ARA - Analyze and Reconcile Accounts

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1. Objective and Scope

The purpose of this document is to describe how to Analyze and Reconcile Accounts to ensure the accuracy of the financial statements and allow the group to publish the reports with confidence.

The objective is to have a quality analysis and reconciliation of Balance sheet and some P&L accounts.

2. Scope and periodicity

Following the logic of End to End processes the accounts related with CCT have been identified in the ARA Masterdata (click to access).

This Operating Procedure (OP) is applied to those accounts, for the ARA List of entities (click to access).

3. Definitions

- SBS: In the current document, "Solvay Business Services" will be replaced by its abbreviation "SBS".
- SAP: Solvay ERP
- CCT SL AR: Customer Credit & Trade Service Line Accounts Receivable
- OP: Operating procedure
- OtC OPD Matrix: Order to Cash Organizational Process Design matrix

4. ARA Reconciliation & Justification

Following the need to have the Accounts analyzed and reconciled, a SAP integrated Solution was developed in order to help justify and clear the open items. This tool is called Runbook True Reconciliation.

It can be accessed using transaction **/N/BSAR/MENU**

(In PI1, PF1 and WP1):

Scope

APAC

EMEA

Unknown Attachment

Unknown Attachment

ERP

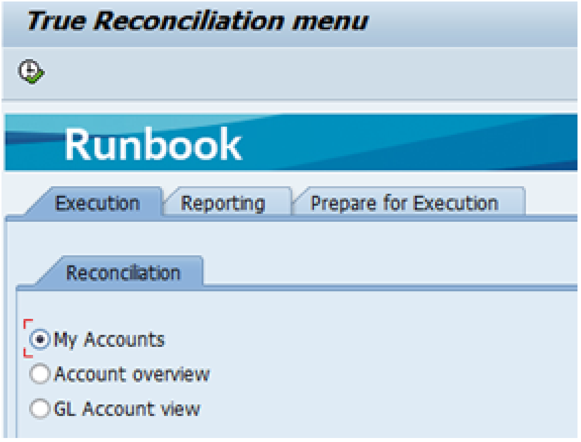
PF1

WP1

PI1

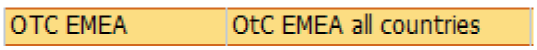
References

Attachments



Each process will have accounts assigned based on the End to End processes and geographical zone defined by the Super Users and Coordinators.

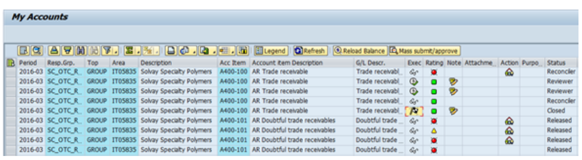
Select “My accounts” and select the following variant in order to start the reconciliation:



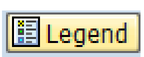
Or

Insert manually the companies codes which you are responsible for

Execute 

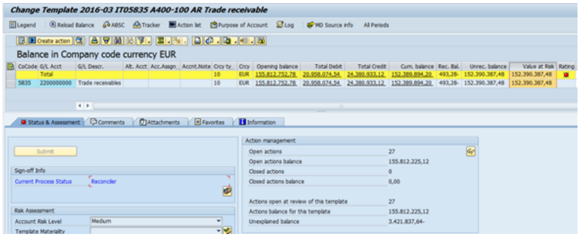


In the list of accounts you have a classic SAP report with functions: Extract, Layout, Sort, Filter, Sum, etc. You can also massively Certify an account, refresh and reload the balance.

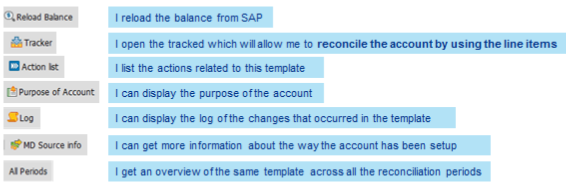
There is a 

to help understand each icon:

When you see an account into your “My accounts view” with status Reconciler this means that you belong to the responsibility group of this account. When there is an account under your responsibility you have to press the icon to access the Reconciliation template:

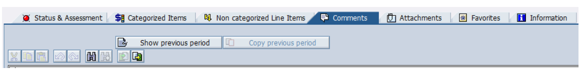


These are the possible actions within a template:



Furthermore, there are 7 tabs in the template:

Status and Assessment:



Action/Certify Button: To go forward in the workflow, Submit, recall, validate, etc.

Reconciliation indicator:  – No full reconciliation; – “Forced reconciliation”;

– Complete reconciliation;

Risk assessment: this panel contains the risk evaluation and the possible usage of a reason code.

Action monitoring: how many action items have been created for this template, what is the amount coverage, etc.

Workflow overview: who are the members of the responsibility group, who has logged.

Categorized Items: Displays items that have already been justified through pre-defined rules (such as aging) or other possible actions.

Non categorized Line Items: Display items yet to be reconciled/justified.

Comments: You can enter any comments that help to reconcile or understand the account reconciliation.

Attachment: You can attach any kind of documents that help to reconcile the account.

Favorites: It displays transactions that may be used to assist on the analysis and reconciliation.

Information: Here you will find some key information about the account template such as EtE Process, Responsability group, G/L Account, etc.

4.1 Reconciliation

> **Clearings & Reminders**
>
> Regarding Rebates account item ((PF1 2351000000/WP1 41100500), AR team should try to clear the items that match zero by ordering items by agreement number. Afterwards, the file should be extracted and shared with the Customer Service representative.

For some of the accounts there are automatic rules (see the OtC OPD Matrix), which will justify immediately the open items, and they will be included in the reconciled balance.

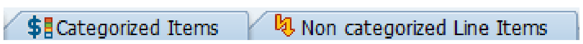
There are many ways to reconcile the accounts, the account items Master data are built based on the business requirements from the operating procedure, but it is still possible to combine several reconciliation methods to reach the final reconciliation. Here you have some of the possibilities:

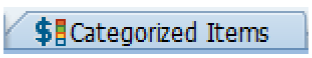
- **Manually** The account is not managed by line items, and/or the reconciliation source is outside of the ERP. Then it is possible to enter manually the reconciled value.
- **Categorization** Categorization is enabled for the account; this means that the reconciliation can be done by selecting the appropriated line items and adding them to the respective group. Moreover additional functions are available within this mode:
    - **Manual selection**: individual items to be "reconciled" can be selected and will be accounted for their total value as reconciled value.
        - **Note (ii)**: each line item can be definitively assigned to the reconciliation but it is also possible to set a due date (snooze date & reason).
        - **Automatic selection**: in case the rule engine has been activated, line items are automatically reconciled following pre-defined criteria's.
    - **Manual tracker**: it is also possible to manually create reconciliation item groups
    - **Reason code**: In some particular cases, it is possible to accept the non reconciled amount and reconcile the account with those accepted gaps. To do so it is necessary to use a reason code (+ a materiality code).

Following the rules defined in the OtC OPD Matrix , the reconciler should enter the Reconciliation template to justify the remaining items that were not reconciled automatically. For CCT AR most of the account items are being reconciled by categorizing the items, however in some cases it can also be done by using actions.

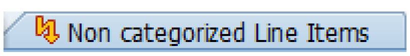
4.1.1 Reconciliation of the account with categorization

Once inside the Reconciliation template you can find two tabs - :



In the 

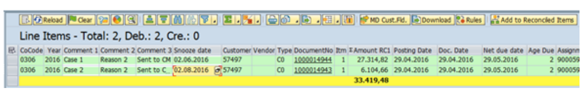
tab you will find items that have been automatically justified by the pre-defined rules, or items that you have categorized manually.

In the 

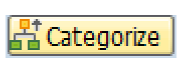
are the items that are still to be justified.

If it is not possible to clear the items from the account, the reconciler should escalate the situation according to the rules defined in the OtC OPD Matrix .

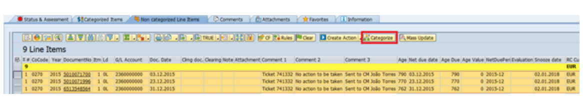
Afterwards use the "Comments" and "Snooze date" to justify the open items:



- **Comment 1** – Ticket Number;
- **Comment 2** – Explanation;
- **Comment 3** – Escalated to;
- **Snooze date** – 2nd day of the month subsequent to the one being justified;

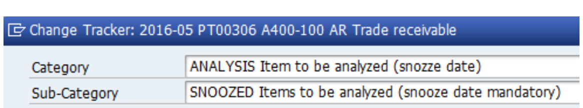
Once the fields are populated, select the lines and press the 

button.



Select the **Category: Analysis**

And **Subcategory: Snoozed**

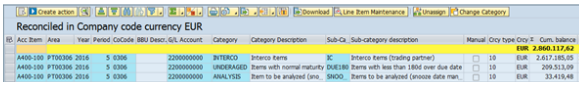


Press button 

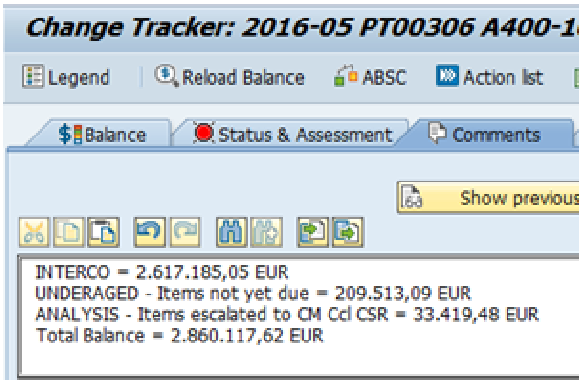
at the bottom.

The items will be transferred to the Categorized items.

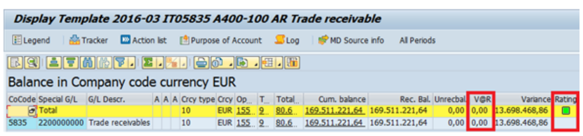
It will either create a new line or add them if it had already been created.

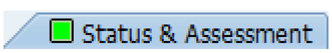


To finish the reconciliation, a resume should be added to the “Comments” tab to provide information to the reviewer and Account owner e.g.:



When all the items are categorized the value at risk will be Zero and the rating green:



Go to 

tab and press the 

button to submit it to the Reviewer.

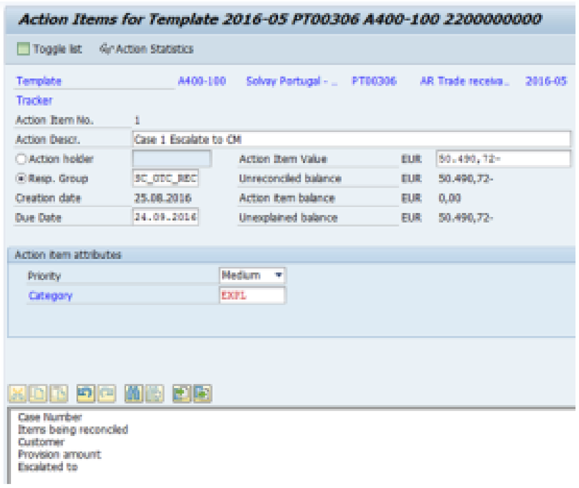
4.1.2 Reconciliation of the account without categorization

In some account items (e.g. doubtful accounts) it is not possible to categorize the items. Thus it is necessary to use actions, or to insert the justified value manually to reconcile.

4.1.2.1 Reconciliation with Actions

Inside the Account item template press “Create Action”:

The following screen will show:



Action Description – Short explanation

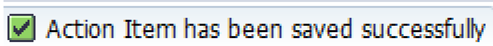
Resp. Group – SC_OTC_REC

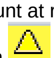
Due date – Leave as is

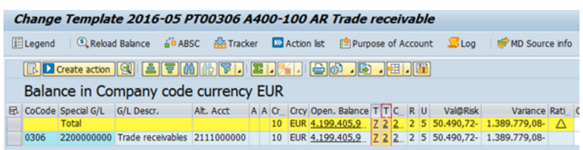
Action Item Value – It will assume the total amount at risk, If necessary it should be changed to the amount being justified (in the example the total amount at risk is being justified);

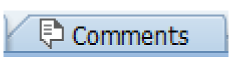
Category – Choose the most suitable one from the list

Press Save  on top of the screen. A message will appear



Going back to the Template screen the amount at risk will still appear, however when this amount is fully justified by actions created the rating will turn  and it is ready to be submitted to the Reviewer.



Afterwards, go to the  tab and insert a small explanation for the items open on account of the Account item.

Remark : Actions don't have a snooze so they will always appear open in the following period. Thus in the following period it's necessary to follow up the cases created for those actions and send reminders if necessary. In case the action is no longer needed in a new period (items already cleared) it is necessary to close the action.

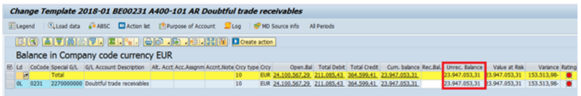
Simply enter the Action List, select the action and set the status to closed:

Afterwards press Save button .

4.1.2.2 Reconciliation by manually inserting the value

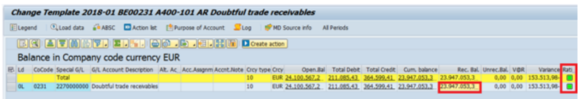
WARNING: When using this reconciliation type, a comment in which you explain clearly how the Account item is being justified is necessary.

Once you have entered the Account item, the amount to be justified will be found on the "Unrec. Balance" field:



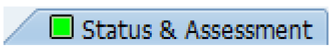
Insert the amount found in "Unrec. Balance" onto the field "Rec.Bal.".

The template will update and the rating will be green:



Afterwards, go to the 

tab and insert the justification for the Account item.

Go to 

tab and press the 

button to submit it to the Reviewer.

5. Appendix

End of document.