

Get more from S/4HANA by replacing month-end batch processes with real-time transactions.

For too long, utilities have been beholden to batch accounting processes that delay financial analysis, obscure timely visibility into job spend, and hinder proactive mitigation of variances. The monthly close is such a foundational element of the business that it's hard to imagine *not* relying on it.

It doesn't have to be this way, however, and HPC America's vision for the future is decidedly different. When utilities move to SAP S/4HANA, they have a tremendous opportunity to get more timely, actionable financial information without waiting for period-end, by taking concrete steps towards "continuous accounting."

Why Continuous Accounting Matters

At HPC, we think of "continuous accounting" as embedded, real-time, or otherwise automated processes that replace traditional period-end batch processes. Continuous accounting processes generate valuable financial data on a more regular and frequent basis than the monthly close alone. A utility with a continuous accounting model would enable its analysts and managers to evaluate and take action on operational performance, spend variances, and other business metrics without having to wait for a period-end report.

For example, collecting functionalized cost data in real time would allow analysts to identify and correct mis-charged postings before month-end, thereby making the actual closing process less error-prone. Likewise, loading overheads more often than monthly would provide project managers with fully loaded cost views of their projects mid-month, which would in turn enable them to adjust resources proactively in the current period instead of reacting after the period has been closed.

Six Ways to (Get Closer to) Continuous Accounting on SAP S/4HANA

(1) Functionalize costs at the point of data entry instead of in a batch process at month-end.

Utilities on S/4 should replace the derivation-based FERC solution that's delivered with S/4HANA—the "FERC module" that HPC first created in 1995—with

a real-time, line item FERC solution. There are a number of ways to do this, depending on how much flexibility and control your utility needs. One is to use HPC's latest add-on software for utility financials on S/4HANA, HPC DECIPHER, which is certified by SAP as integrated with SAP S/4HANA, and functionalizes costs in real time by line item in the Universal Journal.

(2) Minimize cost flow streams by reducing (or eliminating) allocations and settlements that only serve to functionalize costs. Streamlining cost flows is an under-appreciated but valuable effort, and every utility moving to S/4HANA should consider it carefully. We have great experience and can help.

(3) Activate Functional Areas to leverage the Universal Journal's power to record and report generation, transmission, and distribution costs right from the general ledger (not just from Controlling or the FERC module). We first did this for We Energies in 2012, then again for Cleco on S/4HANA in 2018, and we've just started a new Functional Area project for another utility

(4) Collect job costs daily, if not more frequently. As mobile devices become ubiquitous throughout the enterprise, labor entry should occur in real time when technicians complete their Plant Maintenance tasks, even before they leave a job site.

(5) Run overheads after every pay period, or even more frequently. In conjunction with more timely direct labor entry, apply indirect labor and overheads more often, perhaps even weekly. This will fully load costs for job managers, project managers, and program managers to gain insights into total spend much earlier than waiting for the month-end close.

(6) Modernize the availability and presentation of financial data. Use Fiori apps to access a P&L statement at any time of the month, from any device, and use nested, real-time drill-down reports to show how job order costs roll up to the income statement. Get multi-dimensional data on the fly in S/4HANA without the need for ETL processes customary with separate OLAP servers like BW or BOBJ.