

e-Invoicing Next Step for New Age CFOs



The role of the CFO has changed far beyond traditional tasks/Sunset areas like Accounting, Auditing, cash flow and reporting that dominated the priority list earlier. New age CFOs have realised the tremendous benefits provided by the IT and software in enhancing the effectiveness of the Finance Function far beyond comprehension. The CFO today has become the top technology decision-maker in about half the business concerns around the world. They have invested in a superior Financial ERP and the next step in this evolution could be e-Invoicing. Given the growth opportunities, business will grow manifold and much faster; therefore, there is a need to review the existing processes by implementation of e-invoicing, treasury module, shared services, etc. Invoice automation with a capture and workflow system would lower overhead, speed up the payment process and will effectively reduce the human errors. Read on to know more...

In the normal process, vendor will send the invoice to the customer through post or mail. Mail Room receives the invoice and sends it to the respective departments. Department employees will verify the invoices. Invoices will send to the respective heads approval. It will take minimum seven to nine days to complete entire cycle. There are probable chances to misplace the invoices, very difficult to track the invoices on an enterprise level making the entire process more susceptible to errors.

Is there any way-out to avoid burden of each officer processing the invoices, errors made in data entry, invoice approval time and the average turnaround time from receipt of invoice to payment?

Today, every company, small or large, understands the potential benefits of electronic invoicing in terms of administrative efficiency and cost reduction. Maintaining paper documents is an expensive proposition for a variety of reasons. If Accounts Payable (AP) staff is still using paper documents, it takes time to file the documents and then retrieve them, disrupting AP productivity. Secondly, paper documents require a manual archive process and can be misfiled. If a document cannot be



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located to substantiate a transaction, then organisation could be subjected to fines and legal actions. Thirdly, organisation must allocate staff resources to locate and manage these files. From the mere standpoint of storage, organisation must devote both physical space and maintain a secure location for these files.

AP is focused on managing payment terms, capturing discounts earned, avoiding duplicate payments and maintaining a vendor master file. Invoices are submitted via paper or electronically and then are verified, assigned a GL number, reviewed against the existing Prescribed Payments System, approved or disapproved, and processed for payment if approved. In some organisations, the number of approvers increases as the dollar value of the invoice increases, resulting in a lengthy approval cycle. The processing of each invoice ends with a payment decision.

Many organisations realise that they have a strong business case to streamline and ultimately automate their accounts payable process and achieve the following benefits: reducing the cost of transactions, improving vendor satisfaction and enhancing the job satisfaction and productivity of Accounts Payable (AP) staff members. In addition to SAP for Accounts Payable, the mere act of moving invoices from a paper-based to an electronic-based system can trigger significant savings. Organisations can increase the efficiency and consistency of the business processes in the AP process using digital images and workflow. AP is often viewed as a production organisation, yet it also delivers customer service to other departments within the organisation as well as to vendors. By enabling digital imaging and workflow for the AP process, AP cycle times can be reduced, late payments can be eliminated along with the corresponding penalties. Organisation will also improve its cash management visibility.

The objective is to implement e invoicing which will provide online exchange for vendor - supplier communication which is integrated with SAP data. This e - Invoicing will facilitate entire purchase to pay process by automating procurement, logistics, finance and accounting processes with vendors.

Benefits of e- Invoicing

The following are key benefits by implementing e-Invoicing:

- E-Invoicing with all vendors, purchase order book management.
- Strong Savings & Cost Reduction
- Supplier enquiry and Collaboration for sharing documents.
- Helps in reducing lead time and inventory levels.
- Reduces the dependency on DMS and simplifies work of SSC
- Substantial reduction in man power at various sites/ SSC
- Better value for money, higher productivity and higher savings
- Tight Controls across the Spend Process
- Speeds up of all process in the supply chain
- Practical Approach to Expense Budgeting

HOW IT WORKS:

Vendor Portal:

First step in moving from paper based invoicing to e-Invoicing is to develop a vendor portal. This Vendor portal can be developed by any software provider of e-Invoicing Software, which gather the information from the company about its requirements and develop a customised portal for the company. There are two types of architectures for developing the vendor portal.

- Software as a Service Model (SaaS)
- On-Premise Model

Both the above architectures are explained in the coming paragraphs of the article. Vendor portal can help in seamless communication with Vendors and is an extended supply chain portal that works seamlessly with SAP. It works as an effective and efficient collaborative tool between customers and their partners.

Vendor Portal endows solutions for organisations to quickly set up new vendors, automatically request mandatory data and document that information, and routinely demand for updates and renewals of information to guarantee vendor acquiescence. Vendor Portal offers an on-demand consolidated platform to

Sample Automated Accounts Payable Process



manage complex vendor information globally and give organisations real-time visibility into the vendor information management process.

e-invoicing

e-invoicing, or electronic invoicing, is the process by which a supplier can send an invoice electronically directly into SAP system. This invoice will be put in park status directly into SAP. The vendor can also attach the scanned image of the invoice while posting. Later the AP department can verify the invoice and change the status from part to post in SAP.

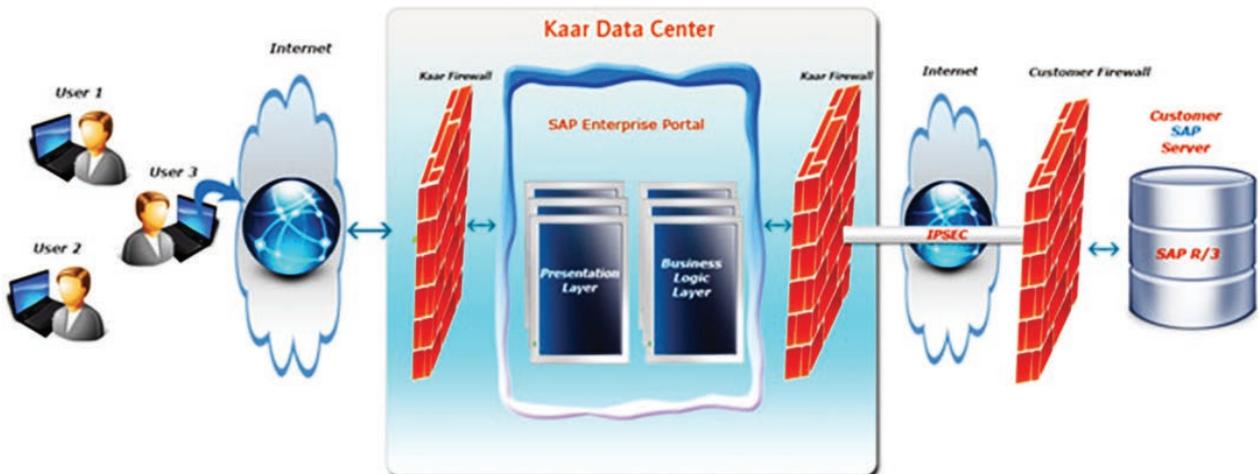
□ Software as a Service Model (SaaS):

Suppliers can seamlessly connect to SAP data via Software Vendor using any web browser from their laptops or PC's. A secured RFC connection will be established between Software Vendor and Client SAP data. Users are restricted and allowed to access information according to the roles dispense in Software Vendor application. All data resides in SAP server and file share. A secured IPSEC tunnel is established between Software Vendor and Client file share, through which all business transaction takes place.

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SaaS you subscribe the service as you subscribe to a magazine or a cell phone service which can be started anytime and can be stopped anytime.

Flexibility of change: SaaS ensure that you do not have to worry about shifting to a new and better product from another vendor. Just close your subscription and move to the new one almost immediately.



Source: www.kaarnet.com

There is NO Hardware or Software requirement for this model and benefits are as follows -

No Capex: The most obvious one is zero capital expenditure in SaaS as compared to heavy capex in on-premise applications. With SaaS you pay a monthly fee to the and you need not buy expensive servers, earmark space for keeping the servers, hire database administrators to maintain servers etc.

Move from License to Subscription: With SaaS, you do not need to buy expensive licenses from enterprise product vendors as it is normally done by your service provider and hence the ROI increases for you. In

No support infrastructure required: Normally, after implementation at your premise, you would engage a product support team that will help resolving the bugs in the application and helps users to get over them. This incurs lot of cost and often it is difficult to retain the talent in this high demand category. In the case of SaaS, the service provider will not only provide you all the functionality but also will support your application so that the operations are seamless and without break.

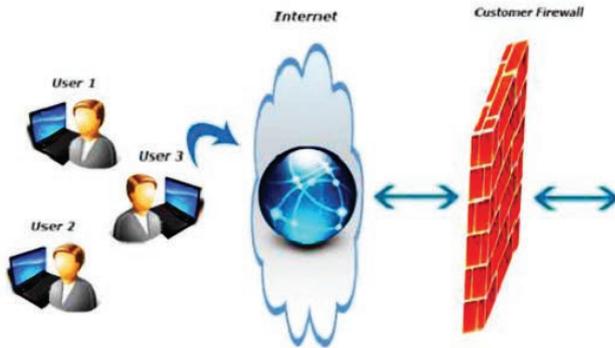
Ease of implementation: On-premise implementations take long time and involve the business as well as IT resources completely for a substantial period.

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With SaaS, the level of difficulty as well as period of deployment is reduced considerably.

□ On Premise Model:

This model requires one time investment on Hardware and software can be customised. In this model vendors can connect to SAP server/File server through secured internet via Vendor portal application software. Users are restricted and allowed to access to information according to the roles maintained on application server. It enables direct communication between SAP system and its suppliers. Users are protected by Firewall.



E-invoicing Effects in a CFO's Everyday Routines

E-invoicing helps accounts payable department to be more efficient and improve invoice processing accuracy and efficiency. E-invoicing also allows your company to pay suppliers across the country more efficiently and therefore further strengthen ties with them.

To be able to synchronise deliveries with billing, it is vital to have real-time visibility over both the order and invoice handling processes; managing these processes manually on paper leaves room for errors, which eventually slows down invoicing as well as payment.

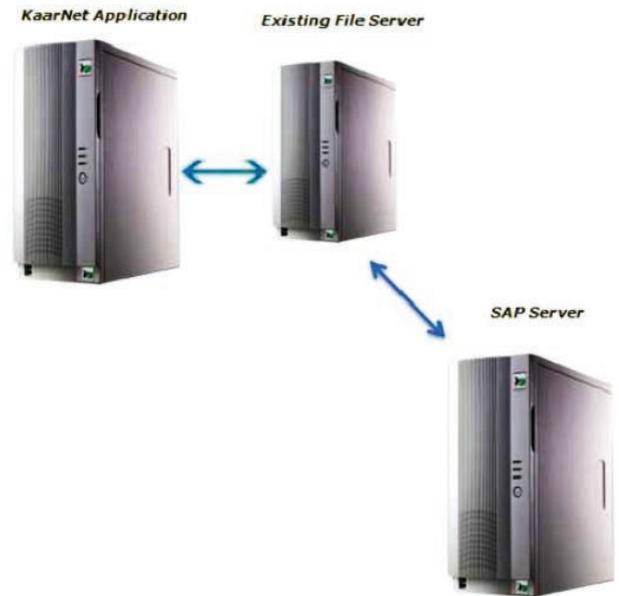
Reduced costs – no postage costs and reduced staff time re-keying data.

Real-time data delivery – quicker insight to incoming invoices enabling you to pay suppliers on time.

Eliminates errors and bottlenecks – it can even deal automatically with issues such as missing purchase order numbers.

Environmental responsibility – e-invoicing could help reduce your carbon footprint and the impact of your business on the environment.

Security – allowing you to guarantee that a file has not



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changed since it was sent, and proving who actually sent it.

Accurate management information – gives you a true snapshot of your incoming documents to SAP system, which you can use to plan cash-flow strategies.

Thus, E-invoicing would affirmatively help alleviate the burden of a CFO and save him time. ■