



Whitepaper

# The 5 questions telecom CFOs should ask their controllers

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# Introduction: The new mandate for telecom controllers and CFOs

As the office of a telecom company controller becomes ever more strategic, the financial organization's relationship to the controller role must evolve as well.

Successful telecom services and infrastructure providers need higher levels of financial visibility to help drive growth and profitability.

Today, companies in the telecom market are reaping rewards from digital transformation initiatives across several industries. Increasing online commerce for retail goods and services, digitalization of hospital records, e-government initiatives, and rapidly rising platforms for media and entertainment content, are driving market growth. This makes it even more critical that CFOs ask hard questions of their controllers to help capture a winning share of market growth for their organizations.

CFOs need to collaborate closely with their controllers, so their companies get the full benefit of the controllers' talents and knowledge. This ensures the controller's office operates at the highest levels of efficiency and accuracy to sustain and promote company growth.

Ask your controller the following 5 questions to initiate a conversation around best practices.



**Question 1:**  
**How many manual journal entries are we making during the closing process?**

Numerous manual journal entries needlessly extend a closing period and can also be a leading indicator of lurking problems. These can conceal anomalies and errors that have broad systemic roots. You may be plagued with variable accounting processes or a level of complexity that calls for revised standards.

To optimize the closing process and reduce manual journal entries, you and your controller should consider implementing these best practices:

- **Integrate the item catalogs and configure-price-quote between your CRM and financial system.** For example, your sales team may be creating quotes based on proximity to the existing network and any engineering costs associated with reaching the customer's demarcation point. When your CRM and financial system are integrated, billing and revenue recognition from the line items in the CRM orders can immediately assign dimensions to orders. It also completes automated journal entries for you, based on the unique requirements of each sale with the added benefit of increasing time-to-revenue.
- **Create comprehensive policies:** First, carefully define and document your accounting policies in quote-to-cash and procure-to-pay. As telecom companies expand either organically or inorganically, the policies are often ad hoc, or in the instance of an acquisition, a mash-up of policies from the existing and acquired businesses. Auditors want clear coordinated policies, rules, and procedures that everyone follows. This is especially true when there are complex nuanced issues such as revenue recognition, commissions, expense amortization, and billing, which are all typical in the telecom industry.
- **Work with auditors:** What exceptions are they uncovering? Your auditors can be an excellent source of external feedback. Review your accounting policies with them, particularly around the ASC 606 revenue recognition rules, and seek their agreement prior to the actual audit. Also, consider grouping your key transactions together, with policies documented, to speed up the audit review and minimize objections and questions. You'll save money on audit costs as well.

- **Formalize the process of manual journal entries:** You won't eliminate manual journal entries, but you may reduce these by formalizing the process. Part of the answer is automation, which will help enormously. You should also devise rigorous processes that discourage manual entries and ask your team to seek alternative ways to account for recurring period-end adjustments.
- **Store documentation with manual entries:** Require that the accounting team capture and store supporting documentation alongside each manual entry, particularly with new subscription contracts when you'll need to track your execution on your performance obligations. Months later when questions about long-ago transactions arise, you'll be able to retrieve answers quickly and efficiently. That boosts your auditors' confidence as well.

#### Key takeaway

Use audit difficulties and exceptions to identify areas that need policy definition, process improvement, and automation.

# Question 2: Have you reviewed compliance with local jurisdictions?

As 1 of the few people with a direct role in virtually every transaction that flows through the corporate accounting structure, the controller must play a central part in identifying and minimizing the company's risk exposure.

This is especially critical for growing infrastructure and service providers, whose regulatory compliance risks steadily increase in magnitude and quantity over time. The following best practices can help your controller steer your company clear of unnecessary risks.

- **Create a risk framework:** Assemble a team to identify the most likely sources of risk, including regulatory compliance with ASC 606, state public utility commissions and local tax authorities where applicable. The team should be charged with developing plans and processes to limit your company's exposure and mitigate the effects of noncompliance. Give the controller a leadership role and review this plan together often.
- **Conduct regular risk reviews:** Create a series of checkpoints, duties, and regular meetings to stay apprised of the above efforts and to review new and evolving compliance requirements and related financial controls. For instance, you can review everything from insurance policies to contract sizes in a regular meeting. Every person in the company has some role to play in safeguarding the company against risk. Operate under the principle of "trust but verify."
- **Ensure local jurisdiction compliance:** As your organization expands to multiple jurisdictions through development, acquisitions, and changes of control, the complexities multiply. The primary challenges may involve taxation, including corporate taxes and payroll, as well as any local or state taxation for regulated and nonregulated services.

An international presence and interexchange agreements add still more complexity. You and your controller must give careful thought to how local entities are created and operated so you can minimize tax impacts and ensure proper compliance.

#### Key takeaway

Create a central review process to ensure the right controls are in place.



**Question 3:**  
**How long does it take to close our books? What's holding things up?**

The best measure of controller efficiency is how quickly and accurately the team closes the books. Start with strong planning and preparation, such as managing all billing and expense issues prior to the period-end. Automation is also essential as it provides the desired speed, efficiency, and accuracy without increasing staffing levels.

A fast close enables the accounting and finance team to move beyond merely reporting results and into forward-looking activities that can shape future outcomes. You and the executive team need financial information as soon as possible to make any necessary course corrections. This information includes traditional financial statements (income statement, balance sheet, and statement of cash flows) as well as customer metrics, operational reports, detailed analyses of business results, forecasting, and “what-if” FP&A analysis.

- **Create a closing scorecard:** In addition to tracking the number of manual journal entries, monitor the number of expense reports, accruals, bills, and invoices that your finance team must process. Consider creating a simple scorecard to measure your progress and to understand where the bottlenecks are occurring.
- **Create a flash-close report:** To buy the team a little time and satisfy investors, lenders, and executives, who typically want period results immediately, consider creating a 1-page “flash-close report” in as little as 2 days, as compared to the 10–15 business days most accounting teams require to close their books. This report can cover 10–12 key metrics and balances, such as:
  - Revenue
  - Bookings
  - Customer lifetime value
  - Customer acquisition costs
  - Committed monthly recurring revenue
  - Average revenue per unit
  - Accounts payable
  - Accounts receivable
  - Days sales outstanding
  - Cash balance and burn
  - Key customer adds
  - Churn

- **Automate for speed:** In general, manual entries and workarounds are red flags for auditors because they are an open invitation to policy deviations. Automated processes enforce your accounting policies while also increasing closing speed and reducing errors.
- **Know the forecast:** Knowing the next quarter’s forecast better enables the controller to spot errors and issues because unexpected actual results (positive or negative) will stand out, particularly in times of growth, whether organic or inorganic. The controller can then investigate and provide commentary prior to closing the books. When the accounting team detects problems early, it simplifies matters for the finance executives and the board.

#### Key takeaway

Create a repeatable close process that satisfies the immediate and longer-term needs of all the stakeholders.

# Question 4: Are we still using spreadsheets? If so, why?

The continued use of spreadsheets may reflect apathy based on inexperience with other tools—or comfortable familiarity. There are many reasons to limit spreadsheet use, including inherently breakable models, security issues, and lack of shareability.

Due to the complexity of information, calculations, and schedules, errors are almost guaranteed. For example, since spreadsheets live outside of your core financial system of record, creating assets, posting journal entries, and asset disposals are time-consuming manual processes. This is especially problematic for telecom as equipment is routinely decommissioned in favor of newer technology. That said, spreadsheets are still useful to controllers in certain situations. Spreadsheets have been, and will likely remain, one of the go-to components in every accountant's toolkit. Just make sure you're clear on why you are utilizing these. Some of the best practices for using spreadsheets include:

- **For isolated tasks:** No company should rely on spreadsheets as the financials backbone. However, for tasks such as manual journal entries, subledgers, prepaid expenses, deferred revenue, and support schedules, spreadsheets can serve a limited purpose, if you base these activities on data from your primary financial system.
- **As an ad-hoc reporting tool:** It's OK to use spreadsheets as an ad-hoc tool to accept data exports from your financial system or some off-program analyses, modeling, and simulations. But a company's financial "truth" should always come from a system that stores all data. When a colleague emails you a spreadsheet that has conflicting or outdated data, you'll spend more time reconciling the numbers than acting on the information.
- **For ancillary reporting:** Multiple-user corporate accounting systems have their own native reporting facilities, but sometimes controllers prefer the familiarity of spreadsheets for reconciliation reports. They create flash reports at period end, modeling various forecast scenarios and similar forward-looking reports. There's little downside to doing so.

#### Key takeaway

Spreadsheets can be a valuable tool for specific, limited purposes.

# Question 5: Can we integrate our financial information and our operating metrics?

Because many financial systems can now accommodate analyses of operating metrics from statistical accounts to create a richer, fuller picture of the business, the controller is assuming a role as the provider of financial visibility.

Merging financial data and operational metrics could help your organization in the following ways:

- **Spot the opportunities:** By virtue of their intimate involvement in almost every accounting transaction, controllers have a unique perspective on corporate performance. They should be able to identify both obvious and subtle opportunities to maximize revenue and minimize expense.
- **Emphasize operational metrics:** The rising importance of operational metrics gives controllers the ability to collaborate with other areas of the company to manage their functions in nonfinancial terms. Examples include CLTV, the Rule of 40, CMRR, customer acquisition cost, churn, and more. Ultimately, these operational metrics reconcile 100% with GAAP financials.
- **Establish the financial truth:** A single merged reporting system, across your CRM and financial system, ensures everyone works from the same playbook. If you have 2 or more reporting systems, you will spend unproductive time reconciling differences and untangling conflicting definitions. Revenue may be reported differently for GAAP, sales compensation, and board reporting purposes, but should all be sourced from the same system.

#### Key takeaway

Implement a single reporting system to eliminate unproductive reconciliation time.

# Final thoughts

Exploring the answers to these 5 questions with your controller will help create a stronger, more effective financial structure. In fact, your entire organization will benefit from a finance team that understands and controls sources of financial risk and implements more efficient processes.

This gives you deeper insight into both the financial and operational metrics of the business, which drives better decision-making, more informed board meetings, and a successfully executed strategy. All of these come together to help drive business growth in a competitive landscape.





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