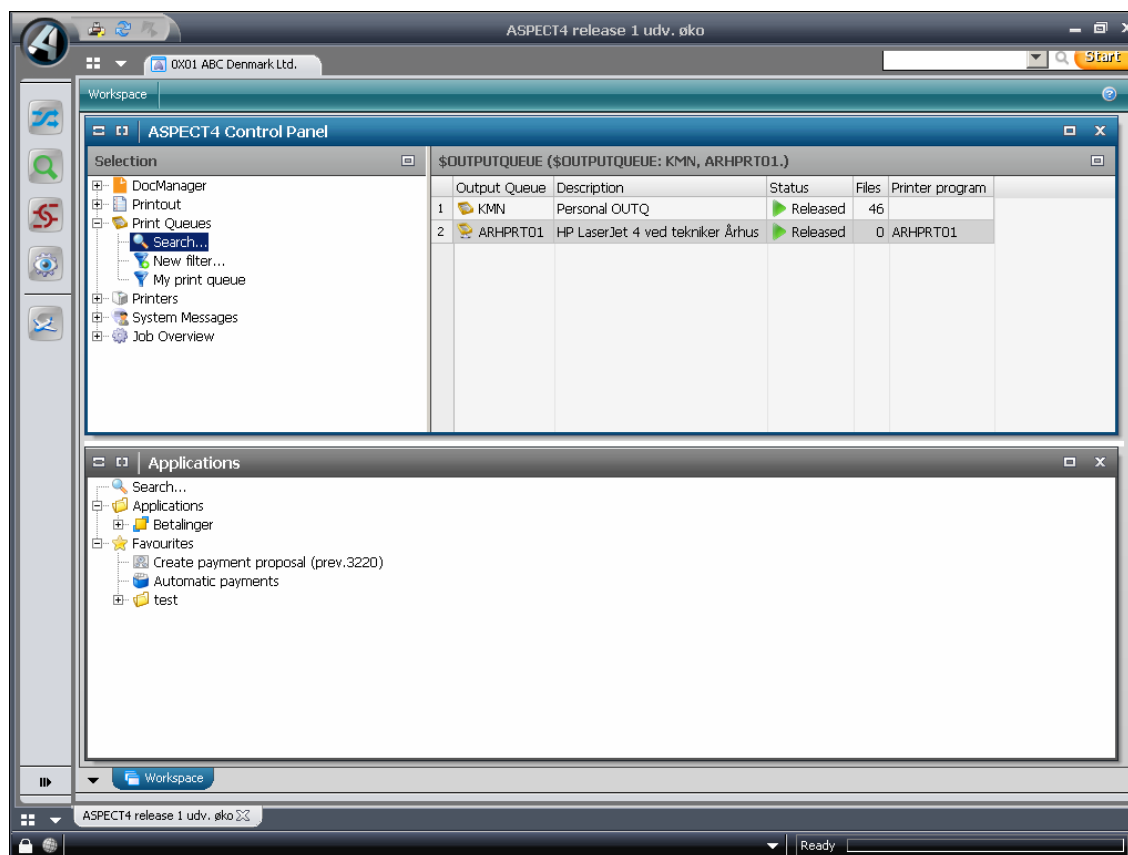
1.5 Cockpit

In ASPECT4 we use the concept Cockpit. We use this because of its associations to the complex world of pilots, where you must have quick and flexible access to a number of very different types of information.

Cockpit applications are used for collecting applications into an overview application in ASPECT4 Client. Thus several applications can appear as one application. This adds to the user experience of a more dynamic screen display with appropriate presentations of different data and an extraordinary flexibility as single, independent applications can be developed which through the cockpit can be part of a complex assimilation.

Below an example of a cockpit:

Figure 1.2: An Example of a Cockpit
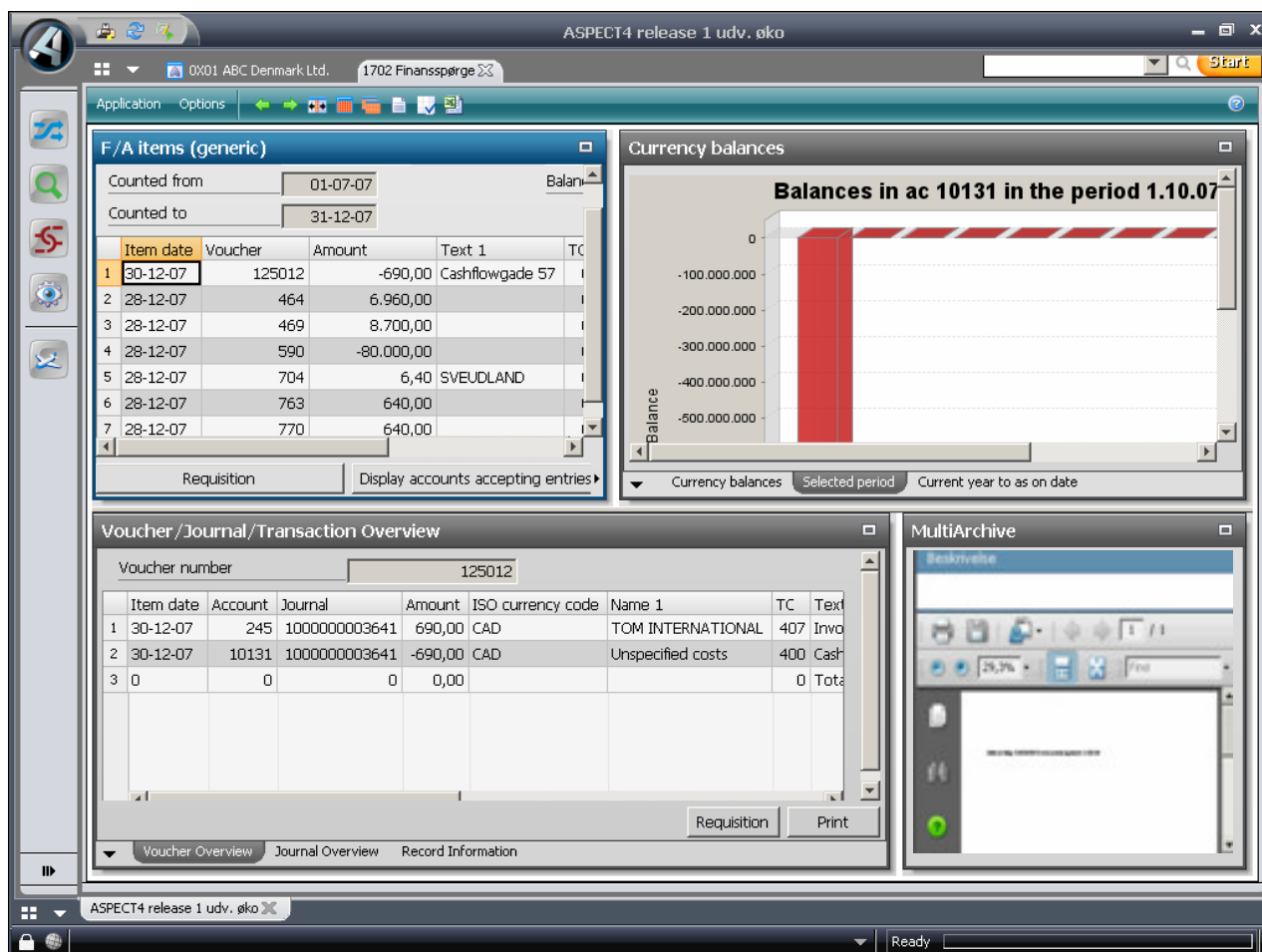
The example above of a cockpit contains a finance inquiry application connected to a graphic display of the account balance, information about the voucher and a display of any scanned voucher from the electronic archive.

In total three different search applications have been assembled into one application which offers a significantly easier information search.

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2 Central Concepts in ASPECT4 Financial Management

The central idea and the entire central purpose of each finance tool is obviously to be able to enter all financial transactions in a given period. These transactions must subsequently be compiled so that the company can deliver accounts for the period according to applicable laws.

But the finance feature of 2008 plays a much more central and controlling part across the entire value chain of the company, which puts a number of requirements to the finance management system.

In acknowledgement of these requirements, ASPECT4 Financial Management is built on completely centralised principles. Within these principles certain frames are created, in which ASPECT4 Financial Management shall operate. These principles are: An orientation towards the value chain and from this a derived interaction model and the financial management circle.

The prinicples are described below in the following sections.

2.1 The Value Chain

The value chain shows how value is added along the item flow. But at the same time it also indicates the support functions that take part and to which extent.

In relation to the functions that lie directly in the actual item flow, the finance function is like a staff function parallel to the actual item flow. The interaction between the actual item flow processes and the finance function stretches along the entire item flow and is characterised by the high frequency with which it happens.

Figure 2.1: The Value Chain
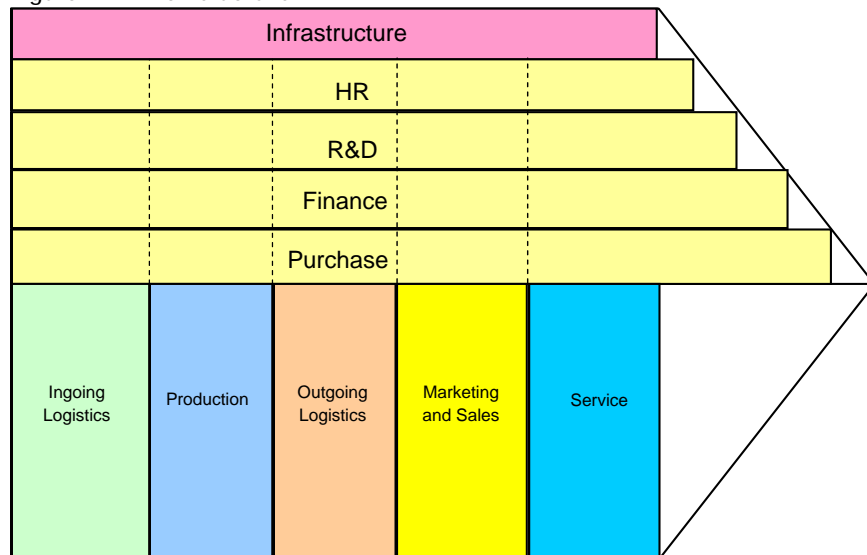
In order to support efficient financial management, the interaction between the financial function and the functions in the item flow itself must be both correct and timely.

This puts demands on both easy and automatic transaction entry, but the follow-up possibilities also play an important part.

2.1.1 Interaction Model

As a directly derived consequence of the challenge that the value chain perspective offers, an interaction model is used in ASPECT4 that controls all interaction with other systems. The core of the interaction model is the ABC (ASPECT4 BusinessConnector). Via this, ASPECT4 can be integrated to almost any database and file format.

Figure 2.2: Interaction Model in ASPECT4 Financial Management
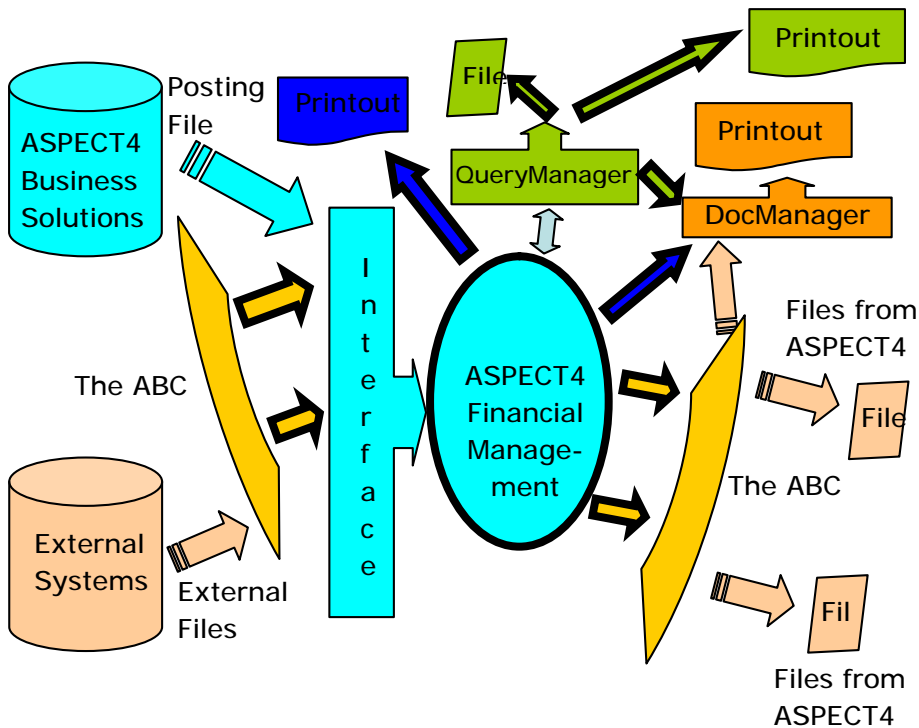
One important component for ASPECT4 Financial Management is 'the interface'. Via the interface the 'posting files' can be sent directly for bookkeeping in ASPECT4 Financial Management.

In this interface validations are performed, so that the bookkeeping is carried out on a principle that is as correct as possible.

Reporting can be done via predefined reports both via files directly delivered to Excel from ASPECT4 BusinessConnector (the ABC) and to own designed printouts via DocManager.

ASPECT4 Financial Management will via excellent reporting facilities and very flexible integration possibilities be a strong management tool for the finance function so that it can take part as an active support function along the entire item flow.

2.2 Financial Management Circle

To guarantee that the company has efficient and grounded financial management, ASPECT4 Financial Management uses the model below for the financial management – which we can call the Financial Management Circle.

Figure 2.3: Management Circle
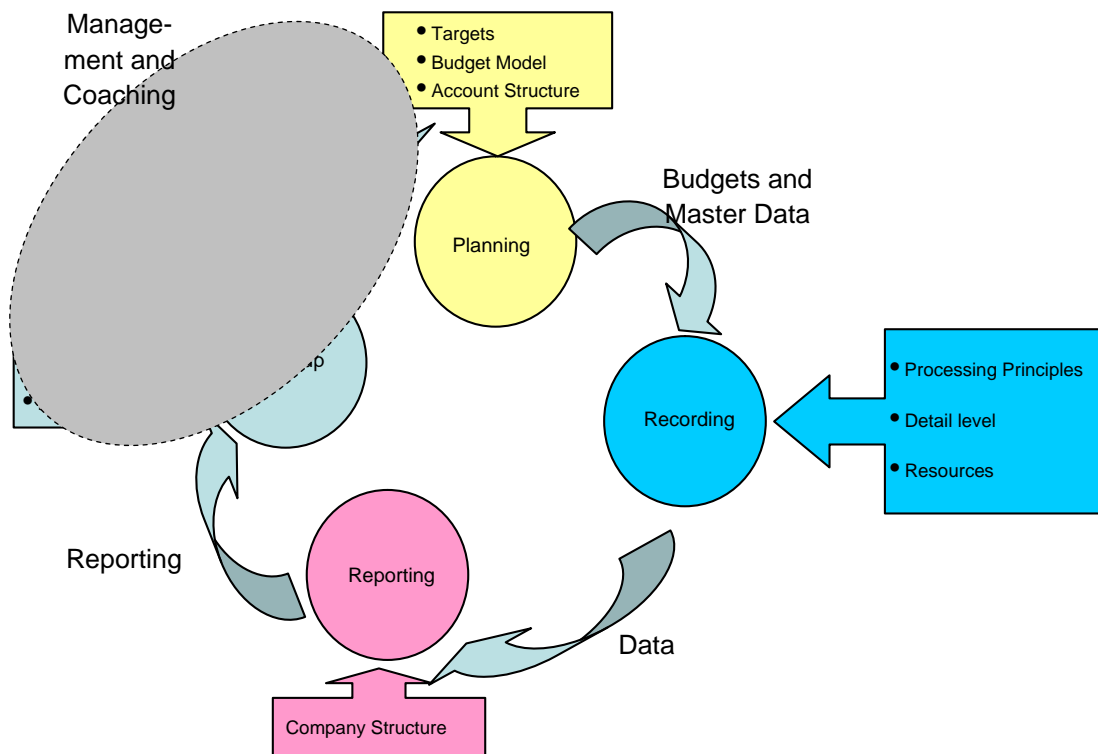
The functionalities in ASPECT4 Financial Management support the measurable phases in the Management Circle. Points that depend on management and coaching, or that for some reason are not measurable are, by their very nature, more complicated to support.

Through a consequent use of the management circle's different phases, the company will experience 'The Good Circle'. The result comes from following up on performed activities which leads to better activities in the next planning phase. An improved planning process results in all forms of information from ASPECT4 Financial Management being more trustworthy.

3   Processes in ASPECT4 Financial Management

The main processes in ASPECt4 Financial Management are illustrated below. Behind this is the finance management circle as the central principle – managing for individual processes as well as program functionalities as a whole.

Figure 3.1: Main Processes in ASPECT4 Financial Management

Budgeting:

A/R management:

A/P management:

Fixed Asset
Management:

Perodic closing:

Controlling:
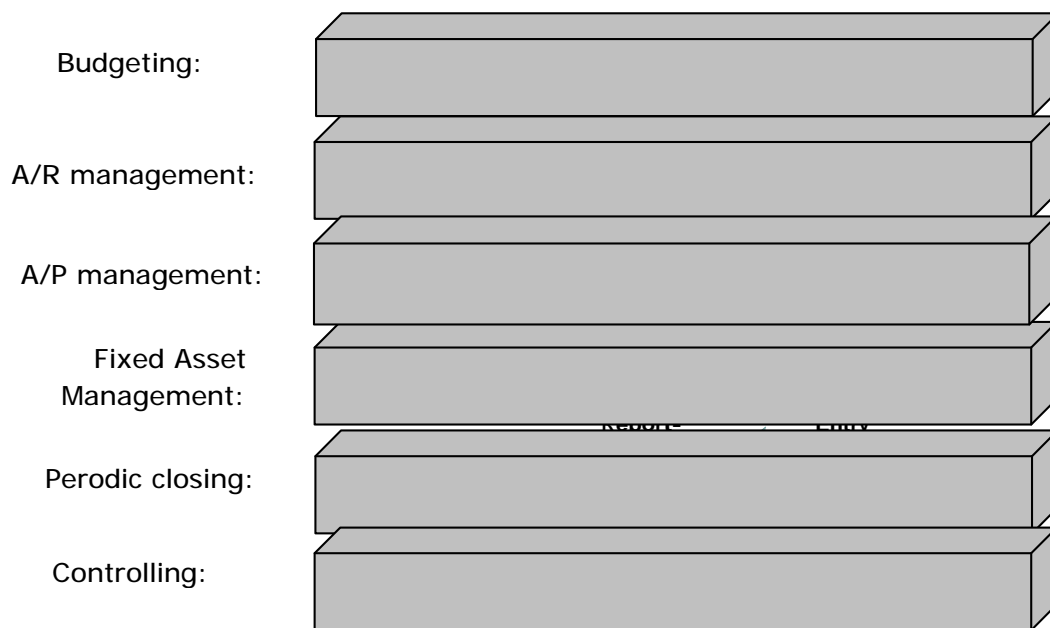
From this all together general division, the sub-processes are outlined on the following pages:

Figure 3.2: Overview with Main Processes and Sub-processes

Financial Management Circle

Main processes Sub-process		Planning	Entry	Reporting/ follow-up
Budgeting				
Budgeting	»	Budget prerequisites	Budget entry	Budget validation
A/R Management				
Invoicing	»	Creation of trading terms	Invoicing	
Entry of Payments Received	»		Entry of payments received	
Interest Calculation	»		Interest calculation and posting	Print interest notes
Account Statement	»			Print account statement
Remind A/R	»	Rules and prerequisites	Reminder calculation and posting	Reminder
Inquiries and Reporting	»			Inquiries and reporting
A/P Management				
A/P Payments	»	Creation of trade terms	Invoice recording and archiving	Invoice payments
Inquiries and Reporting	»			Inquiries and reporting

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Financial Management Circle

Main Processes Sub-process		Planning	Entry	Report–ing/Follow-up
Asset Management				
Asset Management	»	Creation and maintenance of assets and appropriations	Entry of purchase, sale and depreciations	Reporting
Interim Accounts				
Accruals	»		• Automatic accruals • Accruals via Excel	
Reconciliation	»			• Manual • VAT • Automatic
Currency	»	Currency handling	Rate adjustment	
Period Management and Posting	»	Open and close period		
Reporting	»			Reporting of period accounts
Controlling				
Controlling	»			Continuous controlling

4   Budgeting

Budgeting is usually the process where you via a backward glimpse look at previous perform-
ances as well as a set of expectations and future performances, legislation, social structures,
etc. try to quantify the activities of the coming periods, including the financial performance.

4.1   Budget Prerequisites

Before the actual budgeting work can start, the prerequisites for the budget must be in place.
During the work with these prerequisites and with a view to the practical performance of the
budget activities it would be natural to address the following types of budgets that are all
supported by ASPECT4 Financial Management.

1.   Top down-budget
2.   Bottom up-budget
3.   Budget based on experience
4.   Activity budget

As a supplement to the selected method(s), the budget phase should be orchestrated with
regard to all the influences that could affect the business. Some examples can be mentioned:

- Changed legal requirements
- General initiatives in the company
- Acquisition or sell-off
- Changed market conditions
- General trends in society
- ...

These influences and how to handle them in the budgeting process should be addressed.

Another part of the budget conditions is stating a row of factual information – which you could
call the master data of the budget.

Specifying these 'master data' shall guarantee the management of when entry to the budget
is allowed and who may do so as well as making sure that the budget is correctly positioned
in relation to the accounting periods.

In ASPECT4 Financial Management you may enter the following elements:

- Specification of budget number and name
- The start and end of the budget
- Detail level of the budget – you can budget to all accounts and dimensions.

4.2   Budget Entry

In ASPECT4 Financial Management the budget entry phase can be roughly divided into two – the entry of a new budget and corrections to an already existing budget.

4.2.1 New Budget

In ASPECT4 Financial Management entering the budget can be done in the following ways:

- By manual entries to all financial accounts with belonging dimensions
- New budget can be made based on an already existing budget
- New budget can be made based on actual figures
- New budget can be imported from external media.

Common to all entry types is that they are all subject to the budget prerequisites regarding the detail level. With respect to these prerequisites, ASPECT4 Financial Management offers a number of flexible options for the actual budget entry.

4.2.2 Corrections to Existing Budget

It is often standard practice to revise the start budget during a fiscal year. The conditions for the budget may have changed and seen from a controlling viewpoint, adjustments may be necessary.

In ASPECT4 you can enter a correction budget. The corrected budget will be made up of the original budget with the correction budget added to it.

Specifying the correction budget can be done in the same flexible way as for the original budget (see section 4.2.1).

4.3   Budget Validation

The budget validation is performed not only for validating that the new budget has been entered correctly, but also to see the implications of the new budget.

In ASPECT4 there is a number of reporting options that supports this requirement.

For budget validation we should mention the following main reporting types:

- Printouts based both on month and year compared to the actual figures for a given period.

- Budget validation via screen search

- Export of budgets to e.g. Excel

- Own reports designed in QueryManager (ASPECT4 Query-tool).

5 Accounts Receivable

ASPECT4 Financial Management is delivered with a complete package containing a solution that grants the requirements for an operational and efficient accounts receivable in the year 2008. Both the general functionality of the accounts receivable as well as the functionality of the individual sub-processes in the accounts receivable have been designed with orientation towards the management circle.

5.1 Invoicing

Invoicing of A/R is often done directly from the ERP system. It is only very rarely that the financial function performs the A/R invoicing directly in ASPECT4. But whether the invoicing is performed via an ERP system or directly in ASPECT4 Financial Management, the basic set of rules are used for the invoicing found in some trade terms.

In the following description of process and functionality it is assumed that the invoicing is performed based on the trade terms that have been entered via ASPECT4 Financial Management.

The assumptions above are strictly for illustrating the process and the functionality as ASPECT4 Financial Management, as mentioned, can integrate to many different ERP solutions.

5.1.1 Creation of Trade Terms

The trade terms are used as the managing set of rules for invoicing. In ASPECT4 Financial Management a great number of items can be recorded and they can all have a regulating influence on any trade with the customer in question.

In ASPECT4 Financial Management, information can be entered in to the following categories:

Table 5.1: Categories for Trade Information

Category	Examples of Content
Address and contact information	Invoice address, contact person, country of origin, CVR No.
System information	Language information, currency information, management of account statements
VAT information	Is the customer subject to VAT? VAT rate, VAT number
Payment information	Bank-/giro information, payment terms, credit limit
Interest information	Should interest be calculated? Which interest should be used?
Reminder information	Reminder category, possible days of grace, information on debt collections in progress
Statistics information	Sales person, district, customer group, extra fields for customizing
Invoice information	Discount %, bonus information, delivery address, dispatch method

The recording options are many and the setup of the recording application can be fully designed to suit you personally with regard to sequence, headings and field validation, etc.

5.1.2 Invoicing

Based on the current trade agreement with a given customer, invoicing can be performed in two ways – either the invoice is recorded directly in ASPECT4 Financial Management or the invoicing will be done via the Business's 'feed system'.

When the invoice is entered directly in ASPECT4 Financial Management, the trade terms described above will be used. The entry itself is done via the voucher entry facility in ASPECT4 Financial Management that compared to the actual setup of ASPECT4 Financial Management will result in a number of posting transactions. Apart from this, ASPECT4 Financial Management has a number of facilities that support the automatic VAT process which reduces the time used for entry.

With regard to the other method of invoicing, this is managed via the Business's 'feed system'. These invoices are registered in ASPECT4 Financial Management via the interface solution. Based of the trade terms, the invoice is made up via the Business's 'feed system' that subsequently delivers a posting file to the interface in ASPECT4 Financial Management. In this interface, a validation of the posting file is performed before it is entered.

The interface in ASPECT4 Financial Management supports the following:

- Automatic VAT processing

- Full validation of the transfer of the posting

- Opportunity to use the trade terms from ASPECT4 Financial Management in cases where they are missing in the posting file.

- Posting via the interface can either run automatically or via a manual input.

Content and format of these posting files are based on a fixed concept. With a very flexible option to transfer files via ASPECT4 BusinessConnector (the ABC) you gain a strong and standardised concept for minimising manual entry. For the role of the ABC in the interaction with ASPECT4, please see section 2.1.1.

5.2   Payment Entries

Entry of payments is one of the sub-processes with the greatest derived effect on other processes in the financial function. If this entry is not performed both timely and correctly, many of the activities that follow, as reminder procedures, account statements and adding interest, will be more or less impossible to carry out.

There are many situations that can influence the correctness of a payment entry and not all situations can be checked by the company.

Figure 5.2: Impacts on Payments Entries
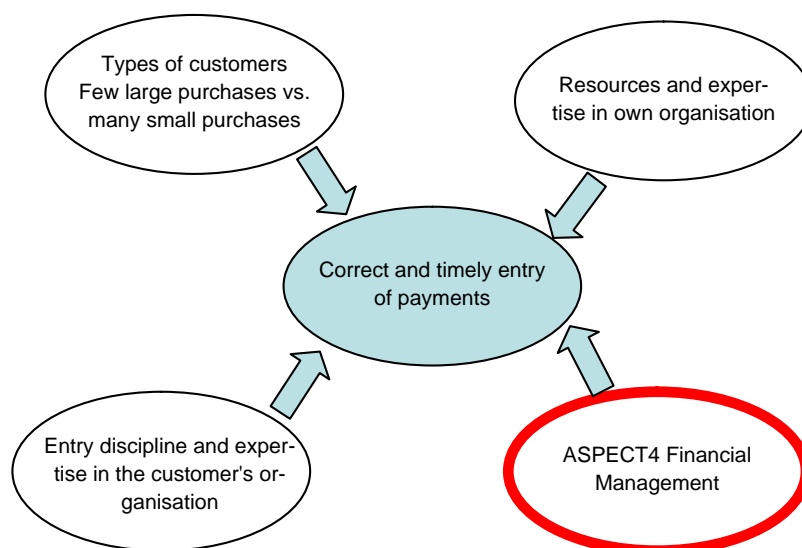
As of the figure above it must be relevant to dwell a while on what we are going through in this description. Focus in the following description is only on how ASPECT4 Financial Management can help in the entry process. The other conditions should be taken into consideration when you design your process for payment entries and the choice of solutions that follow.

5.2.1 Entry of Payments

On an all functional level, there are four methods for entry of payments in ASPECT4 Financial Management.

5.2.1.1 Manual Entry

Entry of payments can be performed manually. Via an entry application the payments can be entered to the A/R and derived financial transactions can either be automatically or manually generated. This is managed by parameter setup.

5.2.1.2 Automatic Entry via Payment Slip

Based on the functionality that is achieved by using giro payment slips in ASPECT4 Financial Management you may have information regarding payment-id printed on the following types of A/R related communication:

1. Invoices
2. Account statements
3. Interest notes
4. Reminder letters

By making this information available to the customer it will actually be possible for the customer to pay all/some of their outstanding debts based on all communication received – by just indicating the printed payment-id.

As the banks in Denmark are using the same format for forwarding payment information, ASPECT4 can automatically receive payments that way. Your customers pay based on an invoice, an account statement, an interest note or a reminder to the bank or via net bank. You receive a file from the bank that is read into ASPECT4 Financial Management and automatic entry of the payments and settlement of relevant invoices are automatically performed. If no settlement is possible, a list is created with the payments that are entered as open.

5.2.1.3   Leverandørservice (Supplier Service) via PBS

By letting PBS take care of the payment process, the invoice amount is automatically collected and thereby guaranteeing that the payment is made in due time. Likewise it is guaranteed that the exact amount is paid and there is no doubt about which invoice the payment covers. As everything runs automatically, a lot of typing is also avoided.

In ASPECT4 Financial Management a list is drawn with the invoices that are due within a given period. This is sent to PBS and a payment extract is created for the A/R bank account. You can also automatically mail a notification to the customer that a payment extract is generated with a specification of the invoices.

After this you receive a confirmation from PBS that the payment has gone through and the payment is automatically entered to ASPECT4 and the invoice is settled.

5.2.1.4   Entry via Third Party Software

In the light of the flexible integration options given in ASPECT4 Financial Management you may, in cooperation with external suppliers, integrate to third party products that could do the actual matching between the payments and the open items for A/R.

If the matching software can be delivered in the posting file, both the A/R and the finance accounts are updated.

EDB Gruppen A/S has at present entered into an agreement with an external software supplier concerning such a solution, so now we already have a fully integratable solution.

5.3   Interest Calculation

You are given the option in ASPECT4 Financial Management to perform interest calculations for accounts receivable. With reference to the management circle, the flow in the interest calculations looks like this:

Figure 5.3: Management Circle used for Interest Calculations
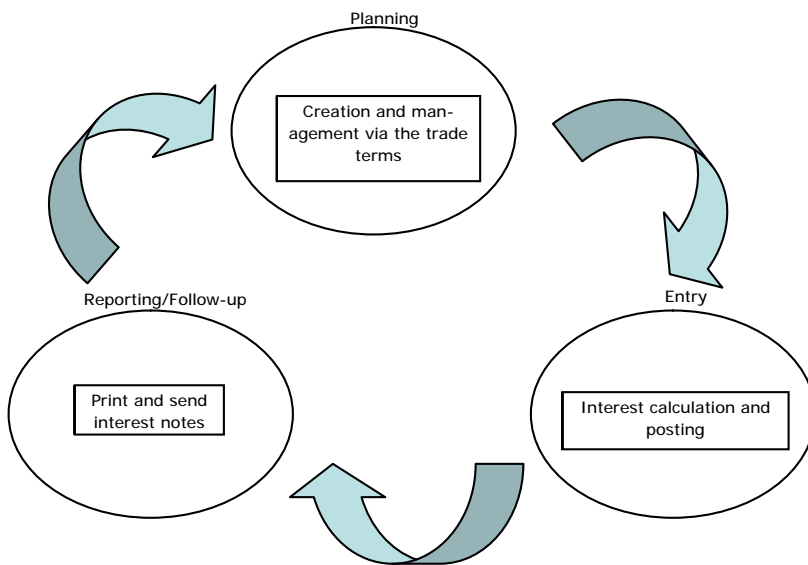
5.3.1 Creation of Trade Terms

As mentioned in section 5.1.1, all trade relations in ASPECT4 Financial Management are integrally managed, basically by entering the trade terms. This is also done for interest calculations for accounts receivable. Of managing mechanisms we can mention: the possibility to enter different interest rules for different accounts receivable, stop or start interest calculation or e.g. to overrule to an entirely different interest rate for a given account receivable.

5.3.2 Interest Calculation and Posting

Interest calculation in ASPECT4 Financial Management contains the following four phases:

Figure 5.4: Phases for Interest Calculation
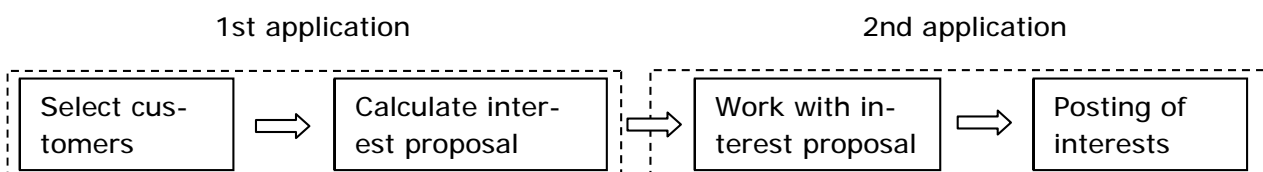
5.3.2.1 Select Accounts Receivable

Based on the trade terms specified for a given account receivable regarding interest calculation, a further selection can be made for accounts receivable to interest calculation. The selection itself is done based on up to six different selection criteria. Apart from these criteria, the selection phase can be further adjusted via parameter setup.

5.3.2.2 Calculate Interest Proposal

Based on the selection criteria that were selected in the previous phase, the actual calculation is performed for adding interests.

The prerequisites and the general rules for interest calculation is parameter based.

5.3.2.3 Work with Interest Proposals

The result of the previous phase is an electronic interest proposal. Via this proposal you may – in a simple and practical way – per account receivable, work with the items that are included in the interest calculation for an account receivable. In this phase you can once again, per item, select the following actions:

- Reset interest amount
- Delete interest basis
- Reset/stop-flag

These points cover the following options:

Reset interest amount
The interest amount is deleted in the proposal and at the same time a date is set for the last interest calculation of the item, equal to today's date.

Delete interest basis
The interest amount in this proposal is deleted. At a later creation of the interest proposal the item, if not paid, will be recalculated. The interest calculation will again be performed, based on the same date as the interest proposal in progress.

Reset/stop-flag
Resets the interest amount and BLOCKS THE ITEM for FUTURE interest calculation.

5.3.2.4 Posting of Added Interest Proposal

When the processing of the interest proposal has been completed, the amended interest proposal to be added is confirmed and then the added interests are entered in both the financial system and in the A/R system.

5.3.3 Print Interest Notes

As the last part in the flow for the interest calculation, the interest notes are printed based on the added interests. A standard letter is delivered via ASPECT4 Financial Management. The text in the letter can easily be amended and language controlled depending on the customer's geographical location.

If you use DocManager you get access to a number of extra functions and several graphic options. One of them is the option to send your interest note or other documents via e-mail to a given A/R.

5.4 Account Statements

Via ASPECT4 Financial Management you can print account statements to all or selected customers. A standard letter is included in ASPECT4 Financial Management. The text and the language of the letter can easily be amended according to the customer's geographic location.

5.5 Reminding Customers

A central discipline in an efficient and modern accounts receivable – apart from the payment entry – is payment reminders and reminding missing payments. In this description this has been collected under one heading 'Reminding A/R'.

ASPECT4 Financial Management contains a complete module for managing and executing the A/R reminders. With full support from the management circle the general functionality in the A/R reminder can be outlined as follows:

Figure 5.5: Management Circle for A/R Reminder Procedures
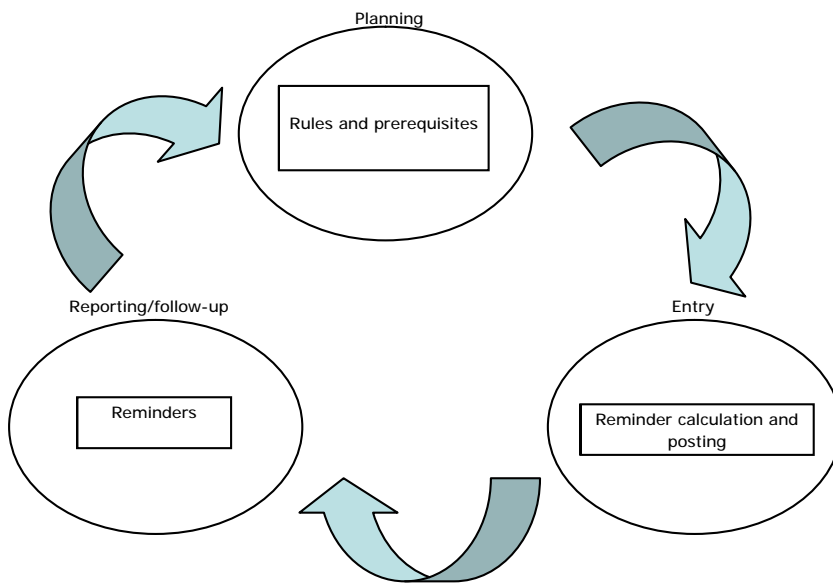
5.5.1 Rules and Prerequisites

Before the practical execution of the A/R reminder procedure can be performed, there are several prerequisites and rules for the reminder process that must be identified. For the same reason we strongly recommend that you document the reminder procedure before the technical setup of the reminder module is initiated.

ASPECT4 Financial Management is delivered with a number of very flexible possibilities for set-up of the reminder process itself. You may differentiate the A/R by specifying how this A/R should be handled regarding reminders for payment, the text for letters, the number of reminders before debt collection, etc.

The tool used for securing this flexibility is that these rules and prerequisites are entirely parameter based. These rules and prerequisites can thereby be connected to a given A/R via a code in the A/R master data (see section 5.1.1 Creation Trade Terms).

5.5.2 Reminder Calculation and Posting

The reminder calculation and any posting of reminder fees are unbelievably simple. With focus on 'Ease of Use' this is carried out with two applications.

Figure 5.6: Phases for A/R Reminder
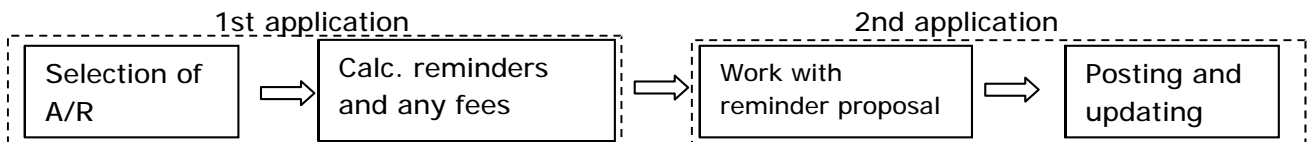
The first application is a selection and calculation application. Based on this selection you may, via a 'Work with and Approval Application', change, stop or approve your A/R reminder. This may be done by item by A/R or on higher level if requested.

By approving the A/R reminder, the posting is automatically initiated and the accounts receivable master data are updated, so that the A/R master data always reflect the A/R reminder status. Prerequisites and rules for the reminder calculation and posting is also parameter controlled.

5.5.3 Reminders

The last step in the A/R reminder procedure is to print out and send the reminders. The reminders in ASPECT4 Financial Management are designed so that several different versions of letters can be composed for a complete reminder procedure from payment reminder to debt collection. The text of the letters can easily be altered and language controlled according to the geographic location and the accounts receivable.

### 5.6   Inquiries and Reporting

In relation to the functions that we have just gone through above, there is a great deal of traditional 'inquiry tools' and reconciliation lists, of which some are entirely screen based, while others can deliver both printouts and database files. Furthermore there is a report generator in ASPECT4 Financial Management with which you can design your own A/R reports.

6   Accounts Payable

ASPECT4 Financial Management is delivered with a complete package containing a solution that meets the requirements demanded in 2008 for an operational and efficient A/P account. Both the general functionality and the A/P accounts as well as the functionality of the individual sub-processes in the A/P accounts have been oriented towards the management circle. The flow is illustrated in the figure below:

Figure 6.1: The Flow for A/P Payment
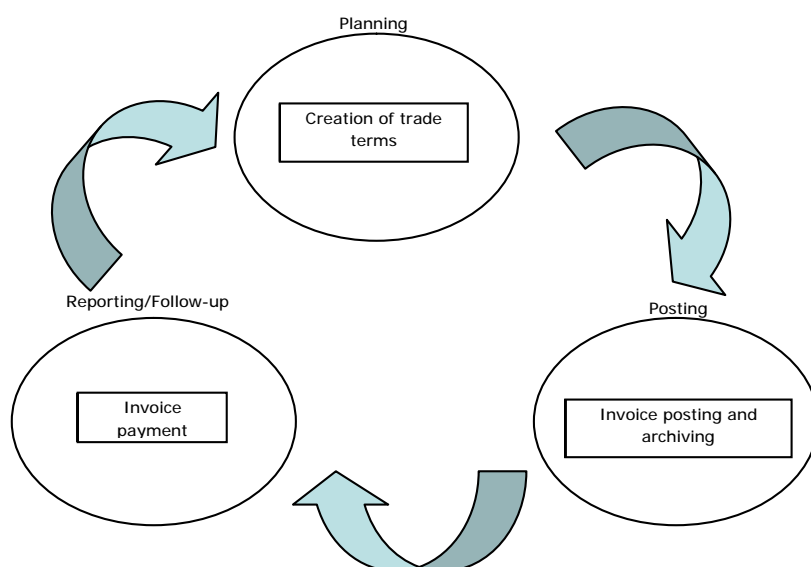
6.1   A/P Payment

Seen from high above, posting and payment of purchase invoices is one of the most important disciplines – if not the most important - in accounts payable. With this we mean that you via ASPECT4 Financial Management get a number of modern functions for a reliable and efficient control of accounts payable. Here we have put a lot of emphasis on solving the A/P payments. Furthermore this accounts payable tool is included in the total Financial Management package in ASPECT4 which guarantees full integration to the general ledger with the derived reliability regarding financial reports, etc.

6.1.1 Creation of Trade Terms

As the controlling set of rules for posting and paying vendor invoices, we use the trade terms. In ASPECT4 Financial Management you may enter a great deal of information and this could get controlling influence on any trade with the vendor in question.

In ASPECT4 Financial Management you can specify information within the following catego-
ries:

Table 6.2: Categories for Trade Terms

Category	Examples of content
Address and contact information	Invoice address, contact persons, country of origin, CVR No.
System information	Language information, currency information, account statement control
VAT information	Is the customer subject to VAT?, VAT rate, VAT number
Payment and bank information	Bank-/giro information, payment terms
Statistics information	Purchaser, district, supplier group, extra fields for customising

The entry options are many and the setup of the entry application can to a full extent be per-
sonally designed to suit you regarding sequence, headings, field validation, etc.

6.1.2 Invoice Entry and Archiving

With invoice entry we mean the discipline where the vendor invoices in the company are re-
ceived and entered in to the financial management system.

Generally for invoice entry, two central principles are used in ASPECT4 Financial Management.
It may either be with or without interim posting. This can be managed via parameter setup, if
you select one or the other method.

In ASPECT4 Financial Management there are several different 'best practice flows' that are
supported when paying vendor invoices. The use of these flows is performed with considera-
tion of the above selection between interim posting or not.

The functional scope of the best practice flows that is supported by ASPECT4 starts with the
completely manual flow and ends with the fully automatic flow. Common to all these flows is
that it contains the following four activities:

1. Receipts and entry
2. Approval
3. Transactions
4. Posting

As an example of the flexibility found in ASPECT4 Financial Management when entering vendor invoices, we give some examples of possible solutions:

Table 6.3: Examples of Best Practice Flow Regarding Posting and Approval of A/P Vouchers

No	Solution	Description
1	Manual entry and posting	All A/P vouchers are handled manually, both entries, approvals and postings.
2	Manual entry, automatic approval and posting	All A/P vouchers are manually entered, but via a workflow solution the approval is done electronically and this activates the final posting, when the voucher is approved.
3	OCR interpretation of voucher	All A/P vouchers are scanned. The entry is made based on the scanning. Depending on the selection between interim posting or not, the voucher is sent to workflow for approval followed by posting or the posting will be performed immediately.
4	Receipt of electronic invoices	The A/P voucher is received electronically from the vendor; it is validated and transferred to ASPECT4 or rejected via e-mail to the vendor. At transfer the A/P voucher is sent via flow for approval or immediate posting.

Generally you can say about the four mentioned solutions that they increasingly contain an automated solution of the common activities above (receipt, approval, transfer and posting). The list is not complete and you will find varieties of mentioned solutions.

Another condition, not the least, for the most advanced solutions is the option to integrate to an archive in ASPECT4 Financial Management.

Integration of an archive solution reduces the amount of paper copies considerably, but it also secures a much greater access to these invoices. Archived invoices are made available in ASPECT4 Financial Management. Therefore it will always be possible to display a relevant voucher as long as you are positioned in ASPECT4 Financial Management and have access to the voucher number of a given transaction.

6.1.3 Paying Invoices

One of the advantages of timely and correct entry of the invoices is the possibility to make valid and timely payments - transfers of payment files to the banks. Furthermore you avoid all the implications occurring when not paying invoices on time. Finally a timely and correct entry of vendor invoices is a major element in the cash flow forecasts.

Via ASPECT4 Financial Management you can make automatic payment files to all leading Danish banks both for domestic payments and for foreign payments via a Danish bank.

The practical execution of these payments is performed via the following flow.

Figure 6.4: Phases in Automatic Payments of A/P Voucher
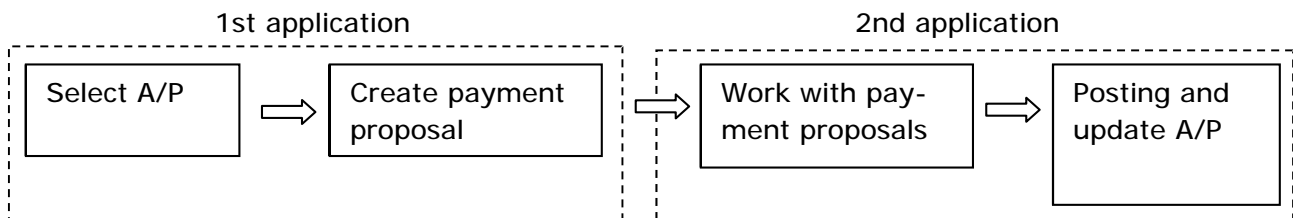
As you can see from the figure above, the A/P payment is done through the same well tested methodology as is used both for interest calculation for accounts receivable and reminders to accounts receivable – i.e. via the execution of a 'Selection and Calculation Application' followed by a 'Work with and Approval Application'.

When finally approving the payment proposal, posting is done in the finance accounts and the respective vendors are updated.

6.2   Inquiries and Reporting

In relation to the functionalities that we have just gone through above, there is a large number of traditional 'inquiry tools' and reconciliation lists, of which some are exclusively screen based, while others can deliver both printout and database files.
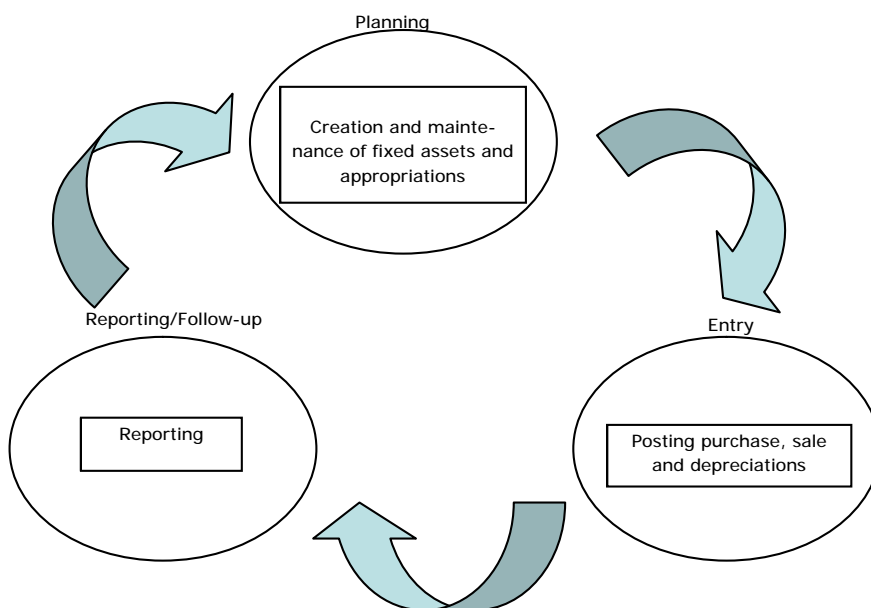
Furthermore in ASPECT4 Financial Management there is a report generator that makes possible designing your own A/P reports.

7   Fixed Asset Management

The Fixed Asset module has been designed to handle both operational depreciations, tax re-lated depreciations and indexing of insurance numbers as well as recording a great number of validation dates and validation sums as well as other additional data.

Fixed assets in ASPECT4 can via parameter setup be fully integrated with ASPECT4 Financial Management and in practice the fixed assets are regarded as a natural part of ASPECT4 Financial Management. The flow in the asset management looks as follows:

Figure 7.1: Management Circle for Fixed Asset Management

7.1   Create and Maintain Fixed Assets and Appropriations

In ASPECT4 Financial Management you can create and maintain a great number of data re-garding a given fixed asset or appropriation.

The information specified for the fixed assets can be ranked alongside the master data that controls all financial transactions involving the fixed asset in question. This can be in relation to the depreciation profile of the fixed assets' integration to the finance account/the finance accounts that is/are charged in the posting.

Creating an appropriation, so that purchase of fixed assets is taken from this appropriation – the same functionality as for an 'ordinary fixed asset' is applicable to creations or mainte-nance of an appropriation.

7.2 Entry of Purchase, Sales and Depreciation

In ASPECT4 Fixed Assets you can – apart from create and maintain new and existing fixed assets – obviously also enter purchase and sale (or scrapping) of fixed asset and make automatic depreciations. Furthermore the following functionalities are also available:

1. Enter costs related to fixed assets (e.g. fuel, repair and insurance/vehicle excise duty for a lorry)

2. Distinguish between operational depreciations and tax depreciations

3. Simulate depreciations for the future

4. Run automatic indexing of the fixed asset's insurance number

7.3 Reporting

Apart from this you also have the option to, via ASPECT4 Fixed Assets, prepare a fixed asset note that can be used e.g. for reporting the annual results.

8   Period closing

ASPECT4 Financial Management does not operate with actual monthly and annual closing runs. But a period closing consists of a number of activities that could either be the monthly or annual closing that must be performed in a fixed sequence. Via ASPECT4 Financial Management a number of tools are given that focus on facilitating performing the monthly closing and it creates a reliable result. One example of a flow for a period closing could be:

Figure 8.1: Flow for a Period Closing

Accruals	⇒	Recon-ciliation	⇒	Exchange rate adjm	⇒	Closing of period	⇒	Reporting
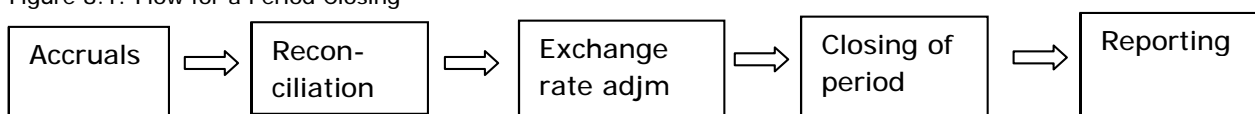
One of the help tools is the menu structure. The menu structure reflects the work processes that are usually carried out in a financial function, e.g. period closing of accounts. Menu structures can therefore be used as a 'memo' for the activities to be carried out in their internal sequence. The content of superior functionality of these activities will be examined in the following sections.

8.1   Accruals and Prepayments

Accruals and Prepayments is an activity widely spread and that, to an extent, always has to be performed in connection with closing a period. The general tendencies regarding the presentation of accounts is that it has to be done with constantly shorter and shorter time spans since the last date of the old period.

This means of course that the time for making an accrual/prepayment could be used much more constructively for financial analysis and cause descriptions.

8.1.1 Automatic Accruals

With focus on an efficient and smooth period closing, you can via ASPECT4 Financial Management move many of the accrual tasks to the time of entering the voucher in question. This might not completely remove the need for accruals but significantly reduce the amount of work in connection with the period closing.

In ASPECT4 Financial Management you can – when entering the voucher – indicate that a given item shall be accrued according to some predefined rules. These rules can be set up according to requirements, both regarding the number of periods and the accrual share per period.

8.1.2 Accruals via Excel

As a supplement to the possibility to distribute a voucher over time already at the moment of entry, you may as a solution to any necessary accrual at a closing of a period, integrate to e.g. a spreadsheet. The spreadsheet can via the correct format and layout be transferred directly in to ASPECT4 Financial Management and be posted. This is a functionality that may also be used for other purposes than for accruals.

8.2   Reconciliation

The number and the version of the reconciliation routines are different and adapted to the individual company. In spite of this, the reconciliation will always be a part of the closing period. ASPECT4 Financial Management contains a number of reconciliation and update lists, e.g. for balancing your A/R and A/P accounts with the finance accounts. Common to all these lists are that they are based on a manual reconciliation.

8.2.1 VAT Balancing

All the reconciliation and update lists found in ASPECT4 Financial Management have been designed with regard to solving a specific task or for reporting. One of these tasks is the VAT balancing or the probability calculus for VAT. This has traditionally been both a comprehensive and often a very difficult task.

In ASPECT4 Financial Management there is a tool that via parameter and file setup may facilitate and thereby minimise the time usage for VAT reconciliation.

The tool is based on a reconciliation list but the content of the list can be tailored to display only the information or the account combinations that are necessary for making a valid probability calculus for VAT. You can e.g. have turnover accounts displayed in column 1, VAT accounts in column 2, while the actual VAT % calculated based on column 1 and 2 is displayed in column 3.

8.2.2 Automatic Reconciliation

As a supplement to the standard reconciliation tools that are delivered with ASPECT4 Financial Management, EDB Gruppen has entered into cooperation with an external supplier for delivering a solution that can atomate the reconciliation task significantly. The solution can basically be used for reconciling everything where the transactions exist electronically. Via an automatic matching of interrelated entries, the reconciliation task can be much reduced. The criteria for automatic matching can be changed according the requirements.

Examples of possible areas of use for the reconciliation solution could be:

1. Bank accounts
2. Interim accounts
3. Group internal accounts
4. Suppliers
5. VAT
6. Currency
7. Stock

8.3 Currency

Globalisation is of an incremental character making trading with foreign currencies more and more common. Therefore we have made adjustments for financial transactions posted in foreign currencies a built-in component of the closing of a period.

8.3.1 Currency Management

The currency management in ASPECT4 Financial Management is characterised by a high level of flexibility. Basically all finance accounts can handle all currencies created in ASPECT4 Financial Management. But this setup can be changed per finance account. You may also limit an individual finance account to only receive e.g. Euro or USD.

All currencies are created and maintained via a collected application. As a basis it will be the same currency as used in the A/P, A/R and finance accounts. The single currencies can be limited though, to only concern one of these systems, if the use of different currency rates is requested in e.g. the finance and the A/R accounts.

Updating new currency rates can – apart from management per subsystem – be date controlled. The ordinary currency update is done by each accounting company, but group currency rates can be entered for reporting across different companies within a group.

8.3.2 Exchange Rate Adjustment

When entering new currency rates for foreign currencies you may - in the same maintenance application - enter your exchange profit or exchange loss based on the new currency rates.

In ASPECT4 Financial Management you work with two kinds of exchange profit/loss – i.e. unrealised and realised.

The fundamental difference is that the unrealised exchange profile/the unrealised loss occurs based on the general exchange rate adjustment made e.g. during a closing of a period.

The actual exchange rate profit/the actual loss occurs based on the actual settlement either for an A/R or an A/P where the settlement exchange rate is used for making up the loss or the profit, calculated in relation to the exchange rate made up at the time of entry.

Setup and management of any exchange rate adjustment is done to the individual finance accounts. This guarantees a great level of accuracy and flexibility.

8.4 Managing Posting by Periods

When closing a period it is necessary, at some time in the process, to close the posting in the old period. In ASPECT4 Financial Management there is an application for management of open and closed relevant periods for posting. These open and closed periods are valid for the entire ASPECT4 Financial Management. The management of open and closed periods is illustrated below.

Figure 8.2: Management of Period Closing in ASPECT4 Financial Management
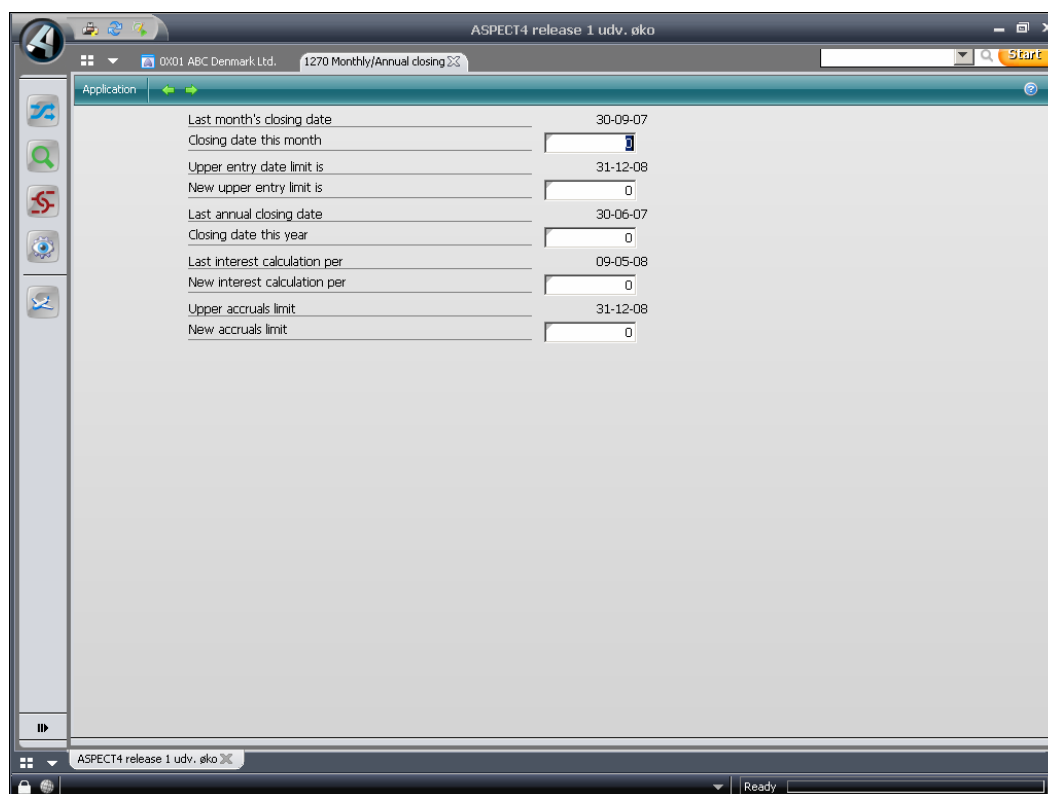
There is a further option for only closing the A/P accounts, the A/R accounts or both. This might be relevant if you wish the A/P and the A/R accounts to be updated up until the period closing, before the finance accounts are closed

As mentioned in the introduction, the period closing is not handled via execution of an application. This means that in the annual closing there must be a manual transfer from the profit and loss statement to the equity capital (transferred result), as this transfer is not carried out automatically. There is no limit to the number of times that items can be transferred from the profit and loss statement to the equity capital. This requirement could e.g. arise when entering the auditor's post-entries to old accounts.

Reporting the Interim Accounts
The actual reporting of the interim accounts obviously depends on the type of interim accounts we are talking about. The annual accounts are handled slightly differently from what is done for e.g. reporting monthly accounts.

Of other factors that might be of significance, we can mention: group structure or special requirements for listed companies. There are many options.
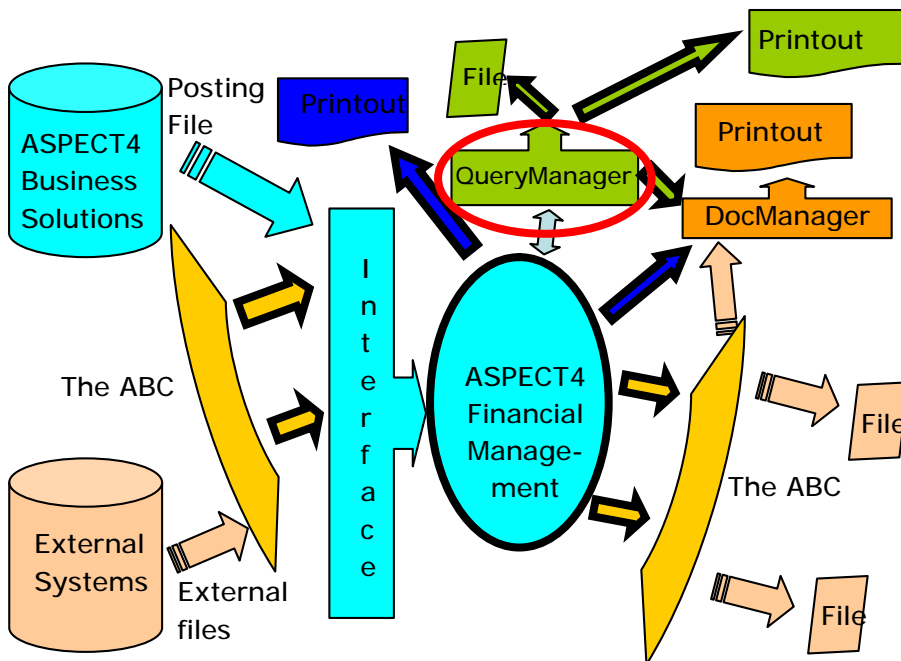
ASPECT4 Financial Management contains a wide spectrum of tools focusing on solving these requirements for reporting. The spectrum of functionalities that may be used for report purposes contain, among other things, the possibility to create and report via 'alternative charts of accounts', the possibility to make your own reports via the ASPECT4 report generator and the previously mentioned integration to Excel. The method, in which the reporting is carried out, is either via screen based reports or via paper printouts to database files which can be directly exported to Excel.

So all things considered, ASPECT4 Financial Management delivers a good and solid platform for reporting not only interim accounts, but also general reports and controlling.

9   Controlling

As mentioned in section 2, there is a model for all interaction with ASPECT4 Financial Management. When we talk about controlling or a financial cause analysis, the interaction model again plays an important part.

Figure 9.1: Interaction Model in ASPECT4 Financial Management

Compared to the interaction model the ABC plays a central part in integration to and from ASPECT4 Financial Management, but compared to reporting it is QueryManager that is the vital tool (marked with a red circle).

In general ASPECT4 Financial Management has a long list of standard reports that may be used for e.g. regular controlling. These standard reports are either screen based, printout based of file based. With file based, we mean that the report is delivered in a database file that can be exported to e.g. an Excel spreadsheet.

Examples of this are the three report types, i.e. A/R, A/P, and finance reports. Common to these is that they are delivered with a standard setup in ASPECT4 Financial Management but via their own report generator that is also delivered as standard, they can be tailored to solve individual controlling tasks.

As supplement to these standard facilities, ASPECT4 is delivered with a tool named Query-Manager – that is the data extract tool in ASPECT4. Via QueryManager you have access to a broad pallet of functionalities and tools, with which it is possible to compile required information in an innumeral number of ways.

The result of the data extract via QueryManager can, among other things, be delivered directly to an Excel spreadsheet file.

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