BearingPoint ®

Working Capital Reporting

Success Story – Working Capital implementation at a trading company

The Challenge

In order to improve the monitoring of the financing activities a new working capital reporting (WCR) solution was designed and implemented at a large commodity trader with the goal to allocate working capital directly to the operational business activities. New functionalities had to be designed and developed in order to support the end to end business process (front office, risk management, back office, accounting, cash flow management). In detail the goals of the new WCR Solution were:

- To replace individual reports based on data extraction from the various trading systems and manual work in spread sheets
- To be fully integrated with the trading system landscape

The aim was to report daily and monthly working capital consumption by "trading strategy" level. Additional key performance indicators such as WACC and Return on Average Capital Employed (ROACE) needed to be calculated by the same solution to allow calculating the financing cost of each "trading strategy" and to allocate them directly to the daily P/L.

Improved effectiveness by state-of-the-art Working Capital Management System

Increasing transparency by fully integrated Working Capital Reporting Solution

Our Solution

The WCR solution was designed together with new trading and cash management functionalities. After the initial requirements analysis, process integration workshops were held in order to achieve an alignment of business and IT and to create a solution map:

- The new system included an implementation of SAP New General Ledger. Document split functionality was necessary to break down the posting items by "trading strategy". As a result actual monthly working capital consumption was calculated by analyzing the account balance items as well as open items automatically.
- New inventory capabilities were designed and developed to evaluate the assets using the Mark to Market method. The results were also integrated in the monthly working capital report.
- The cash management solution was linked to the trading solution via event triggers. Each cash business activity (creation of a deal, change of a deal, payment of an invoice, etc.) automatically updates the relevant cash flow forecast. These cash flows are also integrated in the daily working capital report, which is able to forecast working capital consumption.
- Actual cash flows are generated and analyzed by the bank statement processing.
- Calculation of margin calls by "trading strategy" is performed through integration with the derivatives back office solution.

The key to success of the new WCR solution was the full integration into the trading system architecture to a maximum possible extent, using all information available in the system to calculate the working capital consumption accurately without any manual interruptions and workarounds.

Trading
Treasury
Operations
WCR
Credit Risk
Back Office
Accounting

Key elements of the solution

Integrated System

Integration with trading and cash management functionality allowed to calculate working capital consumption accurately on a real time basis.

Working Capital consumption by "trading strategy"

Financing costs are directly allocated to the source and included into the daily P/L reporting.

The Results and Benefits for the client

The WCR functionality was successfully implemented and deployed:

- Working Capital Reports fully integrated with commodity trading and cash management functionalities:
  - Monthly Working Capital Report (Actuals)
  - Daily Working Capital (Actuals and Forecast)
  - WACC
  - ROACE
- Reporting of working capital consumption at the level of "trading strategy" updated automatically at each stage of the trading process
- Higher efficiency and greater transparency lead to value added analysis and decision making processes
- Reduction of number of systems, interfaces and manual activities

Monthly working capital actuals (Balance sheet view)

WC Category	WC Category Name	EOM 31.10.2014	Curren..
10000000	-Current Trade AR	7,830,716,691.85	USD
10300000	--Current Trade AR - Third Parties	5,481,159,697.09	USD
11000000	-Other AR	5,444,460,875.15	USD
11300000	--Other AR - Third Parties	5,467,924,011.04-	USD
11301000	---Advances to suppliers	472,060,036.36	USD
11305000	---Other AR	5,939,984,047.40-	USD
20000000	-Current Trade AP	34,396,277,496.64-	USD
20300000	--Current Trade AP - Third Parties	28,449,390,311.73-	USD
21000000	-Other AP	699,763,016.99-	USD
21300000	--Other AP - Third Parties	539,333,083.45-	USD
21301000	---Advances from customers	503,595,683.02-	USD
21305000	---Other AP	35,739,300.43-	USD
22000000	-Taxes Payable	619,316,276.44-	USD
42000000	-Hedge	704,042,838,535.33	USD
43000000	-VAT	1,787,712,191.52	USD
	SUBTOTAL - High level items	633,784,406,062.06	USD
	WC Net	672,501,449,753.48	USD
	WC Gross	672,501,449,753.48	USD
	Gross WC	672,501,449,753.48	USD
	Other BS Items	7,181,334,659.24-	USD
	Non Current Assets	15,243,864.19	USD
	TOTAL TO FINANCE	665,335,358,958.43	USD
	Bank Loan	3,047,318.24	USD
	Equity	697,986,856,736.31-	USD
	Non-Current Liabilities	455,877.20-	USD
	TOTAL FINANCING	697,984,265,295.27-	USD

Daily working capital forecast

WC Category Name	18.09.2014	19.09.2014	20.0
Crude	17,999,578,335.59-	17,999,578,335.59-	17,999,578,
Heavy	1,599,062.87	1,599,062.87	1,599,
Middle Distillates	2,508,296.21	2,508,296.21	2,508,
Gasoline	9,044,262,703.73-	9,044,262,703.73-	9,044,262,
Naphtha	5,531,539.68-	5,531,539.68-	5,531,
Other	621,333,105.37	621,333,105.37	621,333,
TRADING WC GROSS	26,423,932,114.55-	26,423,932,114.55-	26,423,932,
REFINING	37,353,679.93-	37,353,679.93-	37,353,
REFINING WC GROSS	37,353,679.93-	37,353,679.93-	37,353,
WC - GROSS	26,461,285,794.48-	26,461,285,794.48-	26,461,285,
WC - NET	26,461,285,794.48-	26,461,285,794.48-	26,461,285,
Crude	0.00	0.00	
Other	998,379.91-	998,379.91-	998,
On Balance Sheet Financing	998,379.91-	998,379.91-	998,
Gross WC	26,461,285,794.48-	26,461,285,794.48-	26,461,285,
Other BS Items	7,395,922,915.15-	7,395,922,915.15-	7,395,922,
Non Current Assets	15,244,490.40	15,244,490.40	15,244,
TOTAL TO FINANCE	33,841,964,219.23-	33,841,964,219.23-	33,841,964,
Bank Loan	998,379.91-	998,379.91-	998,
Equity	986,676,614.69	986,676,614.69	986,676,
Non-Current Liabilities	653,319.54-	653,319.54-	653,
TOTAL FINANCING	985,024,915.24	985,024,915.24	985,024,

Our Expertise

BearingPoint has a long-lasting track record in working capital solutions, cash management and commodity trading across various industries. The consulting team has a comprehensive understanding of the financial management within a company and is familiar with the business and technical requirements of WCR.

Our professionals are able to align business requirements and IT capabilities and guide the client through the transformation from a reactive Working Capital Reporting to a High-Performance reporting platform including planning and predictive analysis modelling.

Contact

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About BearingPoint

BearingPoint consultants understand that the world of business changes constantly and that the resulting complexities demand intelligent and adaptive solutions. Our clients, whether in commercial or financial industries or in government, experience real results when they work with us. We combine industry, operational and technology skills with relevant proprietary and other assets in order to tailor solutions for each client's individual challenges. This adaptive approach is at the heart of our culture and has led to long-standing relationships with many of the world's leading companies and organizations. Our 3350 people, together with our global consulting network serve clients in more than 70 countries and engage with them for measurable results and long-lasting success.

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