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EMPOWERING THE TAX DEPARTMENT

With ERP and Tax Depreciation Integration

White Paper

Introduction

The ubiquitous ERP system still reigns as the top application for the vast majority of enterprises today. Companies of all sizes depend on ERP systems for accounting and financial applications, procurement, order processing, supplier management, human resources, and more. In fact, Forrester Research calls ERP systems "more important than ever."[1]

To function effectively in this ERP world, corporate tax professionals first need a way to properly manage fixed assets and depreciation. Second they then need to integrate these tax capabilities with the ERP system for consistent, up-to-date data across the enterprise.

The answer is to deploy a best-of-breed tax depreciation system that supports both accounting and the tax department's individual needs and integrates seamlessly with ERP and tax compliance software for a closed loop process. In this paper, we'll take a closer look at how this combination delivers the best of both worlds for the corporate tax department.

The Burden on the Tax Department

Today's corporations have complex financial management needs. The challenge of fixed assets management, depreciation, and control is no exception, especially for companies with multiple divisions, currencies, and accounting systems. To handle these challenges, companies have been forced to cobble together inefficient processes based on largely manual efforts. The manual consolidation and preparation of fixed assets data consumes valuable resources, stretches out closing periods, increases the risk of non-compliance, and severely limits real-time visibility into financial status and tax position.

Often, companies spend weeks or months of effort to respond to their tax and financial requirements. For instance, they may be manually:

- Redoing work for short years, mid-quarter calculations, and other situations
- Compiling data needed for tax forms
- Creating reports built on operating hierarchies versus legal entity structure
- Entering data from the ERP system into spreadsheets

Manual efforts aside, there are a number of risks and challenges inherent in using spreadsheets to handle depreciation. First and foremost is the lack of controls, as spreadsheets don't typically include security, change management, audit trails, back-ups, quality control, documentation, and other capabilities found in enterprise software. Spreadsheets can also increase the risk of error, with the chance of a mistake increasing exponentially as the level of complexity within the spreadsheet increases. Finally, using a spreadsheet to manage and track fixed assets usually results in an extremely complex spreadsheet, requiring significant hours to maintain and validate its accuracy.

[1] "Why ERP Systems are More Important Than Ever," Thomas Wailgum, *CIO*, January 29, 2008

The Solution: Tax Depreciation Software

A robust, enterprise-class tax depreciation system delivers the control, efficiency, and visibility companies need to maximize their return on asset investment while reducing the manual effort and current inefficiencies involved in managing, depreciating, and tracking fixed assets. Specifically designed to support complex tax requirements, a tax depreciation system offers deep tax support, with built-in tax expertise and automatic updates to reflect the latest tax code changes.

Further, a good tax depreciation system delivers:

- Validation that enforces compliance with tax and GAAP rules
- Tax-specific reporting
- Analysis and what-if capabilities
- Automatic application of policies
- Consolidation across division and companies
- Flexible, powerful reporting without the need for IT support

However, a standalone application with no integration to the rest of the workflow creates a burden for the tax and accounting departments. Re-entry of data from and to the ERP system and from and to the tax compliance software results in significant manual efforts. To truly deliver an efficient, effective way to handle fixed assets management, the tax depreciation solution must offer integration with the ERP, accounting, and tax compliance software being used by the organization.

An End-to-End Process: From ERP to Depreciation to Compliance

Enterprises need a tax depreciation system that integrates with their ERP and tax solutions to deliver a closed loop process for fixed asset management. With this end-to-end process, companies can manage book depreciation through the ERP system and tax depreciation using the tax depreciation system. The integrated tax depreciation system would automate movement of data between the ERP system and the tax depreciation system and the tax compliance solution.

Changes often happen in business that impact fixed assets. For example, there may be change in ownership/structure, calendar changes, acquisition and divestiture of companies, changes in accounting systems, or regulatory changes such as bonus depreciation.

These changes can mean new reporting requirements, reconciliation of data and policies, and applying changes across multiple books, companies, and assets. Having the right system in place makes it easy to react to changes by automating the processes and synchronizing the affected data across the enterprise.

BNA Fixed Assets: An Enterprise-Class Tax Depreciation Solution

BNA Fixed Assets™ is the only software that fully meets the complex needs of the tax and accounting departments *and* integrates with virtually any ERP, tax compliance, or financial

system. BNA Fixed Assets eliminates the discrepancies, manual effort, and lack of centralized control that plague fixed assets management when handled through a combination of non-integrated accounting and tax systems and spreadsheets.

The BNA Fixed Assets family of products provides:

- Centralized control with company-wide depreciation policies
- Automatic, accurate tax calculations and expertise
- Unlimited numbers of users, companies, and assets
- Comprehensive, agile reporting with automatic consolidation across many companies, dynamically filtering, and rolling up results in minutes
- Mass data changes to large numbers of assets simultaneously

BNA Fixed Assets integrates with virtually any general ledger or ERP software including PeopleSoft, Oracle, SAP, Great Plains, JD Edwards, and others. It also integrates with popular tax compliance software including Thomson's ONESOURCE, Corptax, Vertex, and others. Figure 1 shows the end-to-end flow of asset transaction and tax data using BNA Fixed Assets and its data integration capability, BNA Fixed Assets Data Manager.



Figure 1. The automated flow of fixed assets data from ERP to compliance

Delivering the Best of Both Worlds

The combination of an enterprise tax depreciation system like BNA Fixed Assets and integration with ERP and other accounting systems delivers the best of both worlds. It leverages the strengths of the ERP system while enabling the support of the complex needs of the tax and accounting departments. This combination means that companies can finally gain far greater efficiency, accuracy, and controls in the tax depreciation process.

There are many benefits a system such as BNA Fixed Assets brings to an enterprise, including:

- Reduced efforts and greater accuracy
- More time for strategic activities
- Ability to respond to change faster
- Faster time-to-close

Streamlining Depreciation at a Large Automotive Manufacturer

Over the past few years, this major automotive manufacturer has undergone dramatic business changes. Many of these changes have had significant impact on fixed assets, including the move from a corporation to an LLC. With 400,000 fixed assets and multiple manual steps necessary to manage these fixed assets, the automotive company was faced with substantial efforts. Financial projections were difficult, there was a lack of visibility, and there was no what-if analysis capability. It was taking six to eight months to create tax filings because of the extensive manual efforts.

After implementing BNA Fixed Assets with automatic integration with the company's SAP ERP system, tax data is now always current. Processing time has been substantially reduced, as has cycle time and business risk. The company now has the ability to conduct quarterly reporting and perform projections in real time.

Conclusion

Today's tax and accounting professionals need both an ERP system and a tax depreciation solution to cover all their complex financial management needs. These systems must be seamlessly integrated to streamline the fixed asset management process and bring greater control, visibility, and efficiency into the process.

With its built-in tax expertise, automated tax calculations, and robust reporting capability, BNA Fixed Assets has been the standard for tax depreciation for over 20 years. Some of the biggest names in American business depend upon BNA Fixed Assets for all of their fixed assets tax and accounting requirements. With integration to nearly any ERP or accounting system, as well as tax compliance software, BNA Fixed Assets is the choice for enterprises with large numbers of assets, transactions, or entities.

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