

# Financial Close Management: 13 Top Tips and Best Practice



There's no denying that a financial close at the end of each accounting period can be stressful. Fortunately, there are ways to simplify the process. With a strong financial close, your company may reduce inefficiencies, increase visibility, retain more employees, save time and money, and make smarter business decisions.

A strategic financial close process may also resolve common close issues like tedious manual data entry, missing receipts and other documents, unidentifiable payments, duplicate line items, and confusion among departments.

No matter your industry or size, these financial close management tips can help. Even if you're satisfied with the way your monthly close is currently going, there's always room for improvement.

## A smooth financial close is possible

While a financial close at the end of each accounting period can be stressful for CFOs, accounting departments, and many others, it's essential.

At its core, a financial close is a time for your business to check account balances, identify and resolve discrepancies, and create financial statements, which reveal

your financial health and allows for accurate financial reporting.

The good news is there are a variety of ways to improve the close process and save yourself time, energy, and headaches down the road.

Before we discuss some of the top financial close management tips, let's dive deeper into the common pitfalls of a financial close.

## Common close issues

Every company has its own unique challenges with their monthly financial close. Some of the most common ones include:

- Tedious, time-consuming manual tasks in the accounting cycle
- Simple errors that cost time and money
- Missing receipts and other documents
- Payments that lack identification
- Duplicate line items
- Confusion and a lack of standardization with the close process

Oftentimes these issues seem to arise every month and make life difficult for the accounting and finance team. By addressing the pitfalls of your close, you can reap the following benefits:

- **Increase visibility:** You'll gain clarity on any financial problems that may exist and be able to solve them before they become more serious.
- **Save time:** Your team won't have to spend their valuable time fixing inaccuracies and inefficiencies.
- **Satisfy employees:** An improved close can lead to satisfied employees and higher retention rates.
- **Better decision making:** Once your close process is in a good spot, you'll have the financial information you need to make smart business decisions that lead to success.

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# 13 financial close management tips

These financial close management tips can drastically improve the close process and eliminate unnecessary stress at the end of every month, regardless of your industry or company size.

## 1. Record financial transactions daily

Timely and accurate financial statements are the key to a smooth closing process. Therefore, it's important to record financial transactions as they happen, instead of waiting until the end of the month.

While this may seem obvious, many businesses overlook this tip and end up with countless transactions to record when the month comes to an end.

In addition to recording financial transactions daily, make sure departments whose activities affect financial records provide accounting with accurate financial documents on an ongoing basis. This way, your accounting and/or finance team can record them as they receive them.

## 2. Reconcile balance account sheets

Since cash is a part of most transactions, it makes sense to reconcile cash accounts first. By doing so, you can find incorrect or missing entries easily. If possible, reconcile cash every day or every week.

Not only will you always know how much cash you have on hand, you'll make it easier to reconcile the rest of the expense accounts on your balance sheet.

## 3. Standardize account reconciliation

If you standardize account reconciliation, consolidation, and other tasks, your team members will know what is expected of them.

Once you come up with a way to standardize documentation, clearly communicate it to your accounting and finance department as well as other departments involved in the close.

Note that those who lack an accounting or financial background may not

understand the true importance of a monthly close so it's your job to make sure they know exactly what to do with any financial documents that may come their way.

## 4. Make journal entries a priority

The time it takes to prepare and complete journal entries can vary widely. For this reason, encourage your team to focus on the journal entries that are more time consuming first.

They'll be able to complete them soon and find ways to make them less overwhelming. Consider project management tools to help your team organize and prioritize their journal entries.

## 5. Reduce data entry

Despite the fact that accuracy is crucial in accounting, many accounting and finance departments enter invoices, payments, and other data manually. Unfortunately, manual entry in accounts payable significantly increases the risk of errors and inaccuracies.

While you may not be able to completely eliminate manual entry, reducing it is feasible. To reduce manual processes:

- **Avoid paper as much as possible:** Ask vendors to send electronic invoices so you can easily import them directly into your accounting system. If some of your vendors are unable to provide electronic invoices, you may want to invest in a scanner with optical character recognition (OCR) software.
- **Refrain from spreadsheets:** Even though Excel spreadsheets are convenient, they require data to be entered into your accounting system manually. This increases error risk and takes up a great deal of time.

## 6. Clean up the chart of accounts

A complex chart of accounts welcomes errors and inaccuracies. It can be difficult for team members to keep track of countless account codes and their permutations.

This leads to coding errors that often take hours upon hours to correct. Do your best to simplify the chart of accounts as much as possible. To do so, you'll need to think of a smarter way to track your company performance.

## **7. Invest in modern spend management software**

A modern spend management software can automate most of your close process removing many of the bottlenecks. It's a good option even if you have an ERP.

While each software has its own unique features and benefits, most of them make it fast and easy for team members to submit expenses and invoices.

A quality software may also reduce the reliance on spreadsheets, automate recurring journal entries, provide accurate accruals data, and map vendors and merchants to the appropriate general ledger accounts.

As long as you choose the right software for your unique company, you'll gain visibility into your financial health in real-time. Automation will allow your team to be more proactive about spend issues and resolve them sooner rather than later.

## **8. Design a detailed close schedule**

With a close schedule that clearly outlines individual close tasks, you can improve workflow and ensure that various team members know what they need to do.

The schedule should include a timeline for your close process and include specific deadlines. You can think of the timeline as a goal for your team and company to meet.

Just make sure it's realistic and attainable. Once you create and share a detailed close schedule, meet with the individuals who are a part of it to provide updates and stay on track.

## **9. Create checklists**

In addition to a close schedule, create close process checklists that can be reused every month.

If you make them electronic and easily shareable, various team members from

different departments will have the ability to “check” or “cross” off close tasks as they complete them.

This can give your finance and accounting team an accurate look at what’s already been done and what still needs to be done. Some items you may want to include in your checklists include:

- Verify all transactions for the month.
- Post closing entries in the general journal.
- Close sub-ledgers.
- Complete all allocations and reconciliations.

## **10. Ensure easy access to information**

To close the books, you need financial data from various departments, such as sales, marketing, IT, project management, and any other business units that play a role in revenue.

Since it can be frustrating to wait on information from other departments, it’s well worth the effort to improve access to it.

It should be stored in one, secure easy-to-access software so that your accounting and finance team can receive it as it becomes available.

## **11. Set up pre and post-close team meetings**

During a pre-close meeting, discuss your close schedule and timeline with key stakeholders. Also, go over any changes you’d like to implement and challenges that you need to resolve.

A pre-close meeting is also a good time to follow up on items from the previous month’s post-close meeting. In post-close meetings, determine what worked and find solutions to any issues you may have experienced.

In addition, discuss KPIs as well as the financial data and findings you collected during the month-end close process to uncover any risks or anomalies from previous months.

## **12. Allow accounting and finance to educate other departments**

In the past, the accounting and finance department would do their job behind the scenes with minimal to no interaction with other departments.

Since financial close management involves the financial data from a variety of departments, they should shift their mindset from a “back office” to a “business partner” mindset.

Encourage your accounting and finance department to meet with other departments and educate them on the importance of the close and what reporting process they need to incorporate to support it.

Your accounting and finance department should be open to questions and concerns from other department team members and address them as they come.

## **13. Assess results and gather feedback**

Your company is unique so the financial close process that works for you may be ineffective for a competitor or an organization in an entirely different industry.

Realize this and understand that it may take some to get to a point where you're pleased with your process.

The initial financial close process you come up with is not set-in stone. In fact, you should revise it often.

Regularly, take a look at how it's working and ask those involved in the close for their feedback. You'll be able to weigh the pros and cons and figure out what needs to be changed and improved.

## **Strong financial close management is key**

No matter how you feel about your current close process, there's always room for improvement. Whether you're dealing with errors that stem from excessive manual data entry, incorrect expense reports, surprise invoices, late financial statements, these close management tips can help.

It doesn't matter if you've had the same close process for years or recently created one, it's never too late to streamline it.

These financial close management tips may be just what you need to reduce inefficiencies, improve accuracy, meet regulatory compliance, and set your company up for success today, tomorrow, and years from now.

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