

CASE STUDY

Correcting Costing Errors: How Positive8 Restored Financial Confidence



positive8

CLIENT OVERVIEW

A leading manufacturer and supplier of cast and finished components to the Aerospace and Defence industries.

THE CHALLENGE

The client's in-house Activity Based Costing (ABC) system revealed a potential overstatement of work in progress (WIP) valuations on their balance sheet. This issue prompted the management team to quickly determine the cause of the overstatement, assess its financial impact, and establish how long the error had affected their published results to better understand the true underlying profitability of the business.

OUR SOLUTION

Positive8 was engaged to conduct a thorough analysis of the client's financial data and systems. We began by securing relevant backups of in-house databases, ERP systems, and supporting documents in a controlled environment for detailed examination.

Our team identified discrepancies in the coding for different locations within the system. We pinpointed the exact moment the coding error was introduced, allowing us to refactor the code and create an auditable model that compared both the erroneous and correct valuations. This enabled us to quantify the financial impact of the error over multiple periods.

Once the analysis was complete, we presented a comprehensive report to the management team outlining our findings and providing actionable recommendations for addressing the issues and improving the accuracy of the costing system.

THE OUTCOME

With the insights and recommendations from Positive8, the client's management team was able to confidently communicate the scale of the necessary write-off to investors. They also clarified the impact on the business's underlying profitability and outlined the corrective actions required to stabilise their in-house systems development moving forward.