

# Moving out of the dark ages

In this first article in a series focusing on the accounts payable function, **David Parmenter** looks at paperless AP processes

**The accounts payable team is one of the most important in the accounting function. However, many AP teams are stuck in the dark ages, which means:**

- \* monthly accounts cannot be prepared promptly, as AP is buried under a tsunami of invoices
- \* budget holders are unnecessarily tied up in authorising and approving all transactions – no matter how small
- \* suppliers are forever on the phone querying payments
- \* the management accountants' analysis is undermined.

## Adding value

Implementing better practices means that the AP workload is moved away from low-value processing activities into more value-added areas (see diagram, right). This will also increase the AP team's job satisfaction and be welcomed by budget holders.

## Paperless operation

Why do we go from an electronic transaction in the supplier's accounting systems to an old-school paper-based invoice? Surely we should be able to receive this electronically, in AP-friendly format, from all our major suppliers?

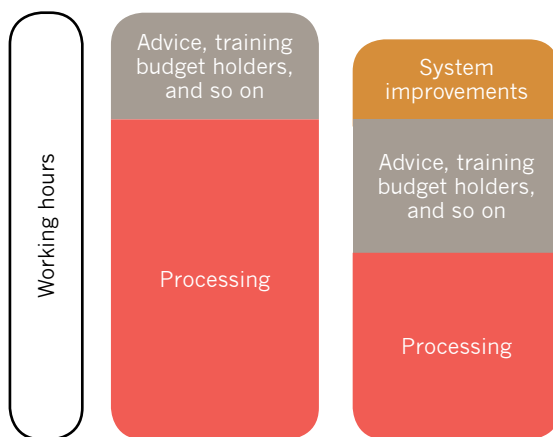
There have been major advances in technology for AP teams. The return on investment of this technology is arguably greater than any other equivalent investment in other service departments within a business. Why then

is it common to under-invest in AP technology? This could be because the AP team is not researching the technologies, or because they are failing to explain the benefits to the CFO or executive team.

But there is technology suitable for SMEs and large enterprises that will make them paperless. Here are some steps towards a paperless AP function.

- \* **Electronic ordering system** Buy an electronic ordering system (procurement system) that automatically links with the AP system so that orders are completed and invoices matched electronically.
- \* **Scanning** Introduce scanning so that invoices can be sent by email for approval. Never trust the budget holder with the original invoice.
- \* **Electronic supplier feeds** Liaise with all major suppliers to organise electronic feeds of the invoices, which should include the general ledger account codes – this requires your IT team to liaise with your suppliers.
- \* **Upload remittances onto your website** Upload remittances onto a secure area of your website so that suppliers can download them. This removes the need to email remittances, which may go undelivered.
- \* **Web-based expense claims** Acquire an integrated, web-based expense claim system so staff can complete their expenses remotely.

## CHANGES IN WORK BALANCE



## NEXT STEPS

- 1 Accounts payable team to regularly visit [www.theaccountspayablenetwork.com](http://www.theaccountspayablenetwork.com) website.
- 2 Read some of the white papers produced by PayStream Advisors.
- 3 Contact your AP application provider to ask for their three most advanced users in your country, then visit them.
- 4 Email me at [parmenter@waymark.co.nz](mailto:parmenter@waymark.co.nz) for a summary of some AP technology that will be of interest.
- 5 Eliminate all cheque payments, framing the last cheque on the CEO's wall.

- \* **Purchase card** Give all budget holders purchase cards to use for all small-value items. It will save many hours of processing time by budget holders and the AP team. More on this in the next article.
- \* **Eliminate all cheques** Join the 21st century and ban the cheque book.
- \* **Give key suppliers online access** Allow your key suppliers online read-only access to their account so they can reconcile their ledger. ■

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