

10 Questions on your Automatic Cash Application

Global Cash Application Automation

Applying cash from customers to invoices is of vital importance for any company. When done poorly, this will have massive flow-on affects for a company. Poor cash application automation means wasting resources all through the company. It leads to incorrect DSO, additional deduction analysts, poor collection results, poor customer relationships, slow bank reconciliation processes and makes treasury management inaccurate. Cash application has massive flow-on impacts for a company and is by far the most important function to get throughout a finance department.

The Run Down

1. What ERP System are you running?

Enterprise Resource Planning (ERP) is the right approach for organisations that want a single end-to-end system from the same supplier with consistency, visibility and reliability across all of their business processes. However, not all ERP solutions are the same.

ERP's are often focused on a specific sector - for example manufacturing, consumer, services organizations or financial services. The larger ERP vendors provide not just the applications, but a proprietary technology platform and development environment. This can be good if you are prepared to commit to that technology environment and vendor, but there is of course an element of lock-in and therefore some associated risk.

What happens if there is one ERP system that works best for one business unit and another ERP system which is optimum for a separate business unit? ERP solutions typically result in much lower matching rates than bespoke cash application solutions and this greatly affects the costs of resources required to manage the



cash application process. Having a system that runs across multiple well-known ERP systems is often of particular interest to global organisations.

2. What level of Cash Application Automation exists within your ERP System?

The quality of data is of paramount importance if an organisation is to reach high levels of matching. Does your cash application solution have rules/algorithms in place to handle deductions, write-offs, partial payments, or even fix poorly presented remittance information?

Data volume capability is vital for a cash application software solution. The ability to handle thousands of invoices on a single remittance is a key requirement for many organisations that will depend on a scalable solution. That scalability might include solution handling additional countries and business processes as well as increased volumes.

Choose a software solution with a twenty year track record handling companies with billions of dollars of turnover is a good start. For smaller organisations this will ensure their solution is future-proofed in terms of adaptability to future trading volumes.

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3. What countries are you operating in?

Multi site/region based/shared service centre implementations usually present a number of obstacles: for example - bills of exchange or SEPA in Europe. It is important to select a cash application provider that is skilled and experienced in multi site implementations to ensure the implementation is compliant with all fiscal & legal requirements for the region/s in question. How do the countries you operate in pay you? The country you operate in will largely determine the best cash application automation solution. To illustrate, cheque scanning for a European project is typically not an important requirement. Finally, consider your future growth ambitions. It may be unwise choosing a specific local vendor and then finding in 18 months that you have outgrown your investment.

4. How many banks are you working with? What information is provided?

Whatever bank or irrespective of the number of banks, how can you ensure you have the correct number of formats to facilitate your receipt of bank statement data. Can you instantly switch from one bank to another in a seamless manner? Is your software vendor truly bank independent?

Some years back, many organizations were dependent on banking proprietary software, resulting in an over reliance on an individual bank which inevitably led to costly banking fees. Currently, it is possible to work with any bank to facilitate receipt of high quality data for the purpose of bank statement import, electronic vendor payments & customer direct debits. Having experience working with MT940 files in Europe and BAI/BAI2 Lockbox files is an important requirement for global cash application.

Having the ability to facilitate viewing both bank statement image information and cheque images associated with each transaction is important. Showing this information in one screen will assist in a much quicker matching process. Having transaction visibility for each customer results in a more comprehensive and

exact cash application process and ensures that the process is equipped for maximum clarity of information for all cash application users no matter what language

5. Do you have a Shared Service Center with Collections, Deduction Analysis, Payments, Reconciliation and Cash Forecasting

Many shared service centers are going to multiple software vendors for a variety of software tools. If you can work with one vendor for all of your requirements this will definitely make your life easier. Having a vendor that can create payment files, receive bank statement files and auto-reconcile them and provide your collections team with the most up-to-date information will ensure your business runs efficiently.

6. How do your customers pay you? How do they remit payment information? EDI files, Excel Files, PDF?

The ability to receive remittance data in different formats is of crucial importance not just to your organization but equally important to your clients. Whilst you can govern a lot of the way your company does business, it may not be possible to control/instruct your customers to transmit this data in a specific format.

Having a system capable of accepting remittance information from sources such as EDI, Excel and PDF formats makes it easier for your customers to do business with you and for you to do business with them.

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7. What algorithms & auto-matching do you

Having a flexible solution for algorithms & auto-matching that can be defined at bank level or customer level is a crucial advantage. It is not good enough to have programmers build you a system that is inflexible and can only be changed with consulting dollars. Look for a system where algorithms can be defined not just for an invoice number but for sales order values or other reference fields. This will largely be determined by the way your customers pay. Do they leave off prefixes or add in suffixes on payments, is there the flexibility in your software to process these "exceptions".

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8. Discount, deductions, write-offs, on account payments & bill to customers?

How do you deal with deductions? Cash application is the starting point in the deduction discovery point. Is customer information captured at this starting point and dealt with at this point or is passed on with no proper information to a team of deduction analysts? Think carefully about the downstream implications of your deductions process.

Is there a policy on write-off levels by invoice or customer amount? How do you post to corporate customers or alternate payers? Is it possible to split cash across multiple customers on one receipt? What rules do you use to auto-post on customer accounts? Having flexibility for these rules is vital in your deployment of cash application software.

9. How do you reconcile cash received with General Ledger Postings?

The last mile of the cash application journey involves reconciling the cash you have received on your bank statement with general ledger postings. We automate this process through our bank reconciliation solution that has been deployed in 20+ countries. Our process for reconciling cash with general ledger can be tailored for each client as the rules are flexible with tolerances if required. Our expertise of working with different ERP solutions puts us in a unique position compared to other vendors of similar technology. We draw from our experience in dealing with disparate systems and this has resulted in cash application automation that is unparalleled as a technology option for the future.

10. Who is involved in your Cash Application project?

Cash application projects usually have a significant & definable ROI generated through savings on personnel. It can be quite challenging to have a solution validated by the very people who are being replaced by the solution. Cash application projects always require the knowledge of cash application. Similarly, many cash application projects are handed over to IT staff who may be excellent software developers but may not take account of the various accounting & cash application processes and complexities. Like all things in life when you do things for the first time you learn an enormous amount. Why let your company being used as a guinea pig for a contract developer who cannot possibly understand all of the complexities of a cash application project.

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