

CASE STUDY

BUILDING FINANCIAL DISCIPLINE THROUGH ACCRUAL TRANSFORMATION

Kaufman Rossin helped a private equity-backed, multi-entity professional services organization transition from cash-based reporting to a disciplined accrual framework, enhancing reporting integrity and supporting institutional-grade financial governance.

COMPANY

A private equity-backed, multi-entity professional services organization serving entrepreneurs and investors across multiple jurisdictions. The company operated through several affiliated entities and managed a high volume of recurring and multi-period service offerings, with increasing reporting requirements driven by ownership and stakeholders.

CHALLENGE

Leadership required accurate, accrual-based financial reporting to improve transparency, support decision-making, and align with private equity ownership expectations. However, the organization's reporting architecture was fragmented across multiple data sources, manual processes, and cash-based accounting practices.

Deferred revenue, credits, and bad debt were inconsistently recognized, resulting in material differences between reported results and underlying economic performance. The absence of standardized controls and governance over financial data created risk in both internal reporting and external stakeholder communication.

WHAT OUR DIAGNOSTIC REVEALED



Revenue recognition was driven primarily by cash receipts rather than service delivery timing



A subset of services required multi-period recognition, creating misalignment in reported performance



Manual data processing introduced risk to reporting integrity and auditability



Outstanding credit liabilities were not systematically tracked or reconciled



Clearing accounts accumulated unreconciled balances, reducing transparency



Reporting limitations created challenges in meeting private equity-level reporting rigor



SOLUTION

Kaufman Rossin applied its Integration & Transformation methodology to redesign the end-to-end accounting and reporting framework. The focus was on aligning financial outputs with underlying business activity while establishing repeatable processes and governance structures required for institutional reporting.

Key elements included:

- Designing an **accrual-based revenue recognition framework** aligned to service delivery timing and contract structure
- Developing **standardized calculation tools** to support deferred revenue, amortization, and expense recognition
- Establishing a **structured monthly close process**, including recurring adjusting journal entry templates
- Implementing a formal **prepaid expense and amortization methodology**
- Creating a **centralized framework** to track credits issued, applied, and outstanding
- Establishing a consistent **bad debt recognition approach** based on historical trends and portfolio risk
- Restating **historical financials under an accrual framework** to align reported performance with underlying economics
- Defining **data governance standards and process controls** to support auditability and reporting consistency

This approach enabled the organization to transition from fragmented, manual reporting to a disciplined, repeatable financial framework aligned with private equity expectations.



IMPACT

Kaufman Rossin enabled the organization to establish institutional-grade financial reporting, improving transparency, consistency, and governance across entities. Financial statements now reflect service delivery, deferred obligations, and expense recognition with greater accuracy and discipline.

Improved visibility into revenue and profitability through structured accrual accounting

Standardized monthly close process with defined procedures and controls

Enhanced tracking and management of credit liabilities and deferred revenue

Strengthened financial governance aligned with private equity reporting requirements

Established foundation for future system modernization and scalability

HIGHLIGHTS

- ✓ Financial results restated under an accrual framework, reflecting a material adjustment to previously reported earnings
- ✓ Multi-period revenue recognition applied across a defined subset of service offerings
- ✓ Credit liabilities identified and formally tracked, improving balance sheet transparency
- ✓ Monthly close process standardized with recurring adjustments and defined governance

Learn more at [kaufmanrossin.com](https://www.kaufmanrossin.com)

Client details have been anonymized to preserve confidentiality.

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