

MANAGEMENT AND FINANCIAL REPORTING



PERFORMANCE BLUEPRINT
APPLICATION BRIEF

A WEB-BASED PERFORMANCE
MANAGEMENT APPLICATION

INTRODUCTION

This application brief demonstrates a Web-based process for managing and reporting on group income statement, profit-and-loss account (P&L), cash flow, and key performance indicators (KPIs) from both internal and external corporate performance perspectives. The application brief demonstrates integration of management and financial consolidation with corporate reporting using Cognos 8 Controller and Cognos 8 Business Intelligence (BI), which provides a consistent view of operational and financial data.

Financial measures are fundamental to quantifying corporate performance. Performance disclosure has two faces: an internal view of company performance, and an external view that is reported to markets and regulators. They should be complementary views of the same information, but in most organizations, there is a disconnect between external disclosure and internal reporting. Though many organizations suffer from “multiple versions of the truth,” unifying the two faces of disclosure offers significant benefit.

The models and processes described in this document are generic for any industry and any country. Their goal is providing a multidimensional platform coupled with a flexible predefined model integrating management reporting and consolidation with statutory reporting.



OVERVIEW

Financial consolidation is a specialized process—usually managed by a small team of accountants—that creates an audited enterprise view of financial information from which financial KPIs and metrics are derived. To begin the consolidation process, subsidiaries close their books and submit data for central collection. Many organizations maintain multiple general ledgers and ERP systems across subsidiaries, divisions, and geographies.

To collect data but once and—at the same time—to perform both statutory and management consolidation, data must be reported at the lowest common denominator. Organizing data by business area, product, or customer allows consolidation with elimination of internal transactions, ultimately providing a complete income statement along any of these dimensions. Statutory consolidation and accounts are based on the same data, but more aggregated and in different dimensions.

By taking source data from operational ERP applications (including general ledgers) and sharing it with performance management applications such as scorecarding and planning, a foundation is provided for consistency across internal and external perspectives. Data from a consolidation application can also be fed to a data warehouse in the business intelligence infrastructure, enabling other tools to use this data for operational analysis.

Though consolidation is a specialized process, it is fundamental to performance management strategy and is key in uniting the two perspectives of disclosure.

MODEL OBJECTIVES

- Integrate processes and systems for management and statutory consolidation and reporting.
- Leverage a platform for enhanced management and corporate reporting and analysis.
- Boost shareholder confidence by improving external reporting cycles and transparency.

KEY COGNOS CONTROLLER BENEFITS

- Increased efficiency in the financial consolidation process.
- Easy implementation to help mitigate risk during implementation.
- More than 200 pre-defined standard reports that improve content and increase effectiveness in the corporate reporting process resulting in a higher return on investment.
- Report templates for easy creation of management reports.
- A platform for integration of multiple data sources.
- One source for security and user rights
- Supports SAP, Oracle, and other ERP systems.

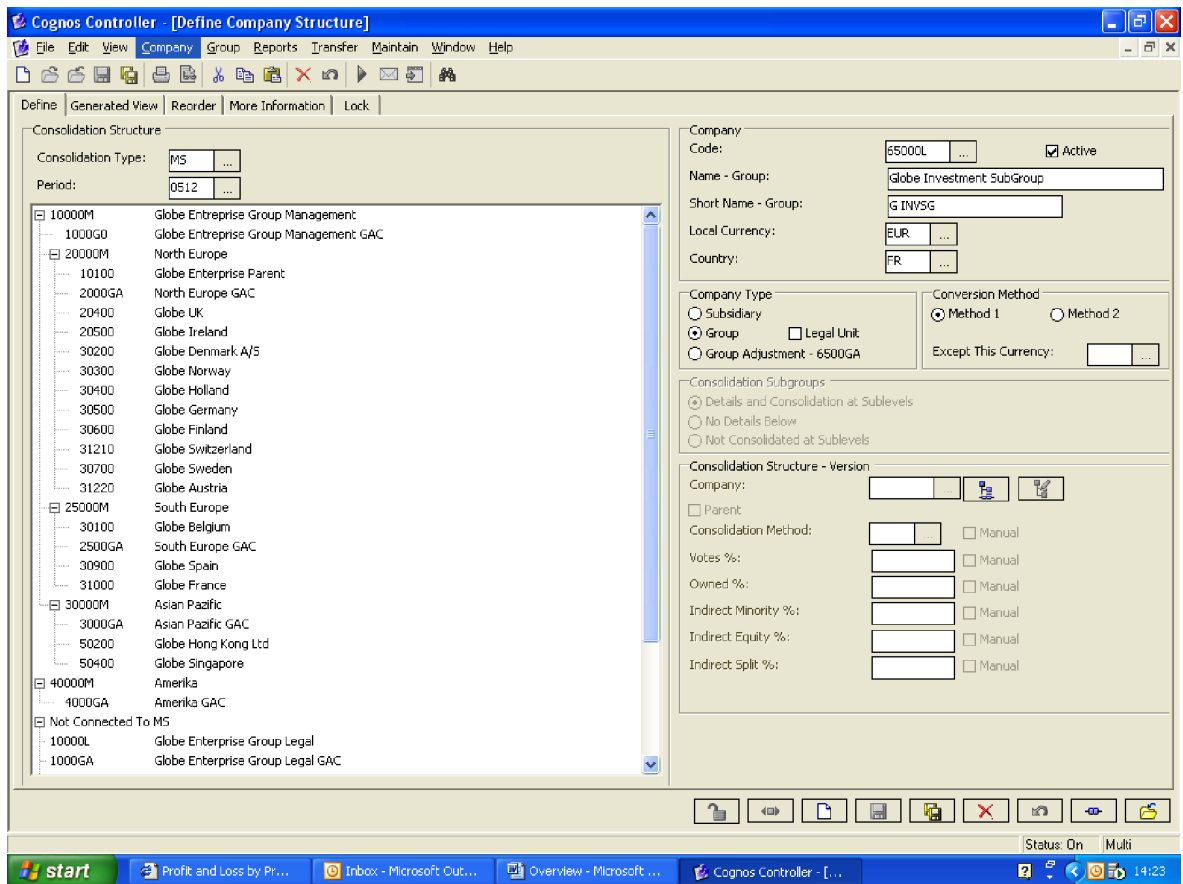
Financial and management consolidation comprises four steps:

- Maintenance
- Data collection
- Data processing
- Data output

MAINTENANCE

Cognos Controller consists of a number of predefined structures such as account, actuality, company, and free extended dimensions. A continuous process updates these structures for each reporting period.

The *Company* dimension is a predefined structure for defining groups, subgroups, companies, and their relationships.



DATA COLLECTION

To begin the consolidation process, subsidiaries must close their books and submit data for central collection. Many organizations maintain multiple general ledgers and ERP systems across subsidiaries, divisions, and geographies, each with its own chart of accounts. Controller is fed data from such disparate source systems, and creates a common denominator for each source.

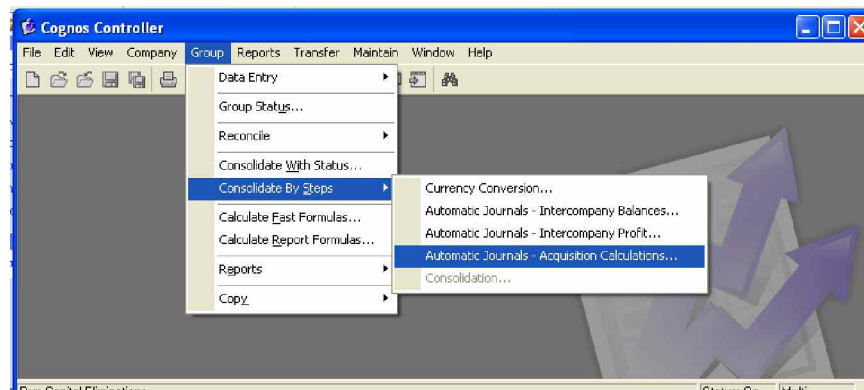
Data can be entered manually or via import from text files. New in Cognos 8 Controller is a full Microsoft Excel interface for creating powerful, flexible data entry screens.

Profit & Loss - Compiled		0512AC	0412AC		
Globe Enterprise Parent		Actual	Actual		
Currency: EUR		0512	Prior Year	Variance	Variance
		Actual	Actual	effectiv	in %
9	ER3490 Total Sales	33 181 354		33181354	
10	ER3505 Total Sales related costs				
11	ER3510 Net Sales	33 181 354		33181354	
12					
13	ER3555 Total Operating Income				
14					
15	ER3102 COS IP Adjustment				
16	#ER3155 From Others	-27 091 209			
17	ER3155 Cost of Sales			-2,7E+07	
18					
19	ER3160 Gross Profit	6 090 145		6090145	
20					
21	ER3196 Total W&S charge				
22	ER3245 Total Fringe Benefits, Other Personal Expenses				
23	ER3260 Total Energy, Overhead Materials and Tools				
24	ER3285 Total Maintenance, Other Third Parties Services				
25	ER3295 Total Operating Leasing				
26	ER3355 Total Office and Professional Expenses				
27	ER3365 Total Travel & Car Expenses				
28	ER3410 Total Advertising and PR Expenses	-2 702 268		-2702268	
29	ER3435 Total Other Operating Expenses				
30	ER3470 Total Depreciation & Amortization	-38 371		-38371	
31					
32	ER3475 Total Operating Expenses	-2 740 639		-2740639	
33					
34	ER3580 EBIT	3 349 508		3349506	
35					
36	ER3567 Total FX Results				
37	ER3595 Total Interest Income and Expense	-1 148 862		-1148862	

DATA PROCESSING

When data from all entities and subsidiaries is collected and transformed to a common view or chart of accounts, the actual financial consolidation process can begin. The process consists of:

- Currency conversion, since all companies must present figures in the same currency, otherwise they cannot be added together.
- Elimination of inter-company balances, inter-company profits, inter-company transactions, and internal transactions.
- Eliminations of investments in subsidiaries and other acquisition calculations.



DATA OUTPUT

For many groups consolidation is an iterative process, reviewing, adjusting and reconciling before obtaining final results. Once accounts are final the reporting can begin.

Cognos 8 Controller offers several built-in solutions for analysis and reporting:

- Predefined standard reports
- Excel link
- Report generator

Cognos 8 Controller offers more than 200 predefined standard reports. Standard reports are included in a default installation and can display both data and metadata. The Trial Balance below is an example of one of Controller's standard reports.

The screenshot shows a Cognos Controller window titled "Cognos Controller - [Reports - Trial Balance with Drilldown]". The window contains a table with the following data:

	10100 Globe Pa	20400 G UK	20500 G IR	30200 Globe BE	30300 Globe DK	30400 Globe NL	30500 Globe DE	30600 Globe SF	31210 Globe CH	30700 Globe SE
ER3490 Total Sales	34 587 308	26 211 691	1 477 690	2 126 651	2 145 364	2 807 537	3 936 952	2 184 115	1 155 425	1 995 078
ER3510 Net Sales	34 587 308	26 211 691	1 477 690	2 126 651	2 145 364	2 807 537	3 936 952	2 184 115	1 155 425	1 995 078
ER3155 Cost of Sales	-27 091 209	-22 060 625	-1 206 483	-1 736 324	-1 751 601	-2 292 245	-3 214 361	-1 783 241	-943 373	-1 620 858
ER3160 Gross Profit	7 496 099	3 351 066	271 207	390 328	393 764	515 292	722 591	400 873	212 052	366 180
ER3260 Total Energy, Overhead Materials and Tools		-24 956								
ER3410 Total Advertising and PR Expenses	-2 702 268	-657 757	-28 100	-49 956	-89 803	-65 950	-80 030	-51 305	-27 145	-46 866
ER3470 Total Depreciation & Amortization	-38 371	-339 487	-148 515	-91 592	-53 801	-351 289	-326 192	-75 964	-154 944	-10 102
ER3475 Total Operating Expenses	-2 740 639	-1 022 200	-176 615	-141 549	-143 604	-417 239	-406 222	-127 270	-182 090	-56 968
ER3560 EBIT	4 755 460	2 328 866	94 592	248 779	250 160	96 053	315 369	273 603	29 962	309 212
ER3595 Total Interest Income and Expense	-1 140 862	787 624	79 622	127 192	150 027	384 421	449 274	117 406	174 636	39 454
ER3615 Total Securities Result			148 515							
ER3650 Total Other Financial Income and Expense	17 100 000	3 575 930		133 122	119 840	182 674	162 125	134 278	72 153	126 908
ER3685 EBT	20 706 598	6 692 419	322 929	509 093	528 027	665 148	927 768	525 288	276 751	475 575
ER3690 Income Tax Expense / Income	-6 118 806	-3 316 397	-144 162	-251 867	-254 103	-332 530	-443 030	-258 693	-136 852	-236 303
ER3705 Net Profit for Period	14 587 792	3 376 022	178 767	257 206	273 924	332 618	484 738	266 595	139 899	239 272
ER3710 Net Profit Equity Holders of the Parents	14 587 792	3 376 022	178 767	257 206	273 924	332 618	484 738	266 595	139 899	239 272

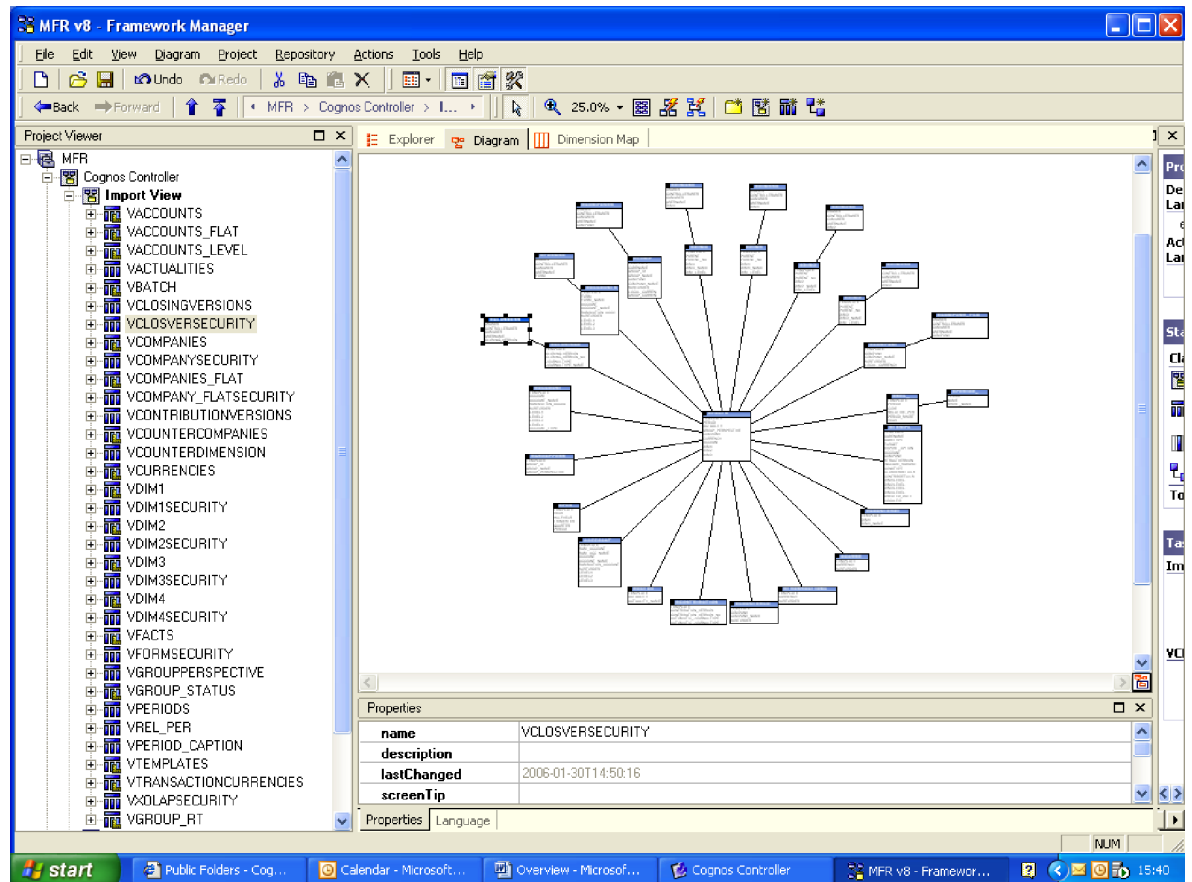
Standard reports, the Excel Link, and Report Generator are perfect consolidation and reporting tools for verifying data and structures. For distribution within the organization for further analysis, benchmarking, and scorecards, the next step is a Web-based distribution of performance management and financial data. The MFR Blueprint leverages the new Cognos 8 Business Intelligence platform.

To streamline the consolidation process and to facilitate report creation, the MFR Performance Blueprint contains predefined building blocks. Examples are:

- Framework Manager model with Calculated Measures
- Pre-defined report templates

FRAMEWORK MANAGER MODEL

The FM model is the technical foundation for the MFR Blueprint, and is where multiple dimensions and data are linked in a star schema.



REPORT TEMPLATES

The MFR Blueprint also includes a number of templates which simplify the creation of management reports. These templates use structures and business rules defined in Controller. Examples of templates included are:

- Entity by Form
- Entity by Dimension
- Form by Actuality
- Form by Actuality and Period
- Form by Dimension

This is sample template is Form by AC, BU, Var, Var%:

		Actual 0612	Actual 0512	Annual budget 0612	Variance CY vs PY	Variance in %
150299	Total stocks	147 966 750	136 197 045	143 527 748	11 769 705	8,64%
169990	Total debtors third	62 930 471	57 053 828	61 042 557	5 876 643	10,30%
180200	Current assets	210 897 221	193 260 873	204 570 305	17 646 348	9,13%
180500	TOTAL ASSETS	210 897 221	193 260 873	204 570 305	17 646 348	9,13%
240250	Profit of the year	1 569 358	237 332	1 522 279	1 332 026	561,25%
240450	TOTAL EQUITY	1 569 358	237 332	1 522 279	1 332 026	561,25%
240490	TOTAL EQUITY incl. Minority share	1 569 358	237 332	1 522 279	1 332 026	561,25%
190190	Creditors due > 1 year - Total	141 510 371	128 645 792	137 265 060	12 864 579	10,00%
190099	Creditors due < 1 year - Total	35 836 546	32 578 678	34 761 449	3 257 868	10,00%
21090	LIABILITIES	177 346 917	161 224 470	172 026 509	16 122 447	10,00%
240500	TOTAL EQUITY & LIABILITIES	178 916 275	161 461 802	173 548 788	17 454 473	10,81%

Though templates can be used “out-of-the-box” without modification, they can easily be modified to suit individual requirements such as a profit-and-loss statement, balance sheet, or cashflow.

The Form by AC, BU, Var, Var% template displayed above could easily be transformed into a balance sheet:

Balance Sheet - Compiled AB - Cognos Viewer - Microsoft Internet Explorer

http://localhost/cognos8/cgi-bin/cognos.cgi?b_action=xts.run&m=portal/report-viewer.xts&ui.action=run&ui.object=%2fcontent%2fpackage%5b%40name%3d%27MFR

Cognos Viewer - Balance Sheet - Compiled AB

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Balance Sheet
Management Reporting

Globe Enterprises, 200512, Local Currency

	Accumulated			Last Year	
	Actual	Budget	Var	Actual	Budget
Intangible Assets	996	946	50	1,017	1,038
Tangible assets	5,904	5,605	299	5,904	5,904
Investments in subsidiaries - Cost	1,420,000	1,420,000	0	1,420,000	1,420,000
Investments in subsidiaries - NBV	1,420,000	1,420,000	0	1,420,000	1,420,000
Fixed assets	1,426,980	1,426,631	349	1,427,001	1,427,022
Total stocks	683,744	649,557	34,187	683,744	674,763
Total debtors third	531,811	505,221	26,591	528,714	533,061
Other debtors - Intercompany	1,250	1,187	62	0	0
Offset IC BS	0	0	0	0	0
Cash & Bank	8,429	8,008	421	8,429	8,429
Current assets	1,225,234	1,163,973	61,262	1,220,887	1,216,253
TOTAL ASSETS	2,652,215	2,590,604	61,611	2,647,888	2,643,275
Share capital	750,000	750,000	0	500,000	500,000
Share premium	250,000	250,000	0	0	0
Capital reserves	300,000	300,000	0	100,000	100,000
Retained Profit	75,903	72,108	3,795	75,903	75,903
Profit of the year	145,878	125,227	20,651	51,830	45,966

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Another example might be this cashflow statement.

Cashflow Management Reporting
Globe Enterprises, 2005/12, Local Currency

	Current Year	Last Year	Trend
Net income Group	145,878	51,830	▲
Provisions (increase+ / decrease-)	7,645	8,321	▼
Cash flow before working capital changes	153,523	60,150	▲
Accounts receivable third (incr. - / decr. +)	-183,708	-184,958	▲
Other receivables Group (incr. - / decr. +)	-1,250	0	▼
Other receivables third (incr. - / decr. +)	-348,103	-343,756	▼
Inventories third (incr. - / decr. +)	-683,744	-683,744	▼
Accounts payable third (incr.+ / decr. -)	204,195	413,308	▼
Other st. liabilities Group (incr.+ / decr. -)	655	0	▲
Other st. liabilities third (incr.+ / decr. -)	64,898	634,898	▼
Deferred liabilities third (incr.+ / decr. -)	1,452	1,480	▼
Cash flow form operating activities	-792,081	-102,621	▼
Tangible assets (+/-)	-5,984	-5,984	▼
Intangible assets (+/-)	-996	-1,017	▲
Participations (+/-)	-1,420,000	0	▼
Cash flow from investing activities	-1,426,980	-7,001	▼
Free Cash Flow	-2,219,061	-109,622	▼

Cognos Controller and the MFR blueprint enable you to break down information in detail, as in this profit-and-loss statement by product.

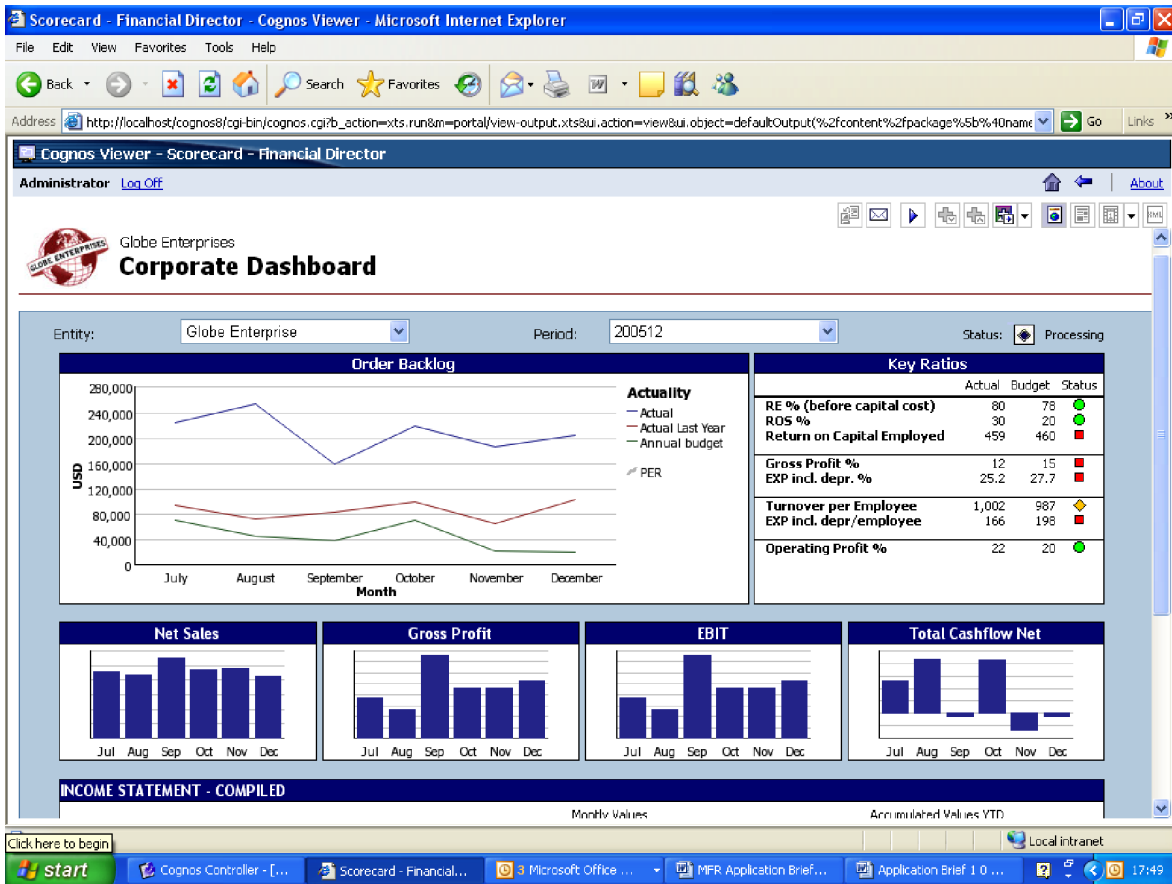
Profit and Loss by Product
Management Reporting

Globe Enterprises, 200512, Local Currency

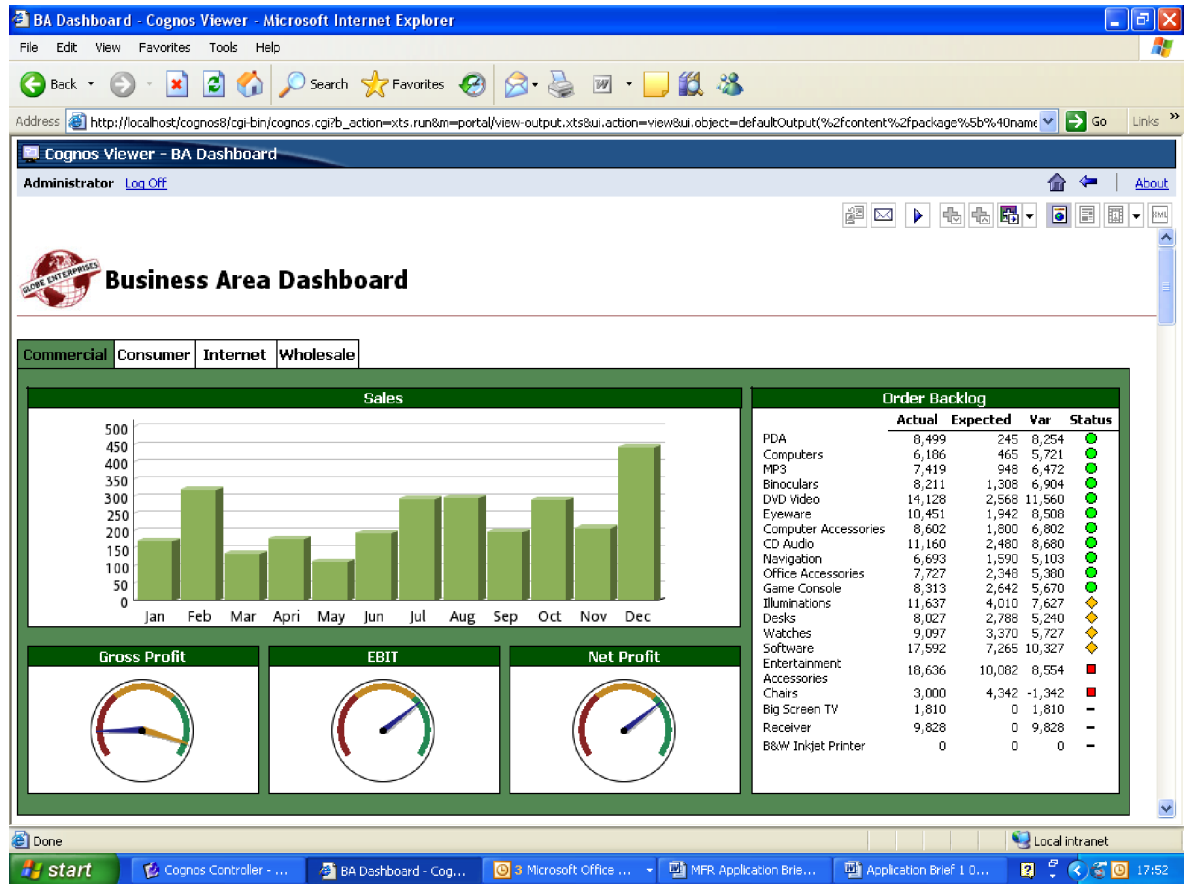
	2000 Printers	3000 Computers	4000 Scanners	5000 All In One	6000 PDA	8000 Software	9000 Ink Cartridges
Sales - Third Parties	61,304	89,316	26,053	37,196	26,200	57,794	46,618
Sales - Group Companies	125	1,186					
Total Sales	61,429	90,503	26,053	37,196	26,280	57,794	46,618
Net Sales	61,429	90,503	26,053	37,196	26,280	57,794	46,618
Cost of Sales Materials	-13,207	-26,468	-6,032	-11,058	-3,163	-11,351	-13,162
Cost of Sales Materials Group			-223				
External Charge for Production Services	-9,645	-5,951	-565	-478	-435	-861	-982
Change of Provision for Gross Margin on Returned P	-2,401	-5,643	-1,741	-2,714	-565	-3,531	-2,506
Change of Provision for Cost of Returns	-10,595	-6,538	-620	-525	-477	-945	-1,078
Royalties/Licenses Expenses for Production	-1,520	-3,033	-918	-1,872	-434	-1,719	-1,604
Cost of Discount Granted by Supplier	-25,008	-34,573	-7,883	-10,962	-6,090	-16,866	-14,891
Cost of Sales	-62,454	-82,205	-17,983	-27,608	-11,164	-35,273	-34,224
Gross Profit	-1,025	8,298	8,070	9,588	15,115	22,521	12,394

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The complete report coverage offered in Cognos 8 Business Intelligence enables you to combine different data types in a dashboard. Here is an example of a corporate dashboard that displays aggregated information at a high level.



Here is an example of a dashboard on a lower, business-area level.




The MFR blueprint could also be used to create reports for external stakeholders like banks. Here is a typical interim statement:

Interim Statement - Cognos Viewer - Microsoft Internet Explorer

Address: http://localhost/cognos8/cgi-bin/cognos.cgi

Cognos Viewer - Interim Statement

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 **Globe Enterprises**

Interim Statement 2004/2005

Consolidated profit and loss account

	Month			Accumulated			Last Year		
	Actual	Budget	Var	Actual	Budget	Var	Last Year	Rolling 12	
Sales Third party	2,927	3,000	-72	34,456	31,398	3,058	31,529	17,789	
Sales Group companies	131	0	131	131	125	7	0	131	
Total Sales	3,059	3,000	59	34,587	31,522	3,065	31,529	17,921	
Net Sales	1.2	3,059	3,000	59	34,587	31,522	3,065	31,529	17,921
Cost of Sales Materials	-680	-711	31	-8,444	-8,022	-422	-7,764	-4,211	
Cost of Sales Materials Group	3	-22	0	-22	-21	-1	0	-22	
External charge for production services	-157	-159	2	-1,892	-1,797	-95	-1,735	-946	
Change of provision for cross margin	-159	-160	2	-1,910	-1,815	-96	-1,752	-955	
Change of provision for costs of returns	-172	-175	2	-2,078	-1,974	-104	-1,905	-1,039	
Royalties/licenses expenses for production	-92	-93	1	-1,110	-1,054	-55	-1,018	-555	
Cost of discount	4	-966	-977	12	-11,635	-11,054	-582	-10,670	-5,818
Cost of Sales	-2,249	-2,276	27	-27,091	-25,737	-1,355	-24,843	-13,546	
Gross Profit	810	724	86	7,496	5,786	1,710	6,686	4,375	
Holiday Pay	0	0	0	0	0	0	0	0	
Total W&S charge	0	0	0	0	0	0	0	0	
Catalogs & Brochures	676	-238	914	-1,923	-1,827	-96	-2,599	-506	

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ABOUT THE COGNOS INNOVATION CENTER FOR PERFORMANCE MANAGEMENT

The Cognos Innovation Center was established in North America and Europe to advance the understanding of proven planning and performance management techniques, technologies, and practices. The Innovation Center is dedicated to transforming routine performance management practices into “next practices” that help cut costs, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.

Staffed globally by experts in planning, technology, and performance and strategy management, the Innovation Center partners with more than 600 Cognos customers, academics, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.



THE NEXT LEVEL OF PERFORMANCE™