NARRATIVE
FINANCIAL MANAGEMENT

CASE STUDY

INTERCOMPANY SCHEMA

B2B services company and subsidiaries see improved outcomes through simplified intercompany financial operations.

SITUATION

A B2B services company and its subsidiaries retained our services to provide oversight of the finance functions across its internal and external teams.

OPPORTUNITY

The Client had created subsidiary relationships several years earlier but had not fully implemented these relationships. As a result the Client was:

- Paying a premium to administer their business
- Incurring unnecessary risk
- Suffering from delays and errors in their financial reporting

ACTION

Experience with subsidiary and affiliate relationships enabled our fractional CFO to quickly develop a plan that:

- Clarified and documented the contractual relationships between the entities through which money flowed
- Aligned accounting and treasury management workflows in the relationships between the entities
- Identified and analyzed the potential tax consequences of the plan for jurisdictions where separate filing was required

BENEFITS

The plan was rapidly implemented so the Client could start the upcoming fiscal year with clean books. Following the CFO's actions, the Client:

- Benefited from the risk-mitigating aspect of separate entities; reinforced by the contracting, accounting and banking elements
- Saw reduced accounting costs and an improved cash-conversion cycle

DISCUSSION

Companies often have one or more subsidiaries or affiliated entities created on the advice of competent legal counsel. Unfortunately, these are not always implemented by a company's finance function in a way that minimizes cost, reporting delays and risk.

For companies that can't justify the expense of a full-time CFO, the right fractional CFO can be a very effective source for policies and processes which reduce risk and improve the quality of financial reporting.

This case study is based on an ongoing fractional CFO engagement to provide oversight of the Client's accounting, tax, financial planning and analysis, and its treasury management functions. Engagements like this are a very cost-effective way of accessing a sophisticated financial perspective. This case describes one of several valuable outcomes to the Client over the course of the engagement. These fractional engagements typically last until a client has grown enough to necessitate a full-time CFO.

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