IMA's 2020 Accounts Closing Benchmarks Report

IMA

An assessment of the speed and efficiency of the process of closing books of accounts, covering: Closing timelines, budgetary spends, staff allocation, outsourcing, governance mechanisms, automation and tech adoption

A COMPREHENSIVE ASSESSMENT OF THE ACCOUNTS CLOSING PROCESS*

IMA

India-centric benchmarks to assess the practices of Finance departments around the closing process.

Closing timelines
Days taken to close books of accounts annually, quarterly and monthly; split of time slice by each sub-activity in the close process lifecycle

Budgetary spends
Measures of budgetary allocation towards the accounts closing process at the overall level and splits by various categories

Staff allocation
Finance Full Time Employees (FTEs) and Part-Time Employees (PTEs) involved in close activities

Outsourcing
Extent of outsourcing of closing related work

Governance mechanisms
Tools used for enabling accuracy and visibility of the closing process

Automation and technology adoption
The level of automation that exists across close processes and technologies used in the process

*For internal reporting and MIS

DETAILED PROCESS DATA AND METRICS & CROSS TABULATION

IMA

125 India-based organisations studied

16 close activities evaluated

Detailed peer comparisons

8 sectors analysed

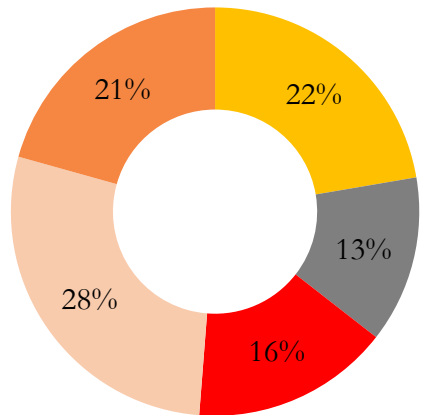**8-way** cross-tabulation of data

In addition to size, workforce, sector and ownership splits, detailed **cross-tabulations** are made on the basis of the following parameters:

- **Best-in-class (BIC)/Worst-in-class (WIC):** The top 25%/bottom 25% of companies in terms of days taken to close accounts
- **Spending:** The top 25%/median/bottom 25% companies in terms of spends on the accounts closing process as a percentage of revenue or the overall Finance budget
- **Number of subsidiaries to consolidate** for reporting/review of accounts
- **Number of cities in which Finance/Accounts** operations are carried out
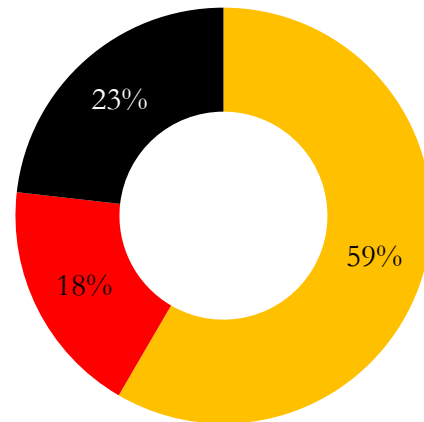
IN-DEPTH COVERAGE ACROSS SECTORS, SIZE, OWNERSHIP LEVELS, AND MORE
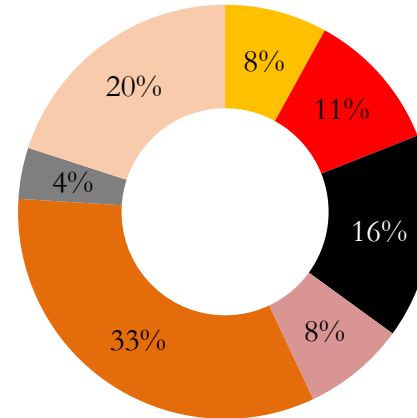
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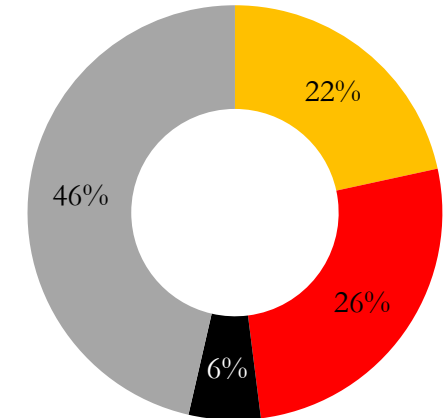## Survey Sample Demographics

Revenue (India, 2019)
- <Rs 250 cr — 22%
- Rs 250-500 cr — 13%
- Rs 500-1,000 cr — 16%
- Rs 1,000-5,000 cr — 28%
- >Rs 5,000 cr — 21%

Ownership
- Foreign-owned — 59%
- Indian MNC — 18%
- Indian pure-play — 23%

Sector
- BFSI — 8%
- IT — 11%
- ITeS — 16%
- Pharma/Healthcare — 8%
- Manufacturing — 33%
- Infrastructure — 4%
- General Services — 20%

Listing
- Listed only in India — 22%
- Listed only overseas — 26%
- Listed in India & overseas — 6%
- Unlisted — 46%

Other parameters include: workforce, domain, number of cities with offices in India, cities where Finance operations are carried out

ENABLING CFOS WITH ACTIONABLE INTELLIGENCE

The **93-page report** helps to:

✓ Benchmark your company's closing speed and efficiency against the industry
  as well as against segmented peer sets

✓ Identify areas of over- and under-spend in the close process

✓ Understand opportunities for cost reduction or performance improvement

✓ Compare your close process activity level performance, process automation,
  staff allocation against others in the same sector or size band

✓ Establish actionable yardsticks for CFOs that can feed into business-planning

# HIGHLIGHTS: TOTAL DAYS TO CLOSE ACCOUNTS

- The median company takes **20 days** to close its annual accounts for the purposes of management reporting.
- The top 25% companies (25th percentile) take just **8 days** while the bottom 25% (75th percentile) take **30 days**.

Days to close*
(Annual books)

8	20	30
25th Percentile	Median	75th Percentile

*FY19
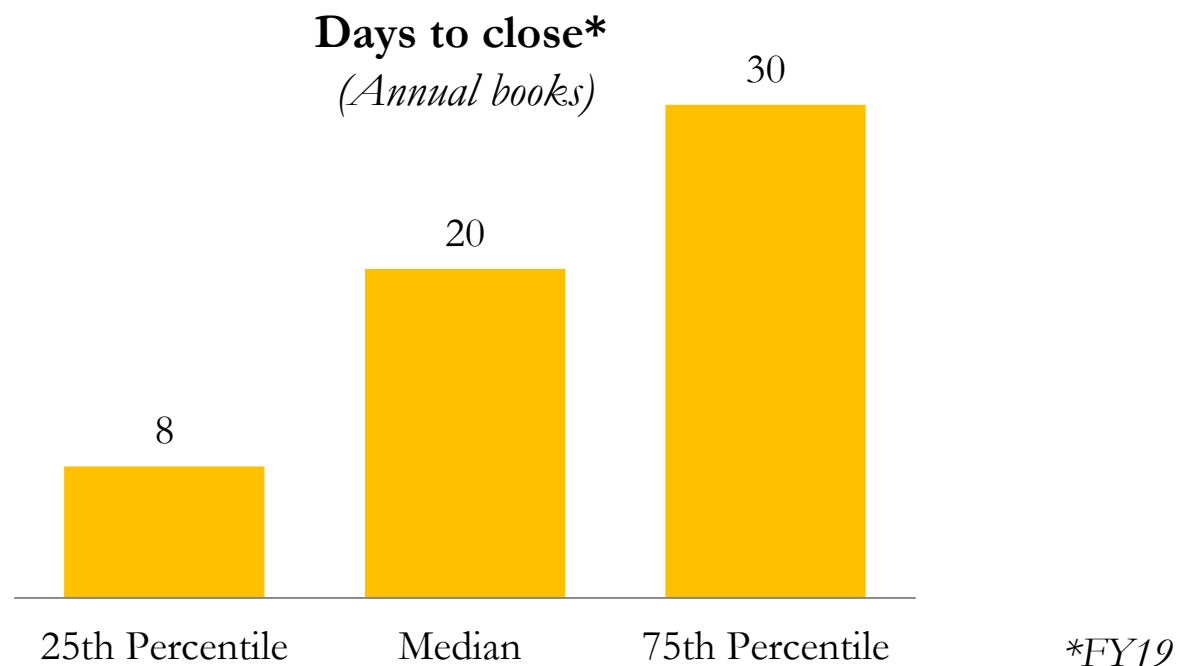
HIGHLIGHTS: DAYS TO CLOSE ACCOUNTS (% OF COMPANIES)

- 7% of companies are able to close their annual books in less than 5 days, while a fifth takes between 5 to 10 days.
- 40% of companies take 20-50 days to close and 16% take more than 50 days.

Days to Close
(% of companies)
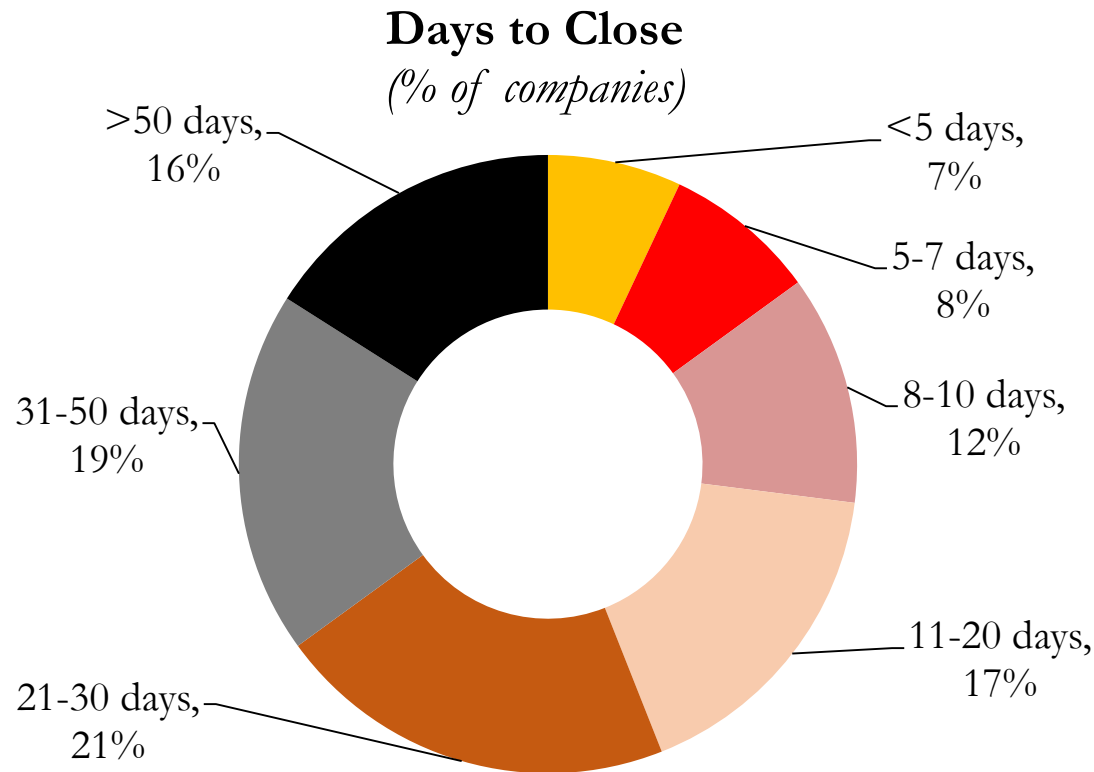
OTHER HIGHLIGHTS

➢ **Closing cost:** As a percentage of the *Finance budget*, the median cost of the close process stood at 10.6%*. Fast closers (best-in-class) dedicate a greater share of the Finance budget to closing activities – up to 2.5x as much as slow closers (worst-in-class) do.

➢ **Staff allocation:** The average company has 31 full-time employees (FTEs) in the Finance department. Of these, about 40% are involved in accounts closing in some form or another.

➢ **Outsourcing:** Only 16% of companies outsource their accounts closing work, partially or completely.

➢ **Governance**: A significant proportion of firms still use shared spreadsheets to ensure suitable visibility in the reconciliation process.

➢ **Automation and Technology Adoption:** Income accounting and AP/AR are the most automated activities.

*FY19

The above highlights are some high-level examples. The full report contains detailed insights and cross-tabulations.

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*FY19

*by revenue, sector, listing, ownership, workforce, spending, number of subsidiaries to consolidate for reporting/review of accounts and number of cities in which Finance/Accounts operations are carried out, and best-in-class/worst-in-class (for selected parameters).

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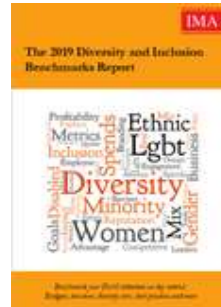
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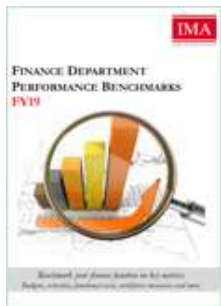
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6
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