Best Practices for Footing your HFM Reports

MINDSTREAM® ANALYTICS

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MindStream Analytics

MindStream Analytics helps companies identify, implement and manage technology that allows them to effectively analyze and predict key metrics. MindStream Analytics is a consulting and managed services provider that specializes in the implementation and management of financial and analytic applications.

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Agenda

- About MindStream Analytics
- Objectives of the Session
- Challenges experienced creating Scaled/Footed reports
- Excel based solution
- HFR Functionality to address Rounding
- Additional considerations
- Q&A
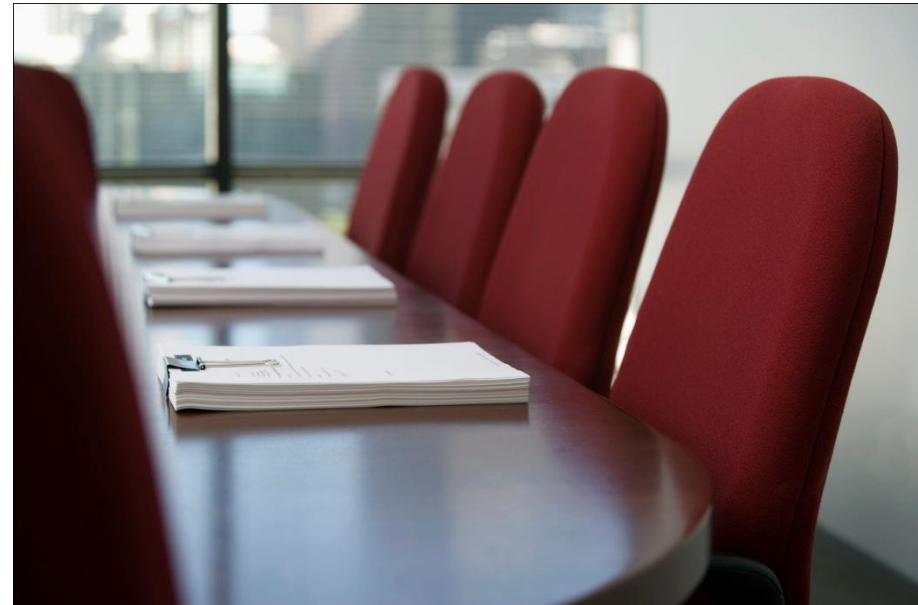
Objectives

- Understand the purpose for creating Scaled Financial Statements and typical challenges

- Explore an Excel based solution for creating Scaled Reports

- Discuss standard HFR functionality that can impact Scaling/Rounding

- Share Best Practices for created a Scaled and Footed HFR

- Discuss additional considerations

Purpose of Scaling Reports

- GAAP Reporting Standards:
  - Rules of General Application (210.4-01Form, order, and terminology.)
    - (b) All money amounts required to be shown in financial statements may be expressed in whole dollars or multiples thereof, as appropriate.
  - Standardized approach to Financial Statement presentation, consistently applied to all balances period over period.
  - Financial Statements must reflect in good faith the status of the company.

- Allows the reviewer/investor to focus on the relevant information and identification of trends impacting the business.
  - $1,932,093,432.35 compared to $1,932 Million

Challenges creating Scaled Reports

- Scaled balance detail may not foot/cross-foot to rounded sub-totals and totals within the report.

- Manual intervention required to correct any footing issues caused by the rounded values.

- The resolution of footing issues can be subjective period over period, resulting in inconsistencies.

- Time consuming for preparer to resolve footing issues multiple times during the close cycle for multiple reports.

- Unsecure modifications of data increase audit risks

- "Hidden" adjustments may be included within the report which can be forgotten about over time. (i.e. +1 in a formula that is not removed the following period)

- Values appearing on multiple reports may be rounded/footed differently depending on the report (i.e. Cash Flow to Balance Sheet comparisons)

Typical Excel Based solution

- Data extracted from HE/HFM into Excel in the format of the financial statement being prepared.

- Excel formulas utilized to round the balances extracted from the source application.

- Footing/Cross-footing check totals utilized to identify any issues.

- Manual adjustments made within the Excel document to resolve any footing/cross-footing issues.

Example: Excel based solution

Rounded Income Statement by Reporting Unit
For the Year ended December 31, 2012

	Reporting Unit #1		Reporting Unit #2		Reporting Unit #3		Consolidated Total		Cross-foot Items
	HFM 000's	Round M	HFM 000's	Round M	HFM 000's	Round M	HFM 000's	Round M	
Revenues									
Branded Sales	529	1	0	0	2,895,096	2,895	2,895,625	2,896	0
Contract Sales	99,224	99	0	0	149,378	149	248,602	249	(1)
Licensing Revenue	0	0	0	0	0	0	0	0	0
Intercompany Sales	0	0	0	0	64,723	65	64,723	65	0
Net Investment income	387,742	388	5,251	5	299,992	300	692,985	693	0
Minimum rent	3,727	4	0	0	27,831	28	31,558	32	0
Overage rent	18,542	19	(1,294)	(2)	(127)	0	17,121	17	0
Other Revenues	36,838	37	(60,309)	(60)	21	0	(23,450)	(23)	0
Total Revenues	**546,602**	**547**	**(56,352)**	**(57)**	**3,436,915**	**3,437**	**3,927,165**	**3,929**	**(1)**
Foot Items		1		0		0		0	
Expenses									
Property operating	0	0	0	0	0	0	0	0	0
Depreciation and amortization	238,478	238	16	0	2,282,164	2,282	2,520,658	2,521	(1)
Real estate taxes	0	0	0	0	0	0	0	0	0
Repairs and maintenance	117,898	118	0	0	7,879	8	125,777	126	0
Advertising and promotion	5,277	5	0	0	0	0	5,277	5	0
Provision for credit losses	0	0	0	0	0	0	0	0	0
Stock Obsolescence	5,736	6	0	0	3,294	3	9,030	9	0
Spoilage	0	0	0	0	0	0	0	0	0
Break & Shrinkage	51,064	51	431,352	431	721,515	722	1,203,932	1,204	0
Interco expenses	0	0	(11,420)	(11)	38	0	(11,381)	(11)	0
Total Expenses	**418,454**	**419**	**419,949**	**419**	**3,014,891**	**3,015**	**3,853,293**	**3,855**	**(1)**
Foot Items		(1)		1		0		(2)	
Operating Income	**128,149**	**128**	**(476,300)**	**(476)**	**422,024**	**422**	**73,872**	**74**	**0**
Foot Items		0		0		0		0	

Rounded Income Statement by Reporting Unit
For the Year ended December 31, 2012

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Revenues									
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Contract Sales	99,224	99	0	0	149,378 (1)	150	248,602	249	0
Licensing Revenue	0	0	0	0	0	0	0	0	0
Intercompany Sales	0	0	0	0	64,723	65	64,723	65	0
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Minimum rent	3,727	4	0	0	27,831	28	31,558	32	0
Overage rent	18,542 (1)	18	(1,294) (1)	(2)	(127) (1)	(1)	17,121 (2)	15	0
Other Revenues	36,838	37	(60,309)	(60)	21	0	(23,450)	(23)	0
Total Revenues	546,602	547	(56,352) 1	(57)	3,436,915	3,437	3,927,165	3,927	**0**
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Real estate taxes	0	0	0	0	0	0	0	0	0
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Advertising and promotion	5,277	5	0	0	0	0	5,277	5	0
Provision for credit losses	0	0	0	0	0	0	0	0	0
Stock Obsolescence	5,736	6	0	0	3,294	3	9,030	9	0
Spoilage	0	0	0	0	0	0	0	0	0
Break & Shrinkage	51,064 1	52	431,352 (1)	430	721,515 (1)	721	1,203,932 (1)	1,203	0
Interco expenses	0	0	(11,420)	(11)	38	0	(11,381)	(11)	0
Total Expenses	418,454	419	419,949	419	3,014,891	3,015	3,853,293	3,853	**0**
Foot Items		0		0		0		0	
Operating Income	128,149	128	(476,300)	(476)	422,024	422	73,872	74	**0**
Foot Items		0		0		0		0	

HFR Functionality

- Scaling (Cell Format) - Determines the display of values in whole numbers, tens, hundreds, thousands, millions, and so on.
  - Similar to the following formula: 546,602/1000 = 546

- Rounding (HFR Function) - Round is a mathematical function that rounds a number up or down by the specified digits.
  - Similar to the following formula: Round(546,602,-3) = 547,000

- Scaling and Rounding can be combined within an HFR to ensure that the resulting value is appropriately displayed.

1. Use dynamic member selection functions to pull in all required accounts for a sub-total, excluding the "plug" value.

   Note: Ensure that the order of the members is correct when utilizing this function.

2. In a separate row, select the sub-total associated with the Accounts from Step #1.

Building the HFR Solution – Footing the Report

3. Create a formula column, apply the appropriate Scaling format and Round function.

Building the HFR Solution – Footing the Report

4. Insert a formula row between the detail Accounts and the Sub-Total.

5. In the formula column, for the newly created formula row, create a cell formula to subtract the detailed Rounded values from the Rounded sub-total.

6. Continue performing these steps for all sub-totals within the report

Recommendation: Following the logic above, build the entire report within Excel to ensure that the formulas are operating appropriately before building in HFR.

Considerations

- Consistent Methodology must be defined for the report
  - A "plug" location must be identified for every sub-total within the report. Includes any cross-foot "plug" locations.

- If HFR Expansion functionality it utilized within the Report, ensure that the Footing formula is appropriate.

- Values such as Operating Income (Revenue – Expense) must be handled differently when there is no detailed account to plug the Foot value.

- If new Accounts are created within Metadata, the report should be reviewed to ensure the Accounts are appropriately included within the calculation.

- Check totals can be established within the report to ensure that the Footing Plug Locations are adequately displayed.

- The level of scaling included within the report must be included within the Header based on GAAP requirements.

Thank You !

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