

Case Study



Integration of Financial Consolidation systems post M&A

Abstract

Mergers and acquisitions are means of creating shareholder value. However, cost and complexity of integrating the systems and processes of the two companies is often prohibitive. This case study illustrates how Infosys helped its client integrate the financial consolidation system with that of the acquiring company.

Emergence of new requirements post M&A

The client is a Europe based leading energy and utility company specializing in the generation, distribution, trade and supply of gas and electricity. It employs more than 7000 people with revenue more than 6.5 billion Euros. The client was acquired in 2009 by another European energy company. As a statutory requirement, the financial information and reports of the client had to be consolidated with that of the acquiring company. The two companies were working on different consolidation reporting tools SAP BPC 4.2 (Outlooksoft 4.2) and SEM BCS, respectively.

Key Requirements and Challenges

The consolidation systems of both the companies were using different dimensionality and account structure for consolidation and reporting. This led to the following key challenges post M&A:

- Fitment of standard Chart of Accounts (CoA's) of multiple client entities in new consolidated type CoA structures.
- As an application of goodwill accounting principle, one company (the acquirer) while acquiring another company, assigns new values to the acquired company's assets and liabilities based on the price paid. In our client's scenario, this required reporting to be done with and without Purchase Price Allocation (PPA) accounts for statutory and management purpose. The business requirement was hence to report with and without these allocation adjustment accounts.
- Revision of input schedules and reports to accommodate new changes in the application.
- Development of new 'look-alike' reports to facilitate managerial decision and comparison.
- As-Is access and reporting on the historical data to meet legal and auditory compliances.
- Ensure minimal impact of system performance after design change.

Infosys Solution Approach

Infosys consultants brought in their functional and technical knowledge and worked in partnership with the business to provide the solution and design the new CoA structure.

Following are the key highlights of our solution:

- With extensive planning, the CoA was structured for even future acceptance of any new design account/business unit modifications.
- Infosys recommended enhancing PPA accounts in current account dimension and including one more dimension. This helped business users to view consolidated reports with or without PPA accounts. The added benefit was minimal impact on system performance and easy acceptance from business users.
- Reporting on historical data was a key requirement as per the statutory guidelines. Hence, two new applications were created for future consolidation and reporting while earlier applications were kept in the system for historical reporting.
- With the new CoA design available, the architects focussed on the historical reporting and ensured minimal design changes in artifact layouts with use of EV functions.

Key Benefits Delivered

As Infosys took end-to-end ownership of implementing changes for this M&A scenario, following were the key advantages delivered:

- Infosys helped business in easy transition to the new requirements due to M&A, while modulating minimal system design changes in a short duration of time.
- Infosys designed, implemented, tested and deployed the solution within a span of less than a quarter. This made the client ready for upcoming quarter-end financial reporting.
- While changing design of new application historical data is maintained for regulatory compliance and monthly reporting.
- New SEM BCS look alike reports were created in the Outlooksoft application for reconciliation of quarterly financial reports of acquired company.
- The solution delivered significant cost saving as the changes in the applications have not impacted functioning of input schedules and reports.



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