



Use Case Spotlight

Purpose-Built Automation for Manufacturing

Streamline Manual Processes Inside SAP

Manufacturers are unique, because unlike other businesses, they create tangible products from raw materials or other finished goods.

For controllership teams in manufacturing, this means accounting for complex inventory scenarios on top of other month-end responsibilities. Beyond managing traditional close procedures, these teams must:

- Provide visibility at the plant level
- Track and report on inventory by category and material/part
- Allocate production costs and capitalize overhead accurately
- Provide data for budget planning
- Analyze cost drivers

These tasks can't always wait until month end. In fact, timely information is critical to operational effectiveness. And because manufacturers are typically decentralized, multi-location organizations, unifying data is a requirement.

Month End for Manufacturers

Managing and accounting for inventory—raw materials, semi-finished and finished goods, as well as work-in-process—is just one component of the record-to-report process for manufacturers, but it's significant.

Some other unique steps might include:

- Calculating, analyzing, and reporting on purchase price and budget variances
- Preparing, reconciling, and analyzing reserve accounts
- Ensuring conversion costs are captured and allocated
- Calculating cost of goods sold (COGS)

SAP's available manufacturing execution solutions help centralize floor operations, collect production data, and provide visibility across the supply chain. However, challenges remain at month end.

It isn't uncommon for plant controllers or cost accountants to use a combination of manual steps in SAP and manipulations or calculations in spreadsheets to close the reporting period and analyze plant performance.

These processes often result in adjustments, journal entries, or other downstream tasks that Accounting must perform. This not only adds time and slows down the process, but it also adds risk. And even with the most sophisticated SAP environment, organizations find themselves repeating tasks manually on a regular basis.

Did you know

that most manufacturing companies grossly underestimate their inventory carrying costs by about 17 to 37%?¹

Did you know

many manufacturing companies perform a soft close on a weekly, sometimes daily basis just to keep up with requested information needed by management?

A Closer Look at 3 Manufacturing Processes in SAP

Resolve Controlling Goods Issued (COGI) Errors	<p>Backflushing is the automatic accounting of material consumed for production. During this process, errors can occur. Backflush errors are typically caused by a backflush quantity (quantity consumed by a production order) that is greater than the stock available. Avoiding errors completely can be very challenging. As part of the closing process each month, SAP teams use COGI transaction in SAP to check for and clear all errors. Because the steps are highly manual, resolving errors can slow up processes and increase risk if not done accurately and in a timely manner.</p>
Work-In-Process (WIP) Calculation	<p>WIP must be calculated and reported on each month. It is difficult for many plant controllers to assign an accurate cost to WIP, since the category consists of goods at varying stages of completion. And although the calculations are required at month end, it's beneficial for manufacturers to track WIP more regularly to identify bottlenecks in production. Because of the complexity and manual touchpoints, however, more frequent reporting is not always practical.</p>
Purchase Price Variance (PPV) Reclassification	<p>Purchase Price Variances may occur on an invoice receipt or a goods receipt, and the financial impact will automatically post to the PPV GL account. However, it's not always easy for accountants to view PPV, and there isn't a standard report available. To enable accountants to review and report on purchase price variances, many organizations have a custom report built or extract data to Excel from multiple locations in SAP. Purchasing teams may also use this report to improve sourcing costs.</p>

Resolving COGI errors, calculating WIP, and understanding PPV are just some of the common procedures related to closing the books at the plant level for manufacturers.

On top of it all, closing procedures at corporate are dependent on the plant level. One task or job must be executed before the next, so sequence of events is critical. Because of these key dependencies, accounting teams, both at corporate and at the plant level, struggle to use all 24 hours of the day efficiently.

Purpose-Built Automation Extends Core SAP Functionality

What if you could
perform production
performance analysis
on real-time data
weekly? Daily?

Or **shift your
daily focus** from
manual, repetitive
SAP tasks to
providing insights
into inventory and
market trends?

You can.

With purpose-built robotic process automation (RPA) embedded in SAP, manual, repetitive work is alleviated, and you can focus on the analysis needed for effective manufacturing operations.

The intelligent automation built into SAP can handle the most repetitive, manual closing procedures that currently plague you.

Among the most basic tasks, it can handle job scheduling, status alerts, multi-entity reporting, and internal control documentation, as well as the most complex allocations and calculations.

BlackLine Smart Close, purpose-built robotic process automation for SAP, can also automate the complex manufacturing closing scenarios highlighted earlier:

- **Resolve controlling goods issued (COGI) errors.**

Smart Close will automatically schedule and run the SAP COGI transaction and notify specific teams with the exact reason as to why a backflushing error occurred. If an error occurred because there was a deficiency in raw material and inventory now exists, COGI will automatically reprocess the error. If a different reason for COGI failure exists, like the wrong SLOC or batch, a user will need to take corrective action and Smart Close can guide the user on how to resolve the issue.


- **Work-in-process (WIP) calculation.**


Smart Close will automatically execute WIP cutoff, as well as WIP calculation, and rules can be applied to each process to ensure accuracy. Calculations can be run overnight, so accountants can focus on analyzing results properly and in a timely manner, instead of having to perform system activities and waiting for reports to execute.

- **Purchase price variance (PPV).**


Smart Close can automatically execute custom reports created to analyze PPV and automatically alert business users when thresholds are exceeded. If no custom reports exist to analyze PPV, Smart Close can concatenate data from multiple locations (Transitions and Tables) to compile necessary PPV information and apply logic to analyze different sets of purchase price related data.


But those are just a few examples of how Smart Close can free up accountants' time and streamline manufacturing close processes. Additional tasks that can be automated include:


 Performing aging on GR/IR automatically


 Foreign currency valuation

 Inventory revaluation

 Settlement of orders and assessment (K08G, KSU5, CO88, CJ8G)






 Recurring entries, such as storage costs and depreciation

 Allocating expenses of service cost centers (KSU5/KSV5)

 Top-down distribution

 Applying actual overhead rates (KGI2/CO43)

Accounting teams using Smart Close have benefitted from shifting focus away from manual, repetitive tasks to focus on:

-  Tracking trends in variances from vendors
-  Inventory management (cost allocation and forecasting market trends)
-  Analysis and assessment of plant-level performance
-  Understanding tax considerations for capital and other expenditures
-  Strategic planning at the plant level

Real Manufacturers, Real Results



30

hours saved during the month-end close

\$225K

ROI realized per year

60%

reduction in time spent on close

50-200

manual SAP steps now completely automated

BlackLine Smart Close

BlackLine Smart Close embeds purpose-built robotic process automation into your SAP financial close process.

Smart Close triggers, executes, and monitors SAP closing tasks and workflows. By automating these repetitive, manual tasks, such as job scheduling, report verification, and control documentation, accounting teams can now focus on analyzing exceptions and reports.

Smart Close was built to align directly with your SAP roadmap and is installed directly into your SAP instance, or multiple instances.

And when used in harmony with other BlackLine solutions like Journal Entry and Transaction Matching, Smart Close processes can be automated from end to end.