HOW AUTOMATING THE JOURNAL ENTRY PROCESS

REDUCES RISK & DRIVES EFFICIENCY

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SOMETHING'S MISSING FROM FINANCE TRANSFORMATION

In the drive to transform and simplify accounting and finance processes, the focus has been on modernizing the big tasks of the close. This isn't surprising: auto-certifying account reconciliations or automating high-volume transaction matching produces fast and tangible ROI.

Not only do organizations gain tremendous efficiencies and accuracy, accountants benefit as well. Freed from repetitive manual tasks, accountants have more time to provide strategic insight and analysis.

Yet it takes more than automating the obvious to raise the bar in accounting. While a finance transformation platform enables the automation of reconciliations, high-volume transaction matching, task management, and account balance and activity fluctuations analysis, one crucial accounting process is still done manually in many organizations: the journal entry.

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THE **DANGERS** OF MANUAL JOURNAL ENTRIES

The journal entry is the workhorse of accounting, a holdover from the days when accountants relied on paper ledgers to balance the books. While the concept is straightforward—simply balance the debits and the credits—journal entries are far more difficult to execute correctly in real life.

Unlike yesterday's accountants, today's finance professionals must navigate not hundreds, but thousands of transactions. The sheer volume of work, combined with multiple rules and categories, make today's journal entry process both complex and time consuming.

Yet it's the continued reliance on manual, historical processes that make journal entries truly challenging. In many organizations, accountants still manually key in journal entry data by hand. Journals are then emailed, printed, manually reviewed, and reposted into the system.

Every step along the way increases the potential for errors and workflow bottlenecks. Workflow bottlenecks, in turn, can lead to rushed approvals and later backdating, a clear sign to auditors that the process is at best inefficient, and at worst, riddled with errors.

The manual journal entry process also hampers visibility and provides little to no real-time transparency, limiting access to the very information leadership needs to make smart financial decisions.

And for any organization wanting to increase accuracy, visibility, and efficiency, manual journal entries are to Continuous Accounting what kryptonite is to Superman: by causing delays and requiring extra work, manual journal entries weaken the power of Continuous Accounting to ensure accounting keeps pace with the business.

THE SIX DANGERS OF MANUAL JOURNAL ENTRIES

- Workflow bottlenecks
- Increased human error
- Little to no real-time visibility
- Lack of standardization
- Wasted time and labor
- Increased risk of fraud

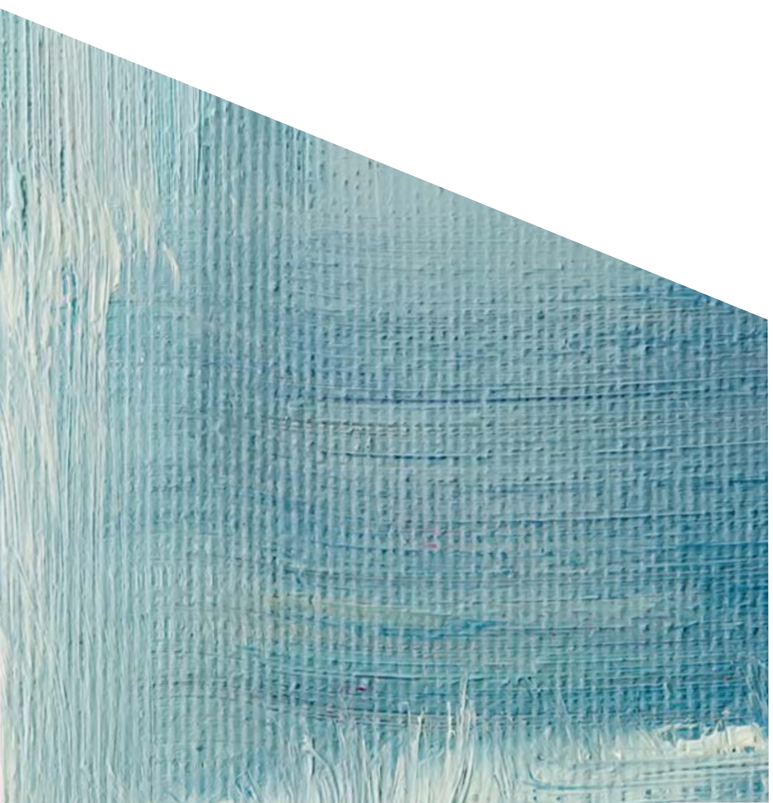
WHERE FRAUD GOES TO **HIDE**

For thieves and embezzlers alike, journal entries are the perfect vehicle for committing—and hiding—fraud. The downsides of the manual journal entry process—long processing times, little visibility, a lack of standardization—are upsides for those wanting to book fake revenue or conceal losses.

Increased use of manual journal entries can create the potential for asset misappropriation and financial statement fraud, which includes manipulating liabilities or expenses, creating fictitious revenues, and overstating assets.

-STUART MILLER & JENNIFER RICHARDS, CPAS AT CROWE HORWATH

SOLVING THE MANUAL JOURNAL ENTRY PROBLEM



Modern journal entry solutions can automate entry creation, simplify the approval process, streamline posting and tracking, and integrate seamlessly with other close processes, including account reconciliations, high-volume transaction matching, and account balance and activity fluctuations analysis.

And yet many organizations, while eagerly automating reconciliations, still rely on the risky and inefficient manual journal entry process.

The question is, why, when there are better options available?

Not every organization is aware that journal entry automation is an option.

Because so much has been made of the opportunity to streamline the big tasks of the close, like reconciliations, the more humble, repetitive tasks haven't received as much attention. And until recently, the technology for modernizing journal entries was still fairly new. But today's solutions enable organizations to save hundreds of hours each month by automating up to 90% of journal entries.

Journal entry modernization is perceived as too complex or time consuming.

Making the journal entry process more efficient can be complex. Yet today, with robotic process automation (RPA) and rules-based systems, it's now possible (and easier than ever) to automate very complicated processes. Plus, vendors of automated journal entry solutions offer comprehensive help with implementation, data import, training, and more.

In a benefit vs. cost analysis, some organizations think they've achieved "enough" efficiency.

In a rapidly changing, uncertain business climate, "enough" efficiency remains a dangerous fallacy. Organizations must have real-time financial information to drive real-time decisions, as well as the strategic insight and support of finance and accounting professionals. Both this information and the time to analyze it can only be gained through continually increasing efficiency.

For organizations moving beyond the old record-to-report process to a practice of Continuous Accounting, modernizing the journals process is about more than just increasing efficiency. It's about mitigating risk, improving decision-making capabilities, and driving the business forward through greater access to real-time data and analysis.

REAPING THE REWARDS OF **MODERNIZATION**

For these organizations, modernizing the journal entry process:

- **Decreases risk** and boosts confidence in the integrity of the balance sheet through an increased ability to segregate duties, limit access, standardize workflows, and improve visibility
- **Saves time** and frees accounting professionals to focus on work that matters, such as strategy and analysis
- **Streamlines audits** by enabling immediate access to real-time and historical information
- **Reduces the likelihood of fraud** through increased controls and improved transparency
- **Saves money** by reducing the need for paperwork, printing, and storage
- **Enables** the practice of Continuous Accounting by automating workflows

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WORKING SMARTER & MORE EFFICIENTLY WITH AUTOMATED JOURNAL ENTRIES

On average, organizations that move from a manual journal entry process to an automated one experience a 30-53% reduction in manual journal entries, as well as a 90% journal entry automation rate. And while modernizing the journal entry process saves time and labor, it also helps organizations significantly reduce the risk of fraud.

Increased visibility, standardization, and real-time information not only function as powerful controls, but also enable finance professionals to more quickly identify and remedy fraudulent activity as it happens.

BlackLine's Journal Entry solution streamlines the entire journal entry process by applying automation where it truly matters. Designed to work with any ERP, Journal Entry enables accounting professionals to create, review, approve, and electronically certify journals, with all documentation stored in one centralized location.

Real-time, flexible workflows increase efficiency, templates drive consistency, and seamless data imports improve accuracy. And with less time spent keying in data and searching for errors, accountants have more time for analysis, review, and the kind of strategic contribution that drives the business forward.

BlackLine is the creator and premier provider of Enhanced Finance Controls and Automation (EFCA) software to streamline financial close operations. BlackLine's unified cloud platform and broad range of solutions puts it in a class by itself—a company recognized by Gartner as a Leader in providing both EFCA and Financial Corporate Performance Management (FCPM) software solutions.

ABOUT BLACKLINE

BlackLine enables customers to move beyond outdated processes and point solutions to a Continuous Accounting model, which embeds real-time automation, controls, and period-end tasks within day-to-day accounting activities. As a result, BlackLine helps companies achieve Modern Finance and ensure an efficient and more accurate financial close.

More than 2,600 companies around the world trust BlackLine to ensure balance sheet integrity and confidence in their financial statements.

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