

# Case Study

SALE PROCESS PREPARATION, FINANCIAL STATEMENT PREPARATION, PROCESS & CONTROLS AND AUDIT SUPPORT – MANUFACTURING

SECTOR: MANUFACTURING

- Sale Process Preparation
- Audit Readiness
- Process and Controls
- Financial Statement Preparation

**Team Size:**

Sell Side Readiness: 1 Senior Director, 3 Vice Presidents, 2 Associate

Audit Readiness: 1 Senior Director, 1 Director, 1 Vice President

Process & Controls: 1 Senior Director, 1 Vice President

Financial Statement Preparation: 1 Director, 1 Vice President

**Project Duration:** 4 months

**The Requirement – In preparation for a sell side transaction, a \$1.5B revenue sponsor-backed manufacturing business required historical analysis of core financial and operational metrics, as well as back-period audited financial statements for it’s acquired entities**

A manufacturing firm that had grown via acquisition was in need of core financial and operational analysis to use as the basis for the development of an economic forecast model, as a tool to analyze periodic performance and as a tool to provide data driven answers to questions posed by key stakeholders and investors. Additionally, the company required back-period audits for it’s acquired entities in order to build an audited historical view of whole company financials. Accordion was engaged to develop robust historical analytical models, provide audit readiness, process and controls narratives and financial statement preparation.

**The Execution – Rapid Deployment of Strategic Finance and FAAS Professionals**

Contacted on a Monday by the CFO, Accordion had targeted, highly-experienced team on the ground that Thursday to begin work on a series of key deliverables:

- **Sale Process Preparation** – Since the company scaled via acquisitions, transactional, operational and financial data resided in a variety of disparate systems. Accordion’s role was to prepare the Company for an eventual sale process by performing two primary pieces of analysis:
  - **Pocket Margin Analysis** – The fully integrated manufacturing firm operated 70+ distinct plant locations. However, the Company had no accurate way of measuring profitability by product, end market, customer, plant or salesperson that would fully tie the company’s general ledger to its underlying transactional data. Accordion built a series of pocket margin tools for its primary business units and developed methodologies to integrate non-costed products into the tools.
  - **PVM Analysis** – 35% of the company’s costs are raw material related. However, the Company had no way of 1) tracking changes in raw material consumption through its vertically integrated manufacturing process or 2) understanding the impact of raw material price movements on profitability on either a location by location or division by division basis. Using transactional level data, Accordion built several economic models that analyzed and attributed changes in raw materials purchases to changes in the price of fiber, volume of fiber purchased and mix of fiber purchased. We then reconciled the transactional data with general ledger data in order to give potential buyers comfort that the transactional data accurately represented what was being reflected in the general ledger.
- **Audit Support** – One of the acquired entities of the business was a family owned operation that had never been through a financial statement audit. The business was one of a series of related entities who conducted business transactions with one another. Many agreements were executed without a paper trail or established terms. The business was run via excel and numerous transactions could not be easily traced back to the general ledger. Accordion developed extensive reconciliation files and mapped transactions through key business processes (order to cash, procure to pay, record to report). The team worked side by side with both the business contacts and auditors to tackle the PBC (“prepared by client”) list, research technical accounting issues and draft memos.

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- **Process and Controls** – The company had never formally documented its business processes and control environment. Accordion conducted interviews and evaluated processes and related sub processes for revenue and receivables, inventory, expenditures, fixed assets, payroll, treasury, financial reporting, information technology and entity level controls. Written narratives were delivered to the audit team for all business processes, along with an analysis of segregation of duties.
- **Financial Statement Preparation** – Each of the acquired businesses had different fiscal year ends. Leveraging the audit findings, Accordion bridged to a calendar year end across companies, mapped all significant adjusting entries into the body of the financial statements and built the entity level financial reports for each business, inclusive of all footnote disclosures for the required time periods.

**The Resolution** – With Accordion’s support, the company was able to provide a detailed historical view of the business to potential investors and the auditors issued an opinion on the historical financial statements. All work was completed within the timeline required by the company.

