



BLACKIRON

SubLedger Plus

**Automate Your Billing Accounting Cycle
Using SubLedger Plus**

Discussion Paper

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Introduction

Businesses that can close their general ledger fast and efficiently have competitive advantages through reduced costs and better information. Our solution is a streamlined accounting middleware process that connects your billing systems to your general ledger and balances them daily. It automates journal entries, reconciliations, analysis and reporting. It reduces costs, speeds the close, expands your analytical capacity and tightens controls.

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Business and Accounting Cycle Review

The focus of this whitepaper is the accounting and financial controls associated with your revenue and billing cycle:

- Recording revenues and establishing accounts receivable balances in your general ledger.
- Recording payments received from customers and decreasing accounts receivable balances or establishing liabilities for unapplied payments.
- Balancing general ledger accounts receivable balances to your billing systems.
- Reconciling general ledger cash accounts to bank account balances.
- Reconciling general ledger depository suspense accounts to billing system unapplied cash suspense listings.

The Issues

Issue 1 End of Period Bottlenecks

Most accounting departments post journal entries and reconcile balances at the **end** of the period. This lengthens the close and compresses the time available to resolve issues and adequately analyze results.

Issue 2 Inefficient Reconciliation and Detailed Reporting Procedures

Many businesses reconcile general ledger accounts and create detailed reports supporting these accounts using inefficient spreadsheet based procedures.

Spreadsheets have several disadvantages:

- They require manual, recurring tasks like sorting, matching, cutting, pasting and formatting.
- They are static. As late entries are posted to the general ledger the spreadsheets need to be manually updated to stay reconciled to the general ledger balances they support.
- They are high risk. Spreadsheets lack input validation and edits and the large number of steps increases the risk of error.
- They are not scalable.
- Reconciled data is siloed in separate spreadsheet files limiting your capacity for data mining and ad-hoc reporting.

Solution

Imagine if you could process transactions from your billing systems straight through to the general ledger everyday and balance your general ledger back to billing systems at a customer level. Instead of a single large closing cycle at the end of the period you have a continuous stream of miniature daily closes. You identify exceptions earlier and you have less to do at the end of the period. You close your general ledger faster, and because it's automated, you have lower staffing requirements.

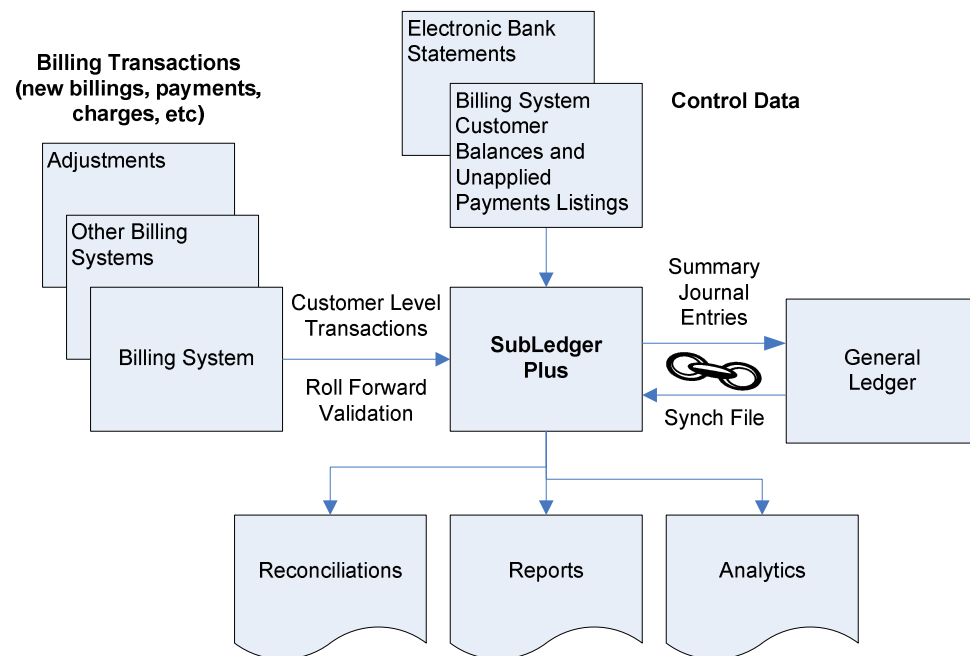
This is the BlackIron SubLedger Plus solution. It tightly couples your billing systems to your general ledger, automates reconciliations and exception-based workflow, and provides a consolidated and reconciled subsidiary ledger for simplified reporting and analysis.

Imagine if you could process transactions from your billing systems straight through to the general ledger everyday and balance your general ledger back to billing systems at a customer level.

- 1. The starting point: a self-reconciling subsidiary ledger.** The starting point for dramatic productivity gain is an automated middleware solution that consolidates customer level billing data from multiple billing systems, performs roll forward validations, creates journal entries and synchronizes itself with the general ledger. A general ledger reconciled subsidiary ledger for automated reconciliations, detailed analytics and centralized reporting.
- 2. Leverage the subsidiary ledger with automated cash and suspense account reconciliations.** Take full advantage of the reconciled subsidiary ledger using integrated reconciliations that keep your general ledger balanced to billing systems and reconciled to bank account balances every day.
- 3. Resolve issues fast using the automated exception-based workflow and the Accounting Workbench.** Use the SubLedger Plus Accounting Workbench to research and resolve exceptions fast.
- 4. Create great looking reports that always reconcile to your general ledger.** View reports from the SubLedger Plus Accounting Workbench or schedule for automatic distribution.

How It Works

High Level Process Flow



SubLedger Plus balances your general ledger accounts receivable balances to billing system balances at a customer level and identifies variances resulting from roll forward variances and adjustments.

You can configure SubLedger Plus to perform these procedures daily, weekly or at the end of the period. Best practices are to balance daily.

- SubLedger Plus imports customer level transactions and balances from your billing systems, assigns accounting and performs roll forward validations. Roll forward validations ensure that opening billing system balances plus new billings less applied payments roll forward to new billing system balances. Roll forward variances cause differences between your general ledger and your billing system. These are routed to accountants at a customer level for review and correction.
- SubLedger Plus creates summary journal entries from imported transactions and extracts to the general ledger.
- The general ledger posts the journal entry and sends back a synch file to SubLedger Plus. The synch file includes all current general ledger account balances subject to reconciliations and the journal entries posted to those accounts since the last synch. SubLedger Plus confirms that its journal entries were posted, backfeeds journal entries from other sources, and synchronizes its balances with the general ledger.
- SubLedger Plus balances your general ledger to your billing systems at a customer level and identifies variances resulting from roll forward variances and adjustments.

- SubLedger Plus imports electronic bank statements conforming to the standard BAI format and reconciles to general ledger cash balances. Reconciling items are routed to accountants.
- SubLedger Plus imports unapplied cash listings from your billings systems and balances to general ledger reconciled inventories of outstanding transactions in suspense accounts. Variances are routed to accountants.
- SubLedger Plus creates general ledger reconciled reports to support and analyze billing operations.

Understanding the Subsidiary Ledger

SubLedger Plus operates like a customer level general ledger. Transactions are imported at a customer level and assigned a debit and credit account using accounting rules that you define. We refer to these as **subjournal lines**. Subjournal lines are aggregated into summarized journal entries and extracted to the general ledger.

Billing related journal entries posted directly to the general ledger (not passing through SubLedger Plus) are backfed to SubLedger Plus as part of the synchronization process. In this manner SubLedger Plus always stays reconciled to the general ledger balances that it supports. SubLedger Plus has an easy to use customer level adjustment utility with integrated approval workflow so that you never have to post journal entries directly to the general ledger.

SubLedger Plus operates like a customer level general ledger. Transactions and other changes in balances are imported at a customer level and assigned a debit and credit account using accounting rules that you define.

SubLedger Plus aggregates balance sheet account subjournal lines to maintain customer level inventories that support your general ledger balances. Customer level **subledger balances** are reconciled to imported billing system balances using roll forward variances and adjustments.

The Accounting Workbench

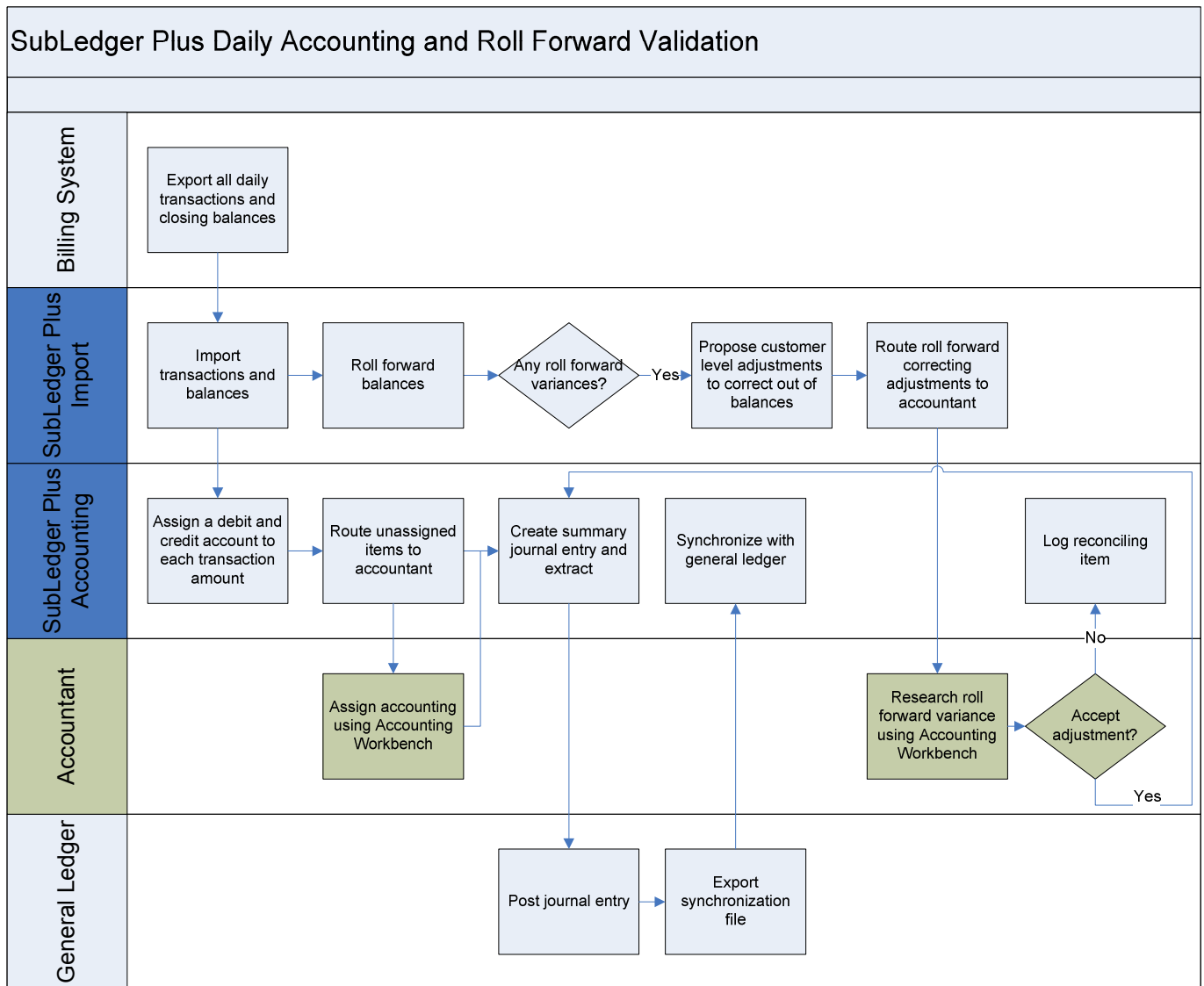
You use the Accounting Workbench to research exceptions and take corrective actions:

- A Start Page to review exceptions routed to you.
- A robust query builder and report viewer for performing research.
- Powerful utilities for creating adjustments, assigning accounting, clearing reconciling items, reversing accounting, and adding notes.
- Automated workflow that routes actions to managers for approval.

Daily Accounting and Billing System Balancing

Now let's walk through an example of a daily workflow configuration. On a daily basis SubLedger Plus imports customer level transactions and balances from your billing systems, performs roll forward validations, creates journal entries and synchronizes its balances with the general ledger. The SubLedger Plus customer level subledger supporting the general ledger is balanced to imported billing system balances using roll forward variances and adjustments.

All the procedures below are automated and require no work by accountants except for the exception-based procedures in the Accountant's "swim lane". The goal is to import quality data and design effective rules so that exception-based procedures are minimal.

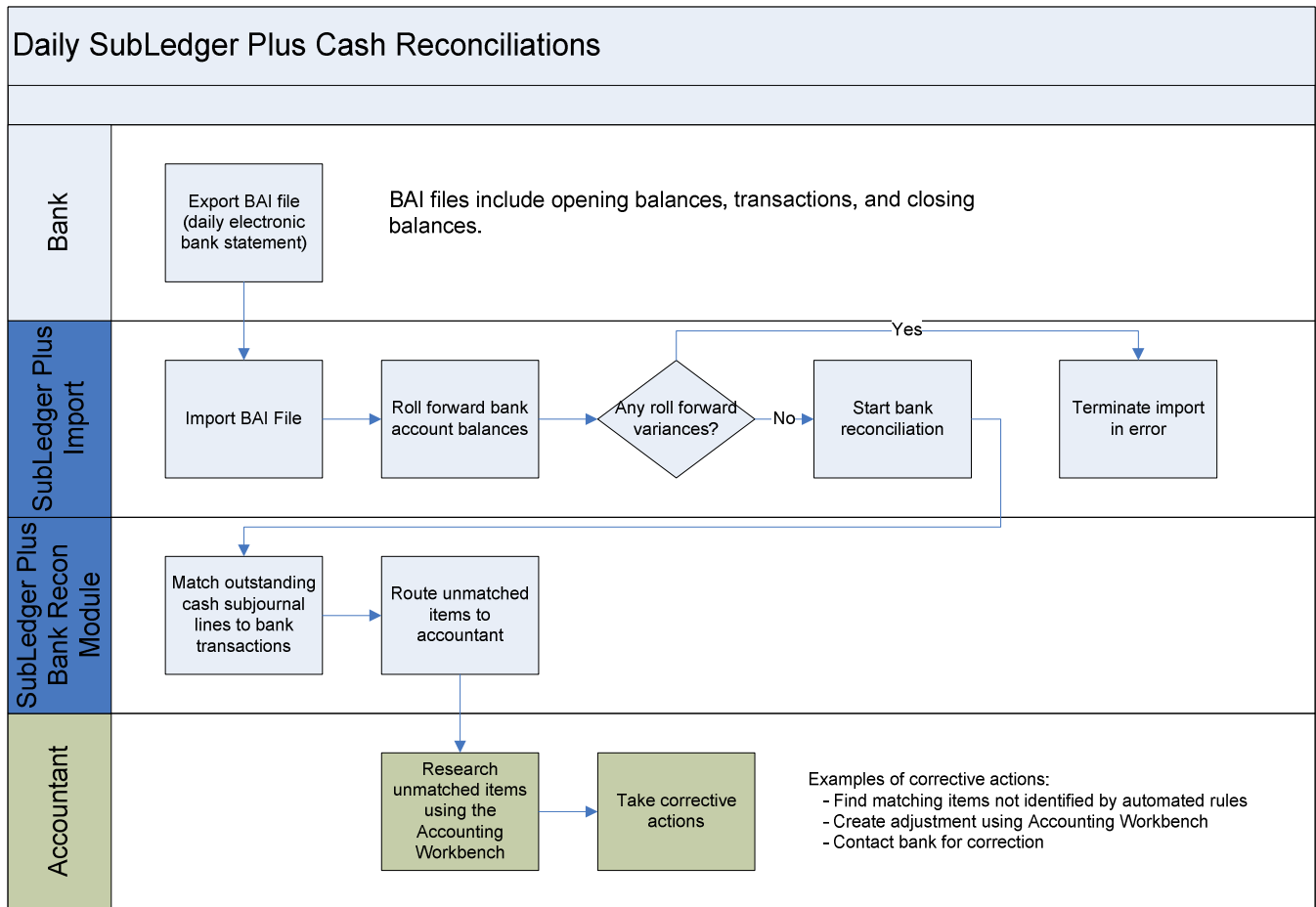


Daily Cash Reconciliation

SubLedger Plus is much more than a simple transactional matching process. It maintains an inventory of items that reconcile your general ledger cash account balances and your bank account balances using a combination of roll forward validations, general ledger synchronization, and transactional matching.

SubLedger Plus imports electronic bank statements conforming to the standard BAI format, rolls its prior bank balances forward to new imported bank balances, and matches bank transactions to unmatched cash subjournal lines using automated rules that you define. SubLedger Plus has a flexible and easy to use rule builder for creating powerful rules.

Any reconciling items not clearing in the normal course of business are routed to accountants for research and correction.

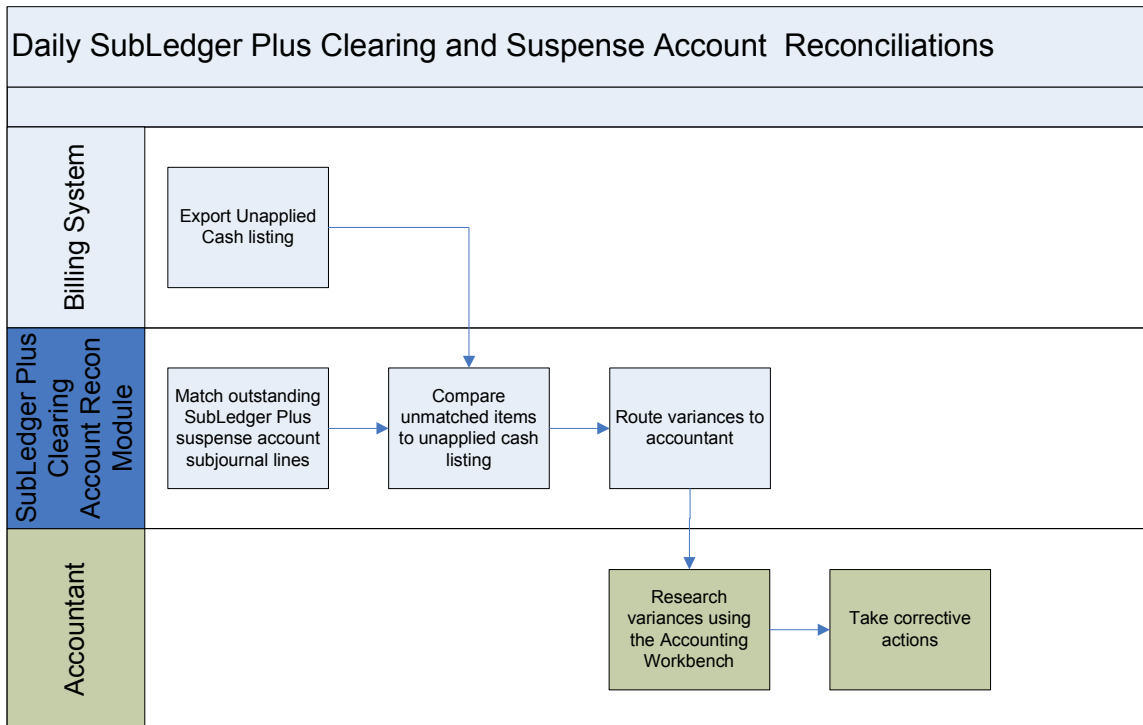


Daily Suspense Account Reconciliation

Payments received and not yet applied to customer balances sit in a general ledger suspense account until applied. The balance in this account should reconcile to unapplied cash listings from your billing systems.

SubLedger Plus maintains an inventory of outstanding transactions supporting your general ledger suspense account using matching rules that you define. These rules are used to match cash deposit subjournal line credits to subjournal line debits from payments applied in the billing system. One complicating factor is that lump sum payments may be applied separately to different customer balances and applied at different times. SubLedger Plus has an integrated splitting utility that allows you to split subjournal lines, while still staying reconciled to the general ledger, to facilitate partial matching.

You can also create rules to identify matching subjournal lines that either don't match exactly or where one side of the match was posted to the wrong account. In these cases SubLedger Plus can automatically generate the necessary write-off, reclassification, or inter-company journal entry and then execute the match.



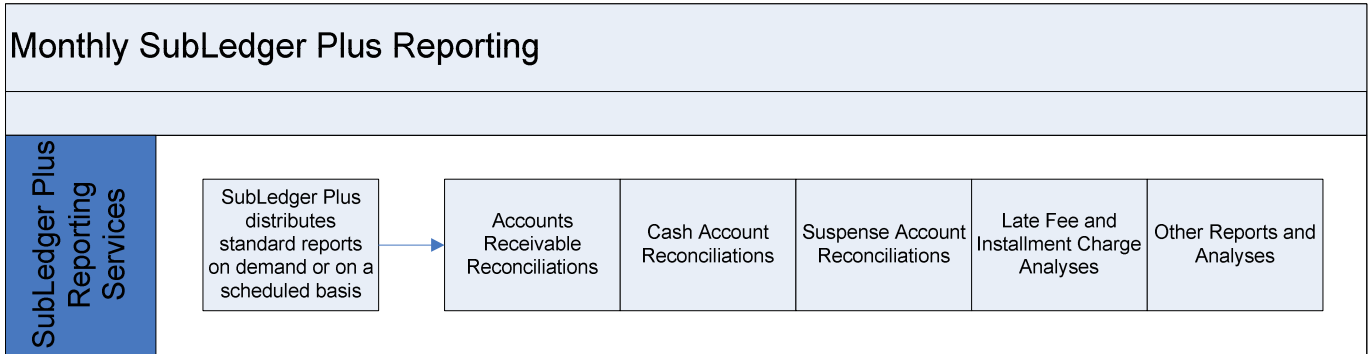
Recap of Daily Workflow

Let's recap the daily automated exception-based procedures that accountants perform in this environment. The goal is to minimize these exceptions by processing billing activity accurately and timely in your host systems and creating effective rules in SubLedger Plus.

Exception Type	Corrective Actions
<p>Unassigned accounting</p> <p>Cause: No accounting rule defined for transaction.</p>	Assign accounting from Accounting Workbench. Create new rules for the future.
<p>Roll forward variances</p> <p>Cause: Transactions for a customer receivable balance do not roll forward the opening balance to the closing balance.</p>	Create an adjustment to balance your general ledger and billing system or approve the difference.
<p>Bank reconciling items</p> <p>Cause: Payments received are not supported by bank transactions or vice versa.</p>	Process the transaction correctly in the billing system, ask bank to correct an error, match transactions not identified by automated rules, or create a correcting adjustment in SubLedger Plus.
<p>Suspense account reconciling items</p> <p>Cause: Imported billing system unapplied payment balances do not agree to the general ledger suspense account inventory.</p>	Process the transaction correctly in the billing system, match equal and offsetting clearing subjournal lines not identified by automated rules, or create a correcting adjustment in SubLedger Plus.

Report Distribution

Creating great looking reports is simple in SubLedger Plus. Design your own reports and register them with our Accounting Workbench for on-line viewing. You can also create automated scheduled processes to distribute via email in either Excel or PDF format.



Conclusion

You can dramatically improve the efficiency of your billing accounting operations by implementing SubLedger Plus. Please contact us for more information about how we can apply SubLedger Plus to your billing cycle.