



## Consumer products company hires Auxis to develop and execute the financial consolidation in support of its acquisition of a global appliance firm

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*A consumer products company partners with Auxis to develop and execute the Financial Consolidation process after acquiring major competitor, Salton Inc.*

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### **The Challenge:**

The consumer products company is a diversified marketer and distributor of small kitchen appliances and personal care products for use in and outside the home. On December 28, 2007, it merged with a major competitor which had a range of well known brands, acquiring subsidiaries located in the United States (US), Mexico, Brazil, United Kingdom, Spain, France, Germany, Australia, New Zealand and Hong Kong. To perform the financial consolidation, the original company required the loading of financial data for each of these countries into the company's ERP system (Oracle). This would provide the company's US Management Team with visibility into each subsidiary's financial performance and facilitate management discussion and analysis.

The acquired company's various subsidiaries were using a wide range of disparate ERP systems, each with a unique chart of accounts. Its European subsidiaries (United Kingdom, France, Spain and Germany) were performing a "regional" consolidation, converting all results to the British Sterling (GBP). The consolidated GBP results were submitted to the US for the financial consolidation. Similarly, the Australia location was consolidating New Zealand's results to Australian Dollars (AUD) and reporting combined results to the US.

While performing due diligence, it was determined that this regional currency conversion practice was non GAAP compliant and needed to be corrected after the acquisition so that all local currencies would be converted directly to the reporting currency (USD). The European and Australian "regional" consolidation would also need to be performed in the US so that the required country level visibility could be attained.

The consumer products company, who had recently been acquired by a private equity firm, had strict reporting deadlines that required them to report their financial results by the 15<sup>th</sup> of each month. In spite of the complexities involved with this acquisition, the reporting deadlines still needed to be met for the new combined company.

Further, the processes developed needed to be standardized and sustainable so that future acquisitions could be added with relative ease.

## AT A GLANCE

### CLIENT PROFILE

Company markets and distributes a wide range of small appliances under licensed brand names and other well known brand names.

### THE CHALLENGE:

- ◆ *Align all month-end activities to Corporate close calendar across all entities acquired*
- ◆ *Load month-end data for each subsidiary acquired, including foreign (non USD) entities, at the account and cost center level*
- ◆ *Perform financial consolidation and associated elimination entries within Parent's ERP system (Oracle)*
- ◆ *Produce standard financial reports to support Management discussion and analysis*
- ◆ *Report consolidated financial results by the 15<sup>th</sup> to private equity owners*



## ***The Approach:***

A structured and well thought out approach was extremely important when developing and executing a financial consolidation process to allow the efficient loading of financial data from the different subsidiaries that used disparate ERP systems and transacted in different currencies. Key objectives were:

- General ledger account mapping- each country's chart of accounts had to be reviewed and analyzed in detail to understand the nature of each account. This assured that each account be translated to the most appropriate company account.
- Standard file layout for financial data submission - a standard file layout needed to be defined so that financial data would be submitted in a consistent manner by all subsidiaries. By having a standard file layout that all subsidiaries followed, it allowed the creation and development of a standard data load process. The financial data file included: country code, account number, cost center, currency code, account balance, and account description.
- Parallel testing - the integrity of the file layout and account mappings were tested by loading account level trial balances through the mapping tables for each country to ensure that the results were the same as what each country had previously reported.

Once each country's trial balance data was loaded into the corporate ERP system, the required elimination entries could be recorded and the rest of the financial consolidation could be performed.

In parallel to these activities, the month end close calendar was reviewed and, where needed, activities were streamlined in order to close local books in a timely manner to allow the submission of financial data within the corporate reporting deadline. This led to the adaptation of a corporate wide month-end close calendar.

## ***The Results:***

Auxis' structured approach allowed our client, the consumer products company, to produce and report its financial results for the first month of the combined company to its private equity owners within the same deadlines that it previously struggled to meet. Additionally, by partnering with Auxis to overcome the hurdles and complexities associated with integrating the different charts of accounts, multiple foreign currencies, and intercompany eliminations of the acquired subsidiaries, the client's lean F&A staff was able to focus on the daily challenges of maintaining an efficient Finance and Accounting operation.

## **About Auxis**

Auxis is a management consulting firm dedicated to enabling growth for our customers. We offer a multi-disciplined approach to develop and implement practical, robust and scalable solutions that generate superior business performance, providing significant competitive advantages to our clients. Our core belief is that our success should be measured by tangible and sustainable financial results. Simply put, Auxis helps clients prosper.

## **AT A GLANCE**

### **The Solution:**

- *Map each subsidiaries' chart of account to the consumer products company COA*
- *Convert all local currencies directly to USD, without using an intermediary currency*
- *Develop a standard file layout for the submission of financial data*
- *Develop a standard process of loading financial data that can be leveraged for future acquisitions*
- *Develop a standard account mapping process that translates accounts and can be centrally managed*

### **The Results:**

- *The client reported combined results on the 15<sup>th</sup> with the required country level data*