Wasting time in Manual Invoicing? Switch to **ERS!**

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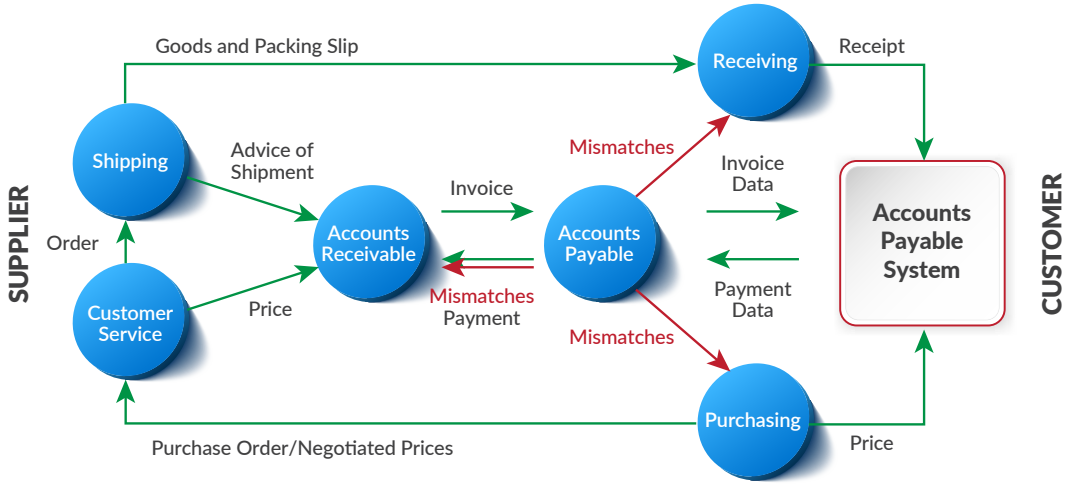
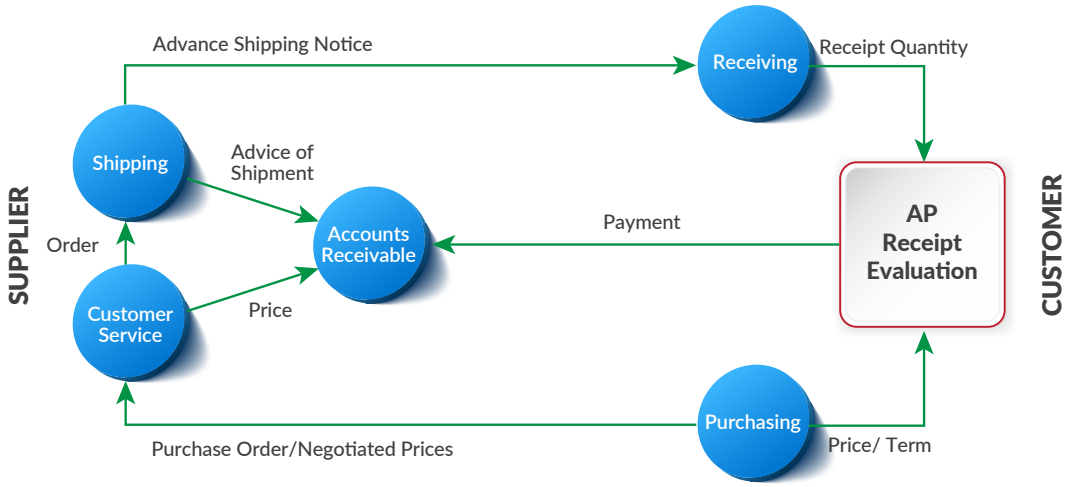
Introduction

Accounts Payable (AP) professionals still deal with time consuming and erroneous AP processing with many looking for new ways to vastly improve their productivity and ease into automation by streamlining their workflows. But if you are spending too much time solving invoice variances or if you face problems because price changes aren't consistently brought back into your purchasing system then, an Evaluated Receipt Settlement (ERS) feature is the solution for this. It is also called auto payment and uses a two-way match.

Invoice processing, in any type of business is a huge task, especially manual invoicing. It is surprising that most businesses around the world still practice manual processing of invoices. The following diagrams represent the difference between the Traditional Procure to Pay cycle and ERS.



Traditional P2P Cycle



ERS Process Flow

Traditional disbursement process has many drawbacks such as obsolete pricing data, invoice entry errors, receipt discrepancies, shipping discrepancies, wrong and delayed payment, etc. which gives an opportunity to the ERS function to streamline the invoicing process.

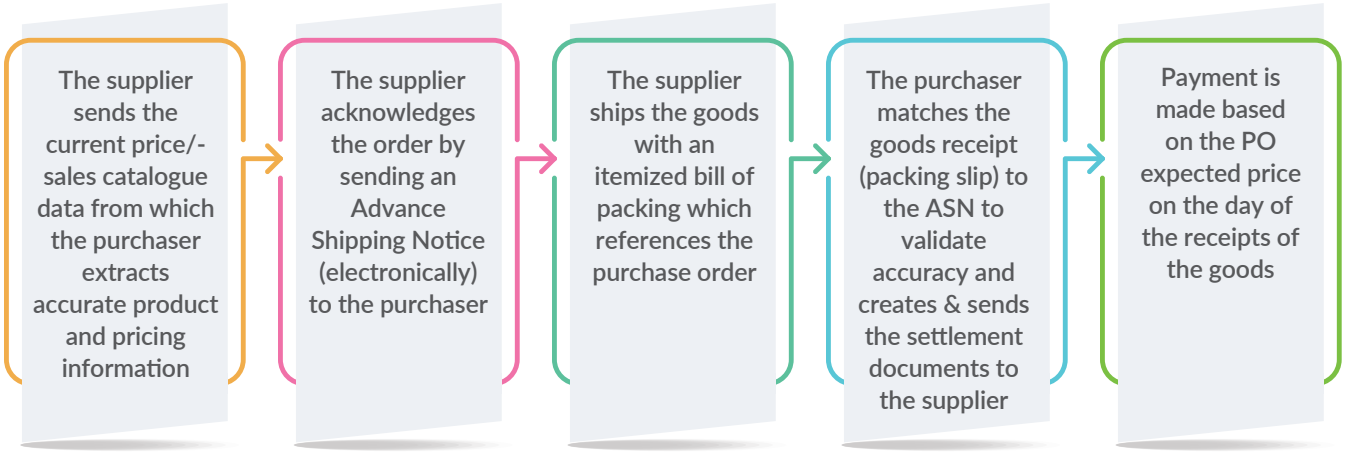
Suppliers can be paid using ERS which eliminates the supplier invoices from procurement to disbursement. In this case, the system creates and posts invoices automatically on behalf of the suppliers by using the pricing data from purchase orders and the quantities data from goods and services receipts. The suppliers get notified about the value of the invoice or credit memo created on their behalf. In short, ERS is a process that allows customers to make supplier payments based on the records and not on the basis of the supplier invoices (Paper or EDI).

ERS typically requires minimal software configurations to be implemented in current business systems. In addition, ERS also does not require Electronic Data Interchange (EDI) capability for being implemented. Instead, it is a process which drives essential change to the procurement cycle with a major emphasis on data quality improvements to purchasing, and receiving, as well as improving supplier relations.

Simply put, ERS eliminates the need for supplier to prepare and furnish an invoice which the customer must then process.

How ERS typically works?

There are numerous variations of how ERS works. In a typical business scenario, a list or catalogue of products and prices is sent by the supplier to its purchaser. This pricing information can be sent to the purchaser electronically or in paper format. In some cases, it becomes a part of the written contract. The purchaser then uses the pricing information sent by the supplier and places an order. The supplier acknowledges the order by sending an Advance Shipping Notice (ASN) to the purchaser. The ASN is generally sent electronically to the purchaser. The supplier ships the goods with a packing slip which references the purchase order or contract number. The purchaser matches the goods receipt (bill of lading, packing slip) to the ASN, purchase order, or contract to check the accuracy. Thereafter, the purchaser calculates payment based on price information stored or updated in their computer either manually or through EDI messages sent by the supplier. The system calculates the payment amount due by multiplying the unit price times the quantity received, accrual or payment of tax, and also takes pricing terms into account. Price information can be found in the PO, and quantity information in the Receipt. The payment is then made.



The Advantages

Both the supplier as well as purchaser benefits from ERS. Broadly the benefits fall under the Finance function and Purchasing & Receiving function.

ERS will eliminate most of the traditional Accounts Payable functions within a company except for disbursement (check writing/EFT). Other benefits within the finance function include:

- Reduced clerical personnel with fewer clerical errors
- Purchase Orders can be closed quickly
- Elimination of price and quantity variances in Invoice Verification
- No costs for manual invoice verification
- Elimination of lost or duplicate invoices
- Improved cash flow and Days Payable Outstanding
- Elimination of monthly accruals

ERS delivers additional benefits by improving data quality for purchasing, receiving, and inventory records. Key benefits in Purchasing and receiving functions are:

- Improved supplier relations and performance evaluation
- Reduction in freight costs
- Establishment of pre decided pricing and payment terms
- Quantitative records control financial records
- Improved discrepancy and return processing
- On time payments to suppliers, on regular basis, resulting in better cash flow

Inspite of many advantages, ERS is not implemented globally because of the challenges it suffers from:

- To use ERS, suppliers may have to modify their billing and processing systems.
- ERS also does not cater for unexpected costs or items that are not known at the time of raising the purchase order.
- Lack of invoice number may lead to problems in the transaction. The supplier and the purchaser should be able to determine the transaction without an invoice number. The packing slip number or the PO number is often used for this.

It is vital that both the purchasing and receiving staffs understand the importance of their functions before a company decides to implement an ERS. For a successful ERS process, a change in culture and a strong trust in supplier- customer relationship are required. There must be an agreement between both the parties on critical information like prices, payment and shipping terms. Purchaser should also issue complete and detailed purchase orders and the supplier must ship proper quality goods and must keep the purchaser current on products and pricing.

Every business should understand that both the customers and the suppliers can together keep the business operations running smoothly. The problem that most companies have is focusing too much on pleasing the customer. But they fail to realize that suppliers are equally important. Without them the customer's needs cannot be met. If a company is less professional with its suppliers, this is the best time to embrace change—automate invoice management.

With numerous solutions promising paperless invoice processing, companies need to identify an appropriate AP automation strategy. From a working capital standpoint, it is best to take an 'all-in' approach and drive the highest possible level in AP automation with Evaluated Receipt Settlement because a rightly chosen system can help deliver projected impact.

About Hexaware

We are a global technology and business process services company empowering enterprises worldwide to realize digital transformation at scale and speed. Our platform-enabled strategy – featuring Amaze® for full cloud enablement, Mobiquity™ for digital product engineering, and Tensai® for extreme automation – drives human-machine collaboration to create immersive customer experiences and solve complex business problems. We believe technology is a magical thing, and our purpose is to create smiles through great people and technology.

With corporate headquarters in Mumbai and regional headquarters in New Jersey for North America, London for Europe, and Sydney for APAC, we service customers in over one hundred languages from every major time and regulatory zone. We serve customers in banking, financial services, capital markets, healthcare, insurance, manufacturing, retail, education, telecom, hi-tech & professional services, travel, transportation, and logistics. We deliver highly evolved services in rapid application prototyping, development, and deployment; build, migrate, and run cloud solutions; automation-based application support; enterprise solutions for digitizing the back-office; digital product engineering; business intelligence & analytics; digital assurance; infrastructure management services; and business process services.

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