CASE STUDY

# Financial Integrity & Profit Analysis – Bridging Functional Gaps

| Manufacturing | $20M | West Michigan | ~3 Months |
|---|---|---|---|
| Discrete Make-to-Order | Annual Revenue | Location | Engagement Length |

## CLIENT SITUATION

The CEO of a West Michigan manufacturer was concerned about the integrity of the company's financial reporting and the accuracy of its standard costing. We were engaged to review their financial practices and standard costing and recommend improvements.

## OUR APPROACH

**Financial Reporting Integrity**

- Met with the executive team to understand their concerns and define the scope of work
- Tightened the month-end close with a hard cut-off for each financial period
- Redesigned the income statement to show actual-to-standard variances by cost pool, and used trend analysis to trace unexpected swings to their root cause
- Reconciled all major balance sheet accounts and confirmed accruals and reserves were appropriate

**Standard Costing & Margin Reporting**

- Reclassified income statement costs, then calculated new standard rates and loaded them into the ERP system
- Built standard margin reporting by sales channel and customer, down to individual product lines, supported by new data attributes on customers and products

## CLIENT RESULTS

### Variances cut from ~33% to ~1% of standard costs

- Financial results now have high integrity and are prepared timely
- Created standard margin analysis/reporting tool that is highly accurate to enable effective margin analysis and target actions to further enhance profitability

## CLIENT FEEDBACK

*"Greg, you helped us navigate a challenging transition and highlighted significant gaps in our accounting/finance staff capabilities, financial practices, integrity of the financial reporting and standard costing methodologies. Your leadership in getting these areas on track is much appreciated.*

*I would like you to remain engaged with us in an advisory capacity. Now that we have a meaningful standard margin analysis tool, I would like you to initially focus on reviewing product profitability by product family, so we have a much clearer understanding of our true costs, margins, and profitability across the business."*

CEO, Client Company

## IS YOUR FINANCE TEAM A FULL PARTNER?

Timely and high-integrity financial reporting are foundational and minimum requirements that a finance function must deliver to the organization. Using data to analyze and understand business performance often yields high-value to clients.

**If you are not sure whether your finance team is a full partner in the business and/or whether they can add additional value, please reach out.**