

150 companies — one consolidation process



Automated consolidation improves quality
and saves additional time for Beiersdorf



The Hamburg-based cosmetics group has established a strong global presence with over 150 subsidiaries and more than 21,000 employees world-wide. Its complex consolidation structure has been substantially automated and streamlined.

The challenge involved was daunting: As an internationally active group listed on the DAX, Beiersdorf AG consolidates in accordance with the International Financial Reporting Standards (IFRS). Controllers working for the organization prepare for interim financial reports, an estimate and a set of plans every year. From the collection of data from subsidiaries, which are linked to a central database in Hamburg via terminal servers, to a check performed by regional controllers to final consolidation, the entire process takes a week to complete.

The key is the central Corporate Information System (CIS) based on TN Planning developed by Thinking Networks. "CIS encompasses financial data from all of our subsidiaries, including sales and earnings as well as offsetting intragroup transactions. It also contains information used for the extensive Notes, such as fixed-assets analysis and provisions analysis," explains Klaus Reimer, the executive responsible for the CIS within the Department of Financial Policies & Information Management.

Intragroup accounts receivable and payable are also reconciled within the system. The consolidated companies reconcile their accounts receivable with the corresponding liabilities of partner companies in order to resolve possible discrepancies in advance.

Beiersdorf AG

Corporate headquarters: Hamburg

Industry: Cosmetics

Number of Employees: over 21,000

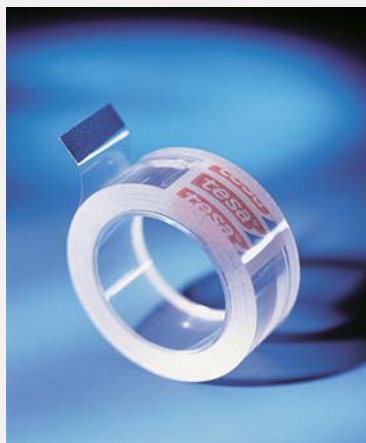
Turnover: EUR 5.75 billion

Earnings (Ebit): EUR 587 million

Consolidation process: TN Planning

Benefits at a glance

- *Income & expense, investment account and – partially – liabilities consolidation processes are carried out automatically.*
- *Lower calculation load required for consolidation entries and fewer Excel files*
- *Quality gain, reduced susceptibility to errors*
- *Savings of time: a total of two full man days per financial statement*
- *Speed: consolidated Sol excluding the elimination of intragroup profit and loss, at the press of a button*
- *OLAP system facilitates the rapid compilation of new evaluation reports and analyses*
- *Booking dialogue facilitates cross-checking for validation purposes*
- *Auditors work within the system*



TN Planning supports this reconciliation process on the basis of a detailed authorization concept. The Beiersdorf Group has been using TN Planning since 1999.

Thus, it was possible to combine internal and external reporting already at this point in time. Following development of the consolidation module, the formerly separate consolidation processes were automated – a total success down to the last detail. In view of increasingly demanding internal and external requirements with regard to consolidation, it was especially important to guarantee the traceability of consolidation entries, while ensuring fast-close capability at the same time.

Prior to the introduction of automated consolidation, controllers calculated consolidation entries. These were initially entered in Excel files and then manually into the CIS for each consolidation category and region. Consolidated financial statements were prepared on the basis of the totals and the booking entries – a rapid, flexible means of ensuring fast close, but one which required numerous intermediate steps and Excel files.

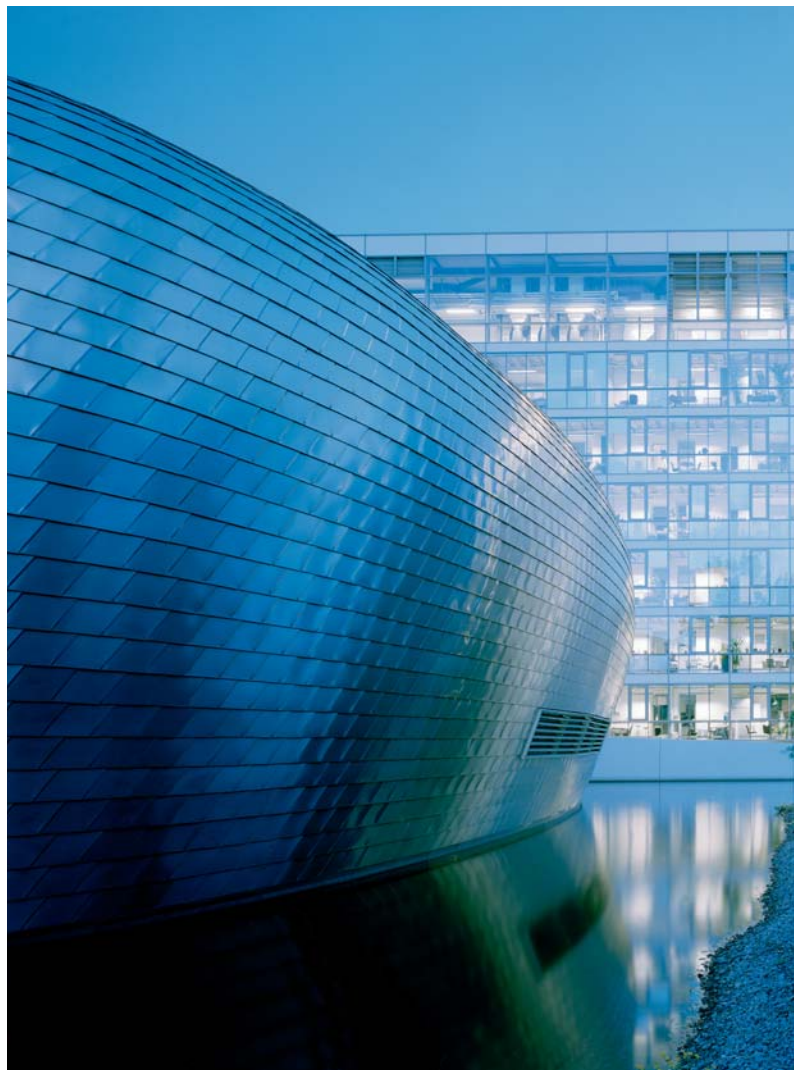
The most important objectives of the introduction of the new consolidation system were to maintain the speed of the process, to enhance transparency and to minimize sources of error by using largely automated booking procedures. Manual booking entries were to be made only via a special dialogue in order to ensure that all figures remain traceable within the CIS. Only bilateral entries were to be permitted. Developers had six months to complete this immense task. Most of that time was consumed by the transfer of old data from Excel files to the CIS for use as basis in the form of a prior-year consolidated balance sheet. “Income & expense, investment account and – partially – liabilities consolidation processes have been carried out automatically since the first quarter of 2009. The elimination of intragroup profit and loss is still performed manually,” notes Gitta Kühn from the Consolidation/Group Accounting Department. “All booking entries that can be identified by the system were automated, and all project objectives could be met,” adds Klaus Reimer.

Automation is based on the capacity to define detailed accounting rules on the configuration layer. An example from investment account consolidation: A subsidiary holds interest in another subsidiary and implements a capital increase. As a result, the interest-holding company has higher non-current assets than before. On the other hand, the subsidiary which is paid for this transaction increases its equity. “We are now able to book out such transactions through automatic consolidation. On the basis of the accounting rule, the non-current assets in the region in which the company holds this interest are reduced by value of the increase in the carrying amount of the interest. The offsetting entry reduces the equity capital of the subsidiary,” explains Gitta Kühn. All entries are recorded in an external journal. Each entry can be identified on the basis of a unique entry number. The data records can be sorted and filtered according to various criteria, enabling Beiersdorf to meet the documentation requirements posed by the auditors. “The consolidation process is now much more transparent for all groups of individuals involved, as the evidence is directly accessible within the system,” notes Gitta Kühn. A look into the deeper levels of the system shows that all of the original data from subsidiaries are retained; entries are made on a separate layer for each consolidation category. “That enables us to achieve clear separation between consolidation measures,” emphasizes Klaus Reimer.

Beiersdorf processes some 10,000 booking records per quarter. Once the data for individual subsidiaries have been approved for release, a consolidated statement can

be accessed at the press of a key within 20 minutes. In addition to the high level of quality, Gitta Kühn also emphasizes the savings of time. "A total of two man days per final statement." According to Klaus Reimer the entire consolidation process is much more closely controlled than before. "Thanks to the automation of routine processes, we have more time for analyzing business development."

*Future-builders:
The Research and
Development Center
is optimally integrated
within the cosmetics group.*



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