Month-end close

Process Definition Document (PDD): template and worked example

Example company (fictional): Brenner Maschinenbau Gruppe, a manufacturer of industrial gearboxes in Stuttgart, Germany (about 1,100 employees, three legal entities).

Document control

Field	Value
Process name	Month-end close
Process owner	[Name, role]
Prepared by	[Name]
Reviewed by	[Names of the people who do the work]
Approved by	[Name, date]
Version	1.0 (as-is)
Status	Draft

How to use this template

This is a complete process definition document (PDD) for the month-end close, also called the monthly close, period-end close or financial close process. It describes the close as it runs today at a fictional German manufacturer with three legal entities, so it includes the parts a single-entity template leaves out: intercompany matching, currency translation and consolidation.

Use it as a starting point. Replace the company details, keep the sections, and walk through the close calendar with the people who actually post and reconcile. Most teams change the close day target, the accrual approval limit and the list of entities. The order of the work stays much the same.

- Replace the entities, the ERP and the close calendar with yours. If you close one entity only, drop the intercompany steps and the consolidation, and the document gets much shorter.
- Set your own approval limit for accruals in step 6 and your own elimination threshold in step 18. Both vary a lot with company size.
- Check the working day for each milestone against your real calendar. Companies that lock on WD3 or WD4 have a very different sequence from one that locks on WD6.
- Add the steps your business has and this one does not: payroll accruals, lease accounting, revenue cut-off, VAT reconciliation.
- Time the close with the people who do it for two or three months. The waiting for plant data and intercompany confirmations is usually longer than anyone expects.

1. Purpose and scope

This procedure describes the monthly financial close at Brenner Maschinenbau Gruppe, a manufacturer of industrial gearboxes headquartered in Stuttgart, Germany, with about 1,100 employees. The group has three legal entities: Brenner GmbH (Germany, parent and main plant), Brenner Polska Sp. z o.o. (Poland, machining) and Brenner Italia S.r.l. (Italy, assembly and sales). The process starts on the last working day of the month, when the close calendar is opened. It ends when the Finance Director approves the consolidated management report on working day 8 (WD8) and the Group Controller distributes it. Out of scope: the annual audit, quarterly tax filings, budget and forecast cycles.

In scope

- Closing of accounts payable and accounts receivable periods in all three entities
- Accruals, depreciation, inventory valuation, FX revaluation and the income tax provision
- Intercompany matching and balance sheet reconciliations
- Local trial balances, group consolidation and the management report

Out of scope

- The annual audit and the quarterly review by the external auditor
- Quarterly tax filings
- Budget and forecast cycles

2. Process at a glance

Item	Description
Trigger	The last working day of the month: the Group Controller opens the close calendar.
Starts when	The Group Controller sends the close calendar and opens the checklist on SharePoint.
Ends when	The Finance Director approves the management report on WD8 and the Group Controller distributes it.
Inputs	Close calendar, Goods received but not invoiced report, Production order variances and scrap data from the plants, Open intercompany items, Bank statements, Accrual workbook
Outputs	Locked posting periods, Local trial balances with variance explanations, Reconciled balance sheet accounts, Consolidated figures in SAP Group Reporting, Approved management report
Volume	12 closes a year across 3 entities, 36 entity closes. About 2,800 journal entries and 160 account reconciliations per close.
Working hours	Monday to Friday, 08:00 to 17:00 local time. Typical close duration is 8 working days.

3. Roles and responsibilities

Role	Responsibilities
Group Controller	Opens the close, approves large accruals, reviews the trial balances, runs the consolidation, builds the management report and distributes it.
Entity Accountant	One per entity. Closes the sub-ledger periods, posts accruals, reconciles accounts, prepares the local trial balance and locks the period.
Plant Controller	Reviews production variances and cost accounting, and sends variance and scrap data to the entity accountants.
Fixed Asset and Inventory Accountant	Runs depreciation for all three company codes, checks capitalised assets under construction and books inventory write-down proposals.
Treasury and Tax Analyst	Reconciles bank accounts, revalues foreign currency balances and posts the income tax provision for each entity.
Intercompany Accountant	Exports open intercompany items, compares them across the three entities and asks for correcting entries.
Finance Director	Approves the reopening of a locked period and gives the final approval of the management report on WD8.

4. Systems

- SAP S/4HANA with three company codes: posting periods (OB52), depreciation (AFAB), accruals and the general ledger
- SAP Group Reporting: currency translation, intercompany elimination and consolidation
- Excel close checklist on SharePoint

- Excel accrual and reconciliation workbooks
- Email and Microsoft Teams
- PowerPoint: management report

5. Process map

Process diagram goes here

Draw one lane per role from section 3, the steps from section 6 in order, and a diamond for each decision in section 7.

6. Procedure, step by step

#	Step	Who	What happens	System	Output
1	Open the close	Group Controller	On the last working day, sends the close calendar and opens the Excel checklist on SharePoint. This takes about 30 minutes.	Excel, SharePoint	Close calendar and checklist
2	Close AP and AR periods	Entity Accountant	On WD1, closes the posting periods for accounts payable and accounts receivable and confirms in the checklist. About 15 minutes per entity.	SAP (OB52)	Sub-ledger periods closed
3	Accrue goods received not invoiced	Entity Accountant	Runs the goods received/invoice received (GR/IR) report and posts accruals for goods received but not yet invoiced. Takes 2 to 3 hours per entity.	SAP	GR/IR accruals posted
4	Send plant variance data	Plant Controller	The Plant Controllers in Stuttgart and at the Polish plant send production order variances and scrap data by email on WD2. Brenner Polska is late in about 40% of months, and the Entity Accountant chases by Teams message.	Email	Variance and scrap data
5	Book manual accruals	Entity Accountant	Books manual accruals for utilities, supplier bonuses and freight, based on an Excel workbook filled from emails. Takes 2 to 3 hours per entity.	Excel, SAP	Manual accruals prepared
6	Approve large accruals	Group Controller	An accrual above 25,000 EUR goes to the Group Controller with its support before posting. About 12% of accruals exceed the threshold. Smaller ones are posted directly by the Entity Accountant.	Email, SAP	Approved accrual, ready to post
7	Run depreciation	Fixed Asset and Inventory Accountant	Runs depreciation for all three company codes and checks for assets under construction that have been capitalised. Takes 1 to 2 hours.	SAP (AFAB)	Depreciation posted
8	Value inventory	Fixed Asset and Inventory Accountant	Runs inventory valuation and the lower of cost or market check for slow movers, then books write-down proposals. Takes 3 to 4 hours.	SAP	Inventory valued, write-downs booked
9	Reconcile banks and revalue FX	Treasury and Tax Analyst	Reconciles the bank accounts, revalues foreign currency balances and posts the FX	SAP, Excel	Bank reconciled, FX revaluation posted

#	Step	Who	What happens	System	Output
			revaluation for Poland and Italy. Takes 2 to 3 hours.		
10	Compare intercompany balances	Intercompany Accountant	Exports the open intercompany items from SAP into Excel and compares them across the three entities. Takes 4 to 6 hours.	SAP, Excel	List of intercompany differences
11	Resolve differences	Intercompany Accountant	If balances differ, emails the Entity Accountant concerned, who posts a correcting entry. Steps 10 and 11 are then repeated. About 60% of months have at least one difference, usually timing of shipments or invoices. This is the main rework loop and typically runs twice.	Email, SAP	Intercompany balances agreed
12	Reconcile balance sheet accounts	Entity Accountant	Reconciles balance sheet accounts in Excel workbooks and marks each account as reconciled in the checklist. Takes 2 to 4 hours per entity.	Excel	Reconciled accounts
13	Prepare the trial balance	Entity Accountant	Prepares the local trial balance and writes a variance explanation against the prior month for every line that moves more than 10%. Takes 2 to 3 hours.	SAP, Excel	Local trial balance with explanations
14	Review the trial balances	Group Controller	Reviews the three trial balances and sends queries by email. Takes 2 to 3 hours. About 20% of queries lead to a correcting entry, after which the Entity Accountant re-sends the trial balance.	Excel, Email	Reviewed trial balances
15	Post the tax provision	Treasury and Tax Analyst	Posts the income tax provision for each entity. Takes about 1 hour.	SAP	Tax provision posted
16	Lock the periods	Entity Accountant	Locks the posting periods in SAP on WD6. After this only the Group Controller and the Finance Director can reopen them.	SAP	Periods locked
17	Run the consolidation	Group Controller	Runs the consolidation, including currency translation and the elimination of intercompany balances. Takes 3 to 4 hours.	SAP Group Reporting	Consolidated figures
18	Reopen a period if needed	Group Controller	If elimination differences remain above 1,000 EUR, reopens one entity period with approval from the Finance Director, then consolidates again. This happens in about 15% of closes.	SAP	Differences cleared, or period reopened
19	Build the management report	Group Controller	Builds the management report in Excel and PowerPoint. Takes 4 to 5 hours.	Excel, PowerPoint	Draft management report
20	Approve the report	Finance Director	Reviews and approves the report on WD8. The Group Controller then distributes it to management.	PowerPoint, Email	Approved and distributed report

7. Decision points and business rules

- If an accrual is above 25,000 EUR (about 12% of accruals), the Entity Accountant attaches support and sends it to the Group Controller for approval before posting; otherwise the Entity Accountant posts it directly (step 6).
- If the intercompany balances differ (about 60% of months have at least one difference, usually timing of shipments or invoices), the Intercompany Accountant emails the Entity Accountant concerned, who posts a correcting entry, and steps 10 and 11 are repeated; otherwise the balance is confirmed (step 11).
- Does the trial balance need a correction after the Group Controller's query? About 20% of queries lead to a correcting entry and a re-sent trial balance (step 14).
- If elimination differences remain above 1,000 EUR (about 15% of closes), the Group Controller reopens one entity period with approval from the Finance Director; otherwise the consolidation proceeds (step 18).

8. Exceptions

- Late posting after lock (about 1 in 6 closes): needs a reopening request approved by the Finance Director.
- Missing supplier invoices for large purchases (about 10% of closes): book an estimated accrual and reverse it next month.
- System downtime during consolidation (about 1 in 20 closes): the close is delayed by up to one day.
- Plant data not received on WD2: the Entity Accountant chases by Teams message and, if needed, books the accrual on an estimate.

9. Controls

- Posting periods are locked by role. Only the Group Controller and the Finance Director can reopen them.
- Journal entries above 25,000 EUR require a second approver.
- Every balance sheet account has a named preparer and a reviewer who is a different person.
- Intercompany balances must agree before consolidation.
- The SAP change log records who posted and who changed each entry.
- Reconciliation workbooks are retained for 10 years under German commercial law (HGB).

10. Known issues today

- Plant data arrives late and in different Excel formats.
- Intercompany matching is manual in Excel and repeated after each correction.
- The checklist is updated by hand, and it is hard to see who is blocking the close.
- Accrual support is scattered in emails.
- Reopening a period late in the close forces a second consolidation.

11. RACI matrix

R = responsible (does the work), A = accountable (owns the outcome), C = consulted, I = informed.

Activity	Group Controller	Entity Acct	Plant Controller	Asset and Inventory	Treasury and Tax	Intercompany	Finance Director
Open the close and track the checklist	A/R	C	I	I	I	I	I
Post accruals	A	R	C				
Depreciation and inventory valuation	A	I	C	R			
Bank reconciliation, FX and tax provision	A	C			R		
Intercompany matching	A	C				R	
Balance sheet reconciliations	A	R			C		
Trial balance and variance explanations	A	R	C				
Consolidation and reopening decisions	R	C				C	A
Management report	R						A

12. KPIs

KPI	Definition	Target
Working days to close	Working days from the last day of the month until the Finance Director approves the management report. Target WD7, actual WD8.	[set]
Post-lock correcting entries	Number of journal entries posted after the periods are locked, counted per close.	[set]

KPI	Definition	Target
Intercompany differences at first match	Number of balances that do not agree the first time the three entities are compared in step 10.	[set]
Accounts reconciled by WD5	Share of balance sheet accounts marked reconciled in the checklist by working day 5.	[set]
Reopen requests per quarter	Number of requests to reopen a locked period, whether approved or not.	[set]

13. Revision history

Version	Date	Author	Change
1.0	[date]	[name]	First as-is version

Free template from processfix.ai. You may copy and adapt it. The company in the example is fictional.