

What is intercompany reconciliation?

International groups have to consolidate all the various General Ledgers of their subsidiaries in order to eliminate inter-company flows. This is Intercompany Reconciliation. The process, which normally takes place monthly or quarterly, frequently identifies a large amount of mismatches between subsidiaries in the group. Mismatches can be with invoiced goods and services (internal Accounts Receivable vs Accounts Payable) but also with other transactions such as loans and deposits, interests on internal positions and other balance sheet items.

What are the problems with Intercompany Reconciliation?

The problem is that an invoice booked on the Accounts Receivable (AR) at one subsidiary is often not booked on the Accounts Payable (AP) of the payer, on time, correctly, or at all. This gives rise to huge differences which cause problems on the consolidated accounts.

Situation today:

- Mismatches due to delays / incorrect booking of Accounts Payable (AP)
- Not clear who is a relevant contact to resolve disputes
- Consolidated balance sheet needs manual adjustment
- P&L accounts may be incorrectly presented
- Undesirable Audit comments
- Considerable time pressure at month end
- Manual processes at every subsidiary and centrally
- The reconciled data and documentation is often not stored centrally