



SAS[®] Financial Management

Delivering unified, reliable financial intelligence throughout the enterprise



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Executive Summary

The watchwords for today's financial reporting are integrity and transparency. Failure to provide accurate internal and external reports may result in personal liability.

Current US Securities and Exchange Commission (SEC) regulations leave no room for executives to view their audits with complacency. They can no longer assume that as long as their financial statements comply with Generally Accepted Accounting Principles (GAAP), it doesn't matter if the figures might be creatively engineered to sidestep ethical principles or reality.

Today, CEOs and CFOs must certify to the "appropriateness of the financial statements and disclosures contained in the periodic report, and that those financial statements and disclosures fairly present, in all material respects, the operations and financial condition of the issuer," according to the SEC.

Executives who willfully certify statements they know to be false can face criminal charges, fines up to \$500,000 and jail terms of up to 20 years.

Even the most ethical executives should be concerned. Can you really swear to the accuracy and integrity of data management processes throughout all the tributary systems that flow into SEC or International Accounting Standards (IAS) reporting? Can you be sure that the legacy accounting tools, proprietary systems and renegade spreadsheets used by various departments are actually supplying valid information that supports a single version of the truth?

As financial transactions and disclosure rules have become more complicated, so has the process of accounting for them. Conventional accounting systems, spreadsheets and enterprise resource planning (ERP) systems have not kept pace with the financial reporting and analysis requirements of dynamic organizations especially as global business operates at a faster pace than ever, demands strategic decisions on timelines that overwhelm pre-Web business models, pressures companies to manage their business from new perspectives and attaches your good name to the bottom line.

The SAS answer moves beyond two-dimensional spreadsheets, beyond proprietary solutions, and beyond transaction-oriented accounting systems. **SAS® Financial Management** integrates legacy and point solutions with comprehensive SAS data warehousing, planning, forecasting, analysis, reporting and cost management tools. The result is a unified performance management approach that enables financial managers and executives to:

- **Plan** and allocate resources more effectively and efficiently, aligning strategic objectives with operations and driving performance results.
- **Manage** and consolidate disparate financial and non-financial information, and turn it into a form that can be used for meaningful analysis.

- **Analyze** across multiple levels and dimensions to not only know what was, but what will be and why – generating real business intelligence to fuel greater performance.
- **Report** on the organization’s performance across multiple dimensions, levels and viewpoints quickly, easily, in whatever format is required by the user to satisfy the internal need for timely strategic information and to meet stringent regulatory reporting requirements.

SAS Financial Management unifies legacy and point systems into a comprehensive, manageable, repeatable process that generates a “single version of the truth” – one to which you can confidently sign your name.

Today’s Problems, Strict Demands for Financial Management

Accurate financial reporting is a growing concern as auditors continue to uncover and disclose suspicious transactions and accounting irregularities. Facing extreme pressure from the market to perform, executives in leading companies sometimes resort to “creative accounting” to deliver against forecasts and expectations.

Highly publicized disclosures triggered a tidal wave of layoffs, plummeting stock values, loss of investor confidence, public indignation and, inevitably, federal intervention. In August 2002, the SEC activated strict regulations and penalties designed to reform corporate accounting, rebuild the economy and restore investor confidence. Corporate executives are now held personally accountable for the integrity of their financial reporting.

The SEC requires top officials to file sworn statements attesting to the accuracy of a company’s most recent annual and quarterly financial reports. If they sign knowing the results are false, they will face fines of up to \$5 million and up to 20 years in prison or both. Separately, additional legislation requires executives from all public firms (including foreign companies listed in US) to vouch for quarterly and annual reports.

The implications for CFOs and CEOs around the world are profound. Executives are under intense pressure to meet earnings projections and improve profit margins in a turbulent economy. They must continually find and implement effective cost reduction strategies, setting investment directions to maximize immediate ROI without undermining long-term returns. They must explain fluctuations in shareholder value and proactively manage erratic performance indicators and market trends.

Now, in the US, Japan and other countries, they also have to attest under oath that top-level financial reports, based on calculations derived from hundreds or thousands of originating sources throughout their global organizations, are accurate and have been produced in accordance with GAAP. Further, they’re being held to broader disclosure requirements and shorter reporting deadlines than ever.

Beyond Budgeting

In spite of all the advances in accounting processes since the days of penned ledgers and spreadsheets, popular financial reporting tools are not measuring up to contemporary business challenges. In many organizations, CFOs have discovered that accurate financial management and reporting is a time-consuming process that is hindered by departmental managers dragging their feet submitting worksheets and resulting months later in reports based on outdated data that have consumed many of the CFO's waking hours.

In complex, decentralized organizations, financial executives have found it cumbersome or impossible to quickly consolidate financial data from multiple units, ensure the accuracy of that data, predict the impact of business decisions on financial performance and drill into financial data to understand not only what, but why. They've also found traditional rear-view budget tools to be inadequate for making up-to-the-minute strategic decisions.

Budget tools and processes are a byproduct of the old commodities-based, manufacturing-oriented economy, where acquiring and protecting capital were the primary drivers of most organizations. Over the years, budget-based processes permeated corporate structures and were applied to purposes for which budgeting was never designed, such as benchmarking and forecasting in companies that have significant intangible assets.

Adapting budget-based processes into financial performance management roles spawns dysfunctional behaviors that undermine long-term growth with shortsightedness that seeks to squeeze every penny from budget coffers while ignoring market demands.

In a budget-based model, employees adopt an us-versus-them and use-it-or-lose-it mentality and are encouraged to use creative tactics to match actual and budgeted figures. Departments are rewarded or punished based on their ability to meet outdated, fixed targets that don't reflect changing conditions or new opportunities.

New business complexities and regulatory requirements call for a new dimension in financial accounting and reporting. Most CFOs agree it is time to redefine the modus operandi. A survey by PricewaterhouseCoopers reveals that 8 in 10 CFOs have put high priority on moving from budget-based approaches to a new model that accelerates and improves financial management and reporting to meet new shareholder and regulatory expectations.

SAS Financial Management provides the answer with a client-server and Web-based application suite that:

- Provides an integrated planning component enabling companies to perform planning on a more frequent, automated basis.
- Consolidates actuals and plans from disparate locations into one validated, accurate version of the truth.
- Enables meaningful analysis of information from different angles and dimensions to support rapid decisions and improve overall business performance.
- Reports and distributes financial intelligence throughout the enterprise so decision makers have the information they need when they need it in a format that they can use.
- Provides information that chief financial executives need to deliver and sign disclosure statements with confidence.

SAS Financial Management provides the flexibility needed to create more confident plans and more accurate budgets. The solution supports rolling forecasts, top-down and bottom-up budgeting and budget-cycle seeding. Statistical accounts and embedded calculations provide for driver-based budgeting, even in multiple currencies. SAS forecasting technology produces the most accurate and flexible forecasts available, and the solution's on-demand consolidations enhance the ability to model what-if scenarios.

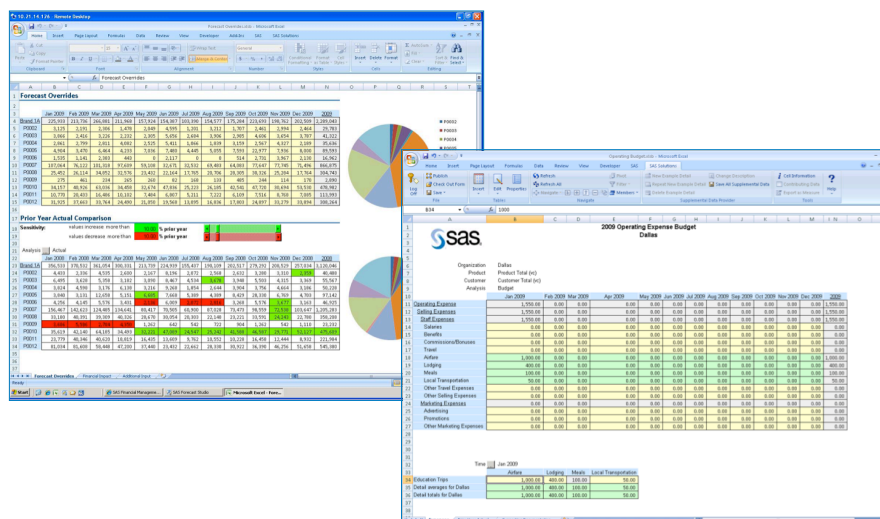


Figure 1: Using analytical forecasting techniques to drive detailed budgets.

Driving Financial Intelligence with SAS® Financial Management

A typical spreadsheet application stores data in cells that are structured in a static row-by-column arrangement, with formulas embedded in cells and with multiple spreadsheets representing different dimensions (such as business units or product lines). This data architecture is difficult to manage and update.

ERP systems, at the opposite end of the spectrum, store voluminous amounts of transactional information that is well suited for running business operations, but they are not designed to provide critical financial and business performance intelligence when needed by decision makers.

In contrast, SAS Financial Management integrates a dynamic, multidimensional financial data warehouse with powerful features for importing data from external systems, managing data processes, allocating and consolidating data, creating and using printed and interactive reports, performing analysis, validating data and auditing user activity in the system.

Provide multiple perspectives of the business model

A multidimensional model of the business enables simultaneously planning, analyzing and reporting of multiple factors. Users can view profit-and-loss statements by organization and then analyze the information by product or customer segment in different currencies. Within one dimension, users can define any number of detail items and roll-up levels. The system allows for multiple models for different reporting requirements (e.g., management and legal reporting). Business models can be loaded from, or exported to, text files for definition and maintenance.

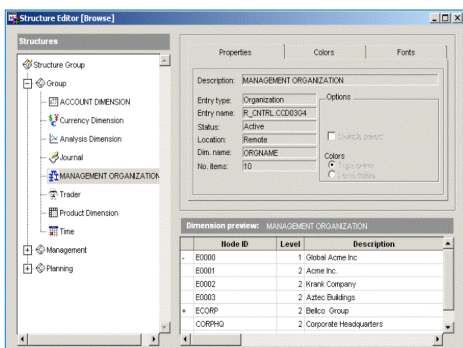


Figure 2: Business model definition and maintenance.

Exploit data from disparate general ledgers, ERP systems and databases

Finance executives are often asked to apply their expertise to strategic organizational issues, but they often encounter a recurring problem: their systems contain information of strategic value, but extracting it from the system can be daunting. SAS Financial Management can help consolidate inconsistent charts of account and controlling areas from differently configured operational systems.

Users can eliminate re-keying data by automating access to external data sources using sophisticated, custom-defined mapping rules. For instance, users can move external data between accounts on a debit and credit or percentage basis, build user-defined data validation routines to cleanse incoming data and automatically add new dimensional elements as they are discovered during the data input process.

These capabilities enable the finance department to realize a faster return on investment, exercise greater control of their processes and spend less time and money running ad hoc reports and manually manipulating financial data.

Share data with external, third-party systems

The SAS data warehouse complies with OLE DB for OLAP industry standards, enabling third-party software to access information in the data warehouse while maintaining full data security.

Perform allocations

Use the most up-to-date business drivers to create allocation rules for the many indirect costs that can affect the business. With SAS Financial Management, users can perform simple or complex allocations using a variety of methods: percentage split, equal split, proportional and fixed values. Allocations can be made from previously consolidated data, from other SAS sources or from other allocation processes – providing complete flexibility to address business requirements.

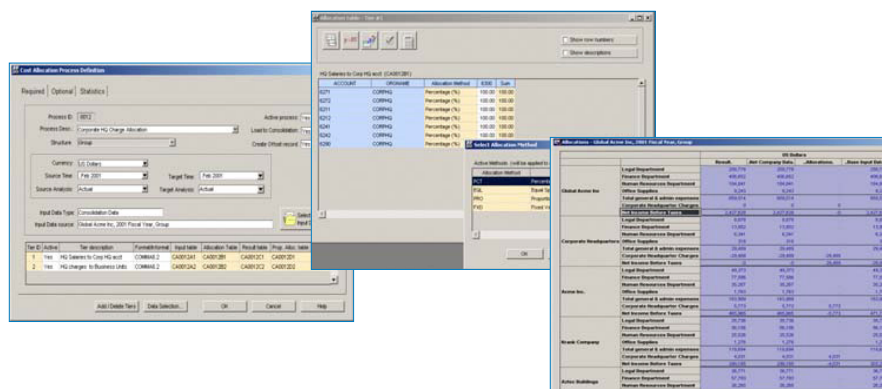


Figure 3: Allocations.

Manage consolidation and reporting cycles

The SAS data management functionality enables users to view an updated status at any time and maintain point-and-click views of the following:

- Which data submission files are available, and are there any changes?
- Has data import and validation been performed?
- Are there any unposted journals to process?
- Are there any intra-organizational transactions to account for?
- Does a consolidation or re-consolidation need to be performed?

View financial performance from any perspective:

- Location
- Line of business
- Product
- Customer

SAS Financial Management turns complex reporting requirements into clear visuals, meaningful data reports and regulatory-compliant disclosure statements.

Track changes made to input data

Using rules defined by the authorized user, journals can handle one-time issues or recurring entries such as goodwill, corrections, minority interest and balancing of intercompany transactions. Journals do not alter the original data input because they are maintained as a separate record within the system. Users can always determine the original input and adjustments made to it, which provides better financial transparency.

Convert any number of currencies

Based on user-defined tables of exchange rates and rules for applying rate conversions, users can convert any number of currencies. Different exchange rates can be assigned to different types of data (for example, budget and actual) within a single reporting entity or across different account types (for example, an average rate for converting income/expense items or a closing rate for balance sheet items).

Consolidate data

Traditionally, finance departments have struggled to close the books and deliver business intelligence in time for crucial forecasts and decision making. Many issues delayed the process, but the main cause is the need to re-format and “crunch” financial data to make it consistent across all business units – and usable for both internal and external reporting needs.

SAS Financial Management provides a single version of the truth and presents data in a relevant, reliable and consistent manner. Users can consolidate data across selected dimensions or across all dimensions – at multiple levels or to multiple “parents” for different reporting purposes, perhaps to satisfy diverse management and legal reporting requirements. The system maintains a unique data file of the consolidation at each level to facilitate export to other programs and to maintain a modular data structure. A job manager feature automates scheduling of consolidation and reporting tasks.

With powerful consolidation capabilities, finance operations can close their books faster and provide transparency throughout the organization. The time saved can then be more productively applied to analysis, to reveal the real drivers of business performance and redirect resources to where they will add the most value.

Perform reporting and analysis

Getting information to decision makers throughout the organization when they need it is a key challenge for many finance departments. With SAS Financial Management, reporting and analysis of performance information can be accessed online or through a Web browser for static reports or by performing analysis using its drill-down capabilities. SAS Financial Management also supports exporting information into Excel so users can work in a familiar spreadsheet environment.

Standard report templates can be organized into chapters and books, with pages that represent steps of a third dimension (for example, income statement by time period pages for each business unit); display pie, line or bar charts; or provide supporting text or illustration. Ad hoc reports can be saved as templates for future use. Power users can also choose to drill down for more detail when transactional information is required. Reporting tasks can be automatically scheduled through a job manager feature.

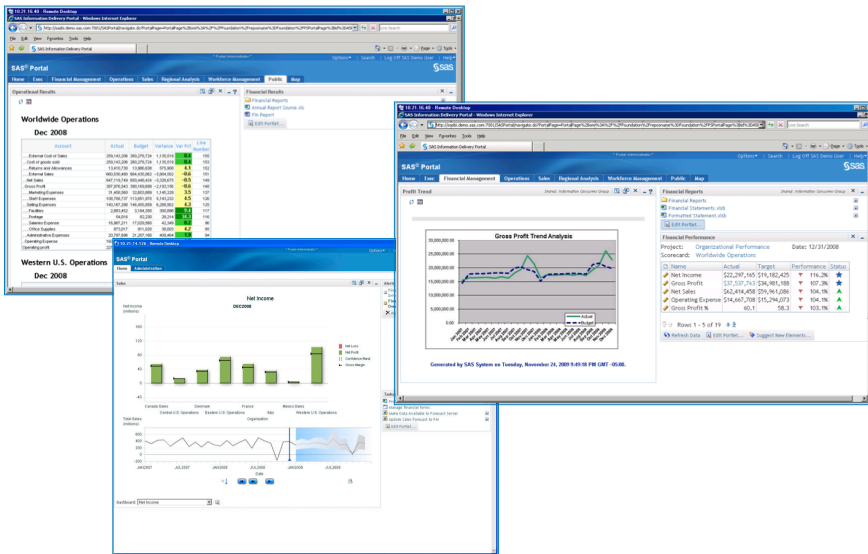


Figure 4: User-defined home page status reports, alerts and analysis.

Validate data integrity

Now that top executives are personally accountable for the integrity of their financial reporting, data integrity measures take on added importance. SAS Financial Management establishes and validates data integrity through:

- Automatic validation routines that cleanse input data.
- Built-in protections such as the inability to consolidate data from unapproved planning forms.
- Access controls and audit trails of user and administrator activity in the system.
- Optional, custom validation rules that can be performed on any data process in the system.

Secure access

The first line of defense in helping ensuring the integrity of financial information is to restrict access to financial applications – an increasingly important consideration in geographically dispersed, networked financial management systems. With SAS Financial Management, administrators define which users and groups can use the system and under what circumstances.

Each user is given a unique user name and password, enabling system activity to be tracked to the individual user level. Users can be assigned to different groups with different access rights. Users within a group can have different access and processing privileges. For example, a strategic analyst might have read-write access to business modeling definition functions, yet read-only access to SEC report data. One user might have rights to perform full consolidation routines, while another user is restricted to data entry only.

The application tracks details on changes made in the system, including administration, data management and data import. Only authorized owners of planning forms or users with commensurate access privileges can access and update forms. Changes to input data can only be made via journals, which are tracked by journal type number, date of origin and author identity. Only authorized data administrators can import or consolidate data. These measures and others help ensure that only authorized users access the system and that only logically acceptable transactions are posted.

Planning with SAS® Financial Management – Streamline and Accelerate the Planning Process

A key component of SAS Financial Management is integrated planning. This application compresses the planning cycle, encourages greater commitment and cooperation from input providers and enables administrators to develop worksheets that mirror the way business units actually operate. Because planning is integrated with consolidation and reporting, the underlying data used to drive the planning module is consistent across the enterprise.

Extending this planning functionality in SAS Financial Management is the completely integrated high-volume, low-detail Operational Planning Capability. This includes the ability to plan salary-related expenses at the individual employee level, product revenue at the SKU level and capital budgets at the asset tag level. Users can access statistical accounts and embedded calculations for driver-based budgeting, access the global currency rates, and use them in P&L level accounts by department, product line, region or line of business.

With SAS Financial Management, you can:

- Administer and manage the planning process at all levels.
- Design user-friendly worksheet forms that can be shared between end users.
- Integrate prior plans, estimates, forecasts and actual figures into new forms.
- Pre-populate plans with business drivers and rules.
- Develop detailed, operational plans at the SKU, employee or asset tag level.
- Input, verify, approve and integrate new figures quickly.
- Analyze plans across a number of different dimensions.
- Securely access, use and maintain the system over the Web.
- Dramatically reduce the planning cycle.

Unlike spreadsheets, you won't receive multiple reports that may have been corrupted or changed by various users. No more difficulties identifying and requesting overdue worksheets and revisions. SAS Financial Management automates that function, highlights overdue worksheets and tracks subsequent iterations and revisions – accelerating the entire process.

Below is a high-level look at the process for achieving results with SAS Financial Management.

Establish planning criteria

Based on the organization's business plan, objectives and planning criteria are defined, such as:

- **Planning cycle**, which defines the period during which planning and budgeting processes take place. Cycles can be defined for any calendar period.
- **Planning process**, which defines start and end dates for components of the overall planning cycle, such as departmental expense process, sales and cost-of-goods-sold process, and balance sheet process.
- **Business drivers**, which are either fixed values or calculations based on assumptions that auto-fill line items (for example, standard annual bonuses equal 5 percent of employee salary). Business drivers are similar to cell formula in spreadsheets but much more powerful, because they can reach across business accounts and other dimensions. They are also much easier to define, track and update. Business drivers ensure that the planning worksheet creation and collection process is aligned with organizational objectives.
- **Rollovers**, which move previous criteria into new cycles to help ensure consistency between cycles and facilitate more frequent planning.

Create user-friendly, user-defined forms

After defining the planning process and cycle, data-entry forms can be created that capture:

- Past financial and non-financial data as a starting point for the new financial plan.
- Data that reveals seasonal or cyclical trends, ensuring that planning reflects a specific situation.
- Multiple data entry grids in a single form, useful for displaying prior and current plan info together.
- Calculations that reflect key business drivers.
- Links that automatically mirror changes among interrelated line items.
- Increment and spreading features for end users to use in what-if analysis.
- Text commentaries that clarify elements on the form or prompt the user for an action.

Because business environments are complex, the planning solution must be able to accommodate their intricacies and uniqueness. SAS Financial Management forms can be customized to mirror the way a business is organized, how individual business units operate, relevant data and dimensions to consider and more. The form can include protected cells that are visible but can't be edited by the user. With multidimensional capabilities in SAS Financial Management, contributors can analyze and complete planning worksheets in a form that makes sense to them, while finance staff can adjust the presentation of this data to fit its own requirements.

Secure access to forms over the Web makes the process easy to manage, easy to use and flexible for contributors and IT staff alike. An integrated tracking function manages templates, online processes, planning control and participation.

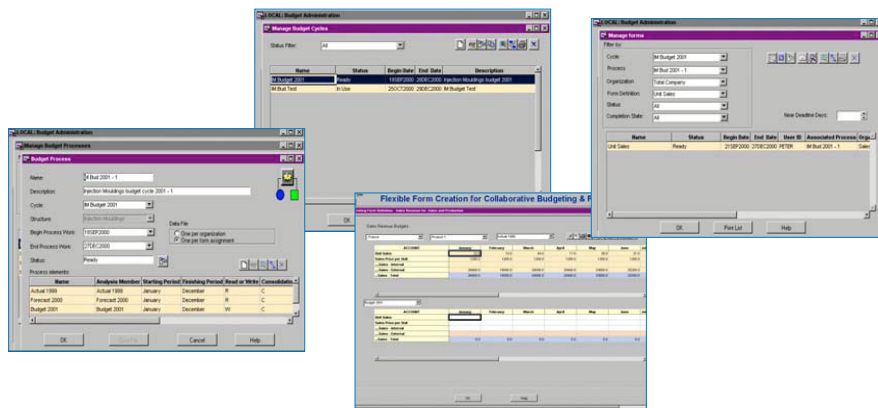


Figure 5: Managing the process.

Control the workflow

The next step is to define user assignments and permissions. This process establishes ownership accountability for each form and sets up privileges that indicate which forms users and groups can view, modify or submit. One form template can be assigned to multiple users, and a separate copy can be created for each assigned user. The form assignment process triggers e-mail notification to users that their assigned form is available for input and when that input is due.

Once assignments and permission are defined, authorized users can log in and enter data, review data and then submit the data for management review and approval. Easy-to-understand graphical interfaces reduce technical support and training requirements.

The system supports either parallel or sequential approvals, or a combination of both. As forms are submitted, the approver reviews and accepts the completed form, which changes the form's status to "accepted" and automatically forwards it to the next approver in the review hierarchy. The approver can also see a summary view of data all contributors have submitted for a given form. The data will automatically convert to the correct currency in the view, if the submitted forms use a different local currency than that of the approver. If the approver is not satisfied with the results of a submitted form, the form can be rejected, which triggers an automatic e-mail to the submitter containing the reason for rejection.

Throughout the planning process, the central administrator can track status of overdue plans on an up-to-date online display. Who is presently working on what? Who has already submitted? Who hasn't even opened and looked yet? The system can automatically generate e-mail notifications to remind users of deadlines.

Ultimately, the forms are approved and sent to be consolidated in the central financial data warehouse, where this information can be used as a single version of the financial truth for reporting and analysis.

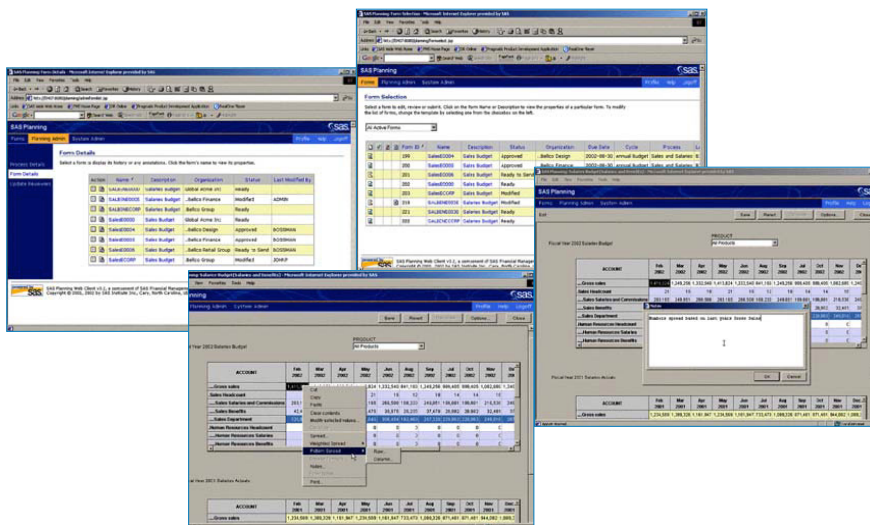


Figure 6: Form selection, data entry, form notes and form approval.

Summary

SAS Financial Management redefines the cycle times, performance and possibilities of financial management and reporting, and provides financial intelligence throughout the enterprise. SAS Financial Management unifies legacy and point solutions into a comprehensive solution. With SAS Financial Management, you can:

- Automate the processes for creating, tracking, consolidating and validating plans and budgets, thereby trimming valuable weeks or months from the financial planning cycle.
- Drill down and analyze performance information by country, region, product or customer.
- Easily share financial and non-financial information among decision makers to foster enterprisewide intelligence and knowledge sharing.
- Quickly incorporate organizational change into your planning, reporting and analysis and be prepared to address pressures from the marketplace.
- Meet enterprise and industry reporting and disclosure requirements so you can sign off on your financial results with confidence.

This white paper only begins to introduce the features and capabilities of SAS Financial Management.

For more information, visit the Performance Management section of our Web site at www.sas.com.



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