ACCOUNTING & AUDIT

Intercompany Accounting to Get More Support From Many in Year Ahead

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Isaac M. O'Bannon • Nov. 02, 2022

In the year ahead, 40.6% of finance and accounting professionals say their organizations will increase the time and effort put into intercompany accounting (ICA) management, according to a new Deloitte poll.

Nearly two-thirds (63.7%) of polled professionals report their organization has an intercompany accounting program to manage transactions that occur within their organizations' business units, geographies and legal entities. In fact, 49.2% indicate that those programs are organization-wide.

"There are external market factors that we suspect are driving many organizations' intercompany accounting growth plans for the year ahead, such as exchange rate volatility management or post-merger integration finances," said Katie Glynn, a Deloitte Risk & Financial Advisory partner, Deloitte & Touche LLP. "Organizations investing to take their intercompany accounting programs to the next level may be extending an existing program across the entire enterprise or adopting automated technologies to ease invoice management, financial close, business integration or other significant bottom-line drivers."

Technology, including disparate systems and decentralized operations, was reported by nearly one-quarter (24.4%) of respondents as the single greatest challenge to intercompany accounting in the next 12 months. Decentralized, incomplete or unstructured accounting data followed closely as the second leading challenge (22.5%), followed by post-merger M&A integration activity (10.8%) and regulatory compliance (10.1%). High numbers of geographies across which the organization operates and manages risk also pose intercompany accounting challenges for some (8.9%).

Despite most respondents identifying technology as a top intercompany accounting challenge area, 20.2% of respondents say their organizations do not use emerging technologies (e.g., analytics, automation) and have no plans to do so. However, nearly twice as many respondents report their organizations use emerging technology for intercompany accounting in some capacity throughout the enterprise (39.8%).

"The larger the organization, the more complex managing internal transactions can become," said Tom Toppen, a Deloitte Risk & Financial Advisory managing director, Deloitte & Touche LLP. "While technology isn't a panacea, various tools can help organizations improve a range of issues related to intercompany accounting management, including data centralization, regulatory compliance in multiple jurisdictions, post-merger integration and reduction of manual labor demanded of controllership, treasury and accounting teams whose time could be better spent on more strategic efforts."

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