

Accounts payable are the centre of the accounting team

By David Parmenter

An accounts payable team is the centre of an accounting function for without its smooth operation:

- monthly accounts cannot be prepared promptly
- number noise is all around and budget holders have no faith in their reports
- suppliers are forever on the phone querying payments
- expense claims are a nightmare, and
- the management accountants are at sea

I recently was asked to talk about “50+ ways to improve accounts payable” at a seminar. An American professional body the “Institute of Management & Administration” had listed them on their website based on a survey accounts payable professionals who subscribe to their journal. (for reference their internet address is: www.ioma.com)

Figure 1 sets out some of the ways an A/P team can make a quick impact.

Ways A/P can make a quick impact

- Throw away the company cheque book
- Hold off site A/P team meetings
- Make site visits to successful A/P sites
- Welcome letter & training for new staff
- Streamline processes
- Use a purchase card
- Cut-off A/P on last working day
- Have a compliance specialist

Throw away the company cheque book

Many participants* have for sometime tried to change their suppliers' preferences for cheques. Readers will be well aware of the benefits from the use of direct credits including: lower costs; predictable cashflows; and less supplier phone calls over late payment. The question is how do you get the supplier to give you their bank details? Some progressive companies are realising that mail is not often read let alone acted upon. They have hired temporary staff to ring suppliers up. But that is not the answer. A participant with 99% of accounts paid by direct debit (and they are still not happy) rings suppliers and says “we would like to pay you but we cannotpause....we are a modern company and pay all our accounts electronically. Could you please give us your bank details”. Its amazing to see the prompt

response from the supplier's accounts receivable section. They even take care to ensure the bank details are correct.

One seminar delegate on hearing this story cancelled their next payment run and were able to obtain over half of the suppliers' bank details within four hours of phoning!

Off-site meetings

Enlightened participants* have off site objective setting meetings. One participant* ensures that all the corporate services staff spend half a day June/July and another half day in Dec/Jan. The activities include looking at setting the corporate services objectives, discussing feedback from their in-house client survey, and agreeing personal objectives.

On the agenda could also be the evaluation of the 50+ ways, from the website.

Make site visits to successful A/P sites

Better practice studies hold a wealth of contacts, and information which if utilised can galvanise change. The simplest way to make change is to see a company who is already there. Let the team taste, smell, see the success. They will want it for themselves.

Welcome letter & training for new staff

Imagine the good will created when a new employee receives a welcome letter from the A/P section giving a contact name possibly organising a brief 15 minute session for them and possibly referring to the procedures which are on the internet site.

Why wait till new employee are educated by the uneducated? Get in there first. A brief training presentation on a lap top which can be taken around and presented on the new budget holders desk. I have presented successfully to a small group by just using a PowerPoint display on my lap top.

Streamline processes

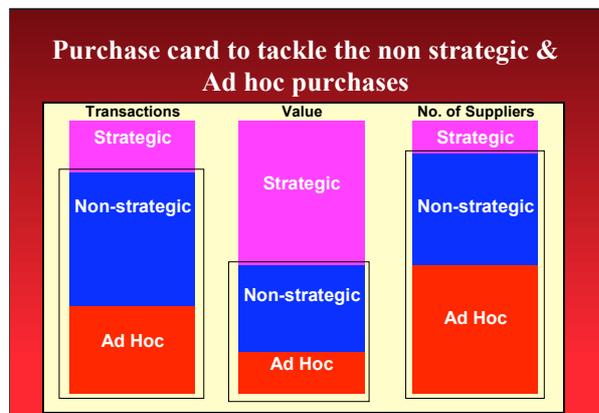
The American study has come up with a number of suggestions ranging from:

- don't match stationery invoices;
- make filing more efficient;
- have a charge-backs form that is quick & easy;
- reduce the number of G/L codes; and
- waive purchase orders for minor amounts.

The Website is certainly worth a look.

Purchase card

I understand that the average cost of the whole purchase cycle has been estimated at between \$100-\$150 per transaction. Pretty horrific when you realise that a high portion of your transactions are for minor amounts. The diagram below says it all. Purchase cards are different from a credit card and are here to stay. This may be a way for you to take control of these minor items.



Cut-off A/P on the last working day

The hip bone is connected to the thigh bone. If A/P is held open you will find it difficult to complete prompt month end reporting. Participants* competing in 3 working days are already laying plans for Day 1 reporting and that includes commentary.

What benefit does holding open A/P for one or two days do? Do you get 20%, 30% of month end invoices? What message does that give to budget holders?

One participant* commented that what really helps is the tight regime on accruals. They close off the accounts payable on the last working day and require accruals to be handed in the day before that!

Have a compliance specialist

For the larger A/P functions the American survey recommends a compliance specialist to hunt down those rogue invoices. Assign one of your more experience staff this duty. They may be able to save their salary many times over. In these difficult time the incidence of rogue invoicing is likely to increase.

Last words

- Lift the profile of the accounts payable team, they will repay you many fold
- Stop your next cheque run and phone your suppliers
- Book your off site meeting with your staff this week
- Measure change (direct credits, supplier numbers, visits made to successful sites)

* waymark solutions limited run a study on Accounting functions every six months.

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