



# Working capital Management

Original Equipment Manufacturer (OEM) for Electric Vehicles

Created data models and automated the tracking of working capital metrics to streamline the order to cash management, payables processing and inventory management

# Working capital management for Original Equipment Manufacturer (OEM)

## Situation

- Client lacked visibility into the cash management and working capital KPIs such as days sales, days inventory and days payables which would help them to identify opportunities to enhance the cash conversion cycle.
- Partnered with the client to create comprehensive dashboards, tracking working capital KPIs pertaining to accounts receivables, payables and inventory management, which was leveraged to optimize credit management, payables processing and inventory management.

## Accordion Value Add

- Conceptualized and developed different methodologies of calculating DSO and DPO depending on the use case by exploring the general ledger data and identifying the business rules related to the receivables, payables postings and cash clearing entries.
- Devised a methodology to derive the historical snapshot of inventory aging and days inventory trends based on inbound/outbound data of inventory to provide visibility into aging across different product lines and warehouses.
- Designed the data model to capture the order to cash funnel by linking the CRM (Salesforce) source to the ERP (SAP) system and cash collection data to provide insights into the lead time between different stages

## Impact

- Provided visibility into the business impact of ~70 inventory movement types which was utilized in smoothening the inventory planning process and reducing the inventory days by ~20 days
- Tracking the days sales outstanding at various granularities enabled the client to take key decisions regarding treatment of delinquent accounts and cash collection entities which resulted in the improvement of DSO by ~10 days
- 360-degree view of Order to cash funnel enabled the client to visualize the lead time and identify bottlenecks between different stages to enhance the cash conversion cycle by a month.

# Approach & Methodology

## AR & DSO Analysis

Deep dived into the credit management process and implemented the business rules in the data to **establish the link between the receivables posted in SAP and cash applied** (clearing records) and calculated **weighted average DSO** across various granularities such as customer, region, collection entity etc.

## AP & DPO Analysis

Segregated and analyzed the **invoiced and non-invoiced payables**, calculated the processing efficiency across different dimensions such as supplier, tier of supplier, cost center etc. and derived the days payable metric using weighted approach

## Inventory Aging Analysis

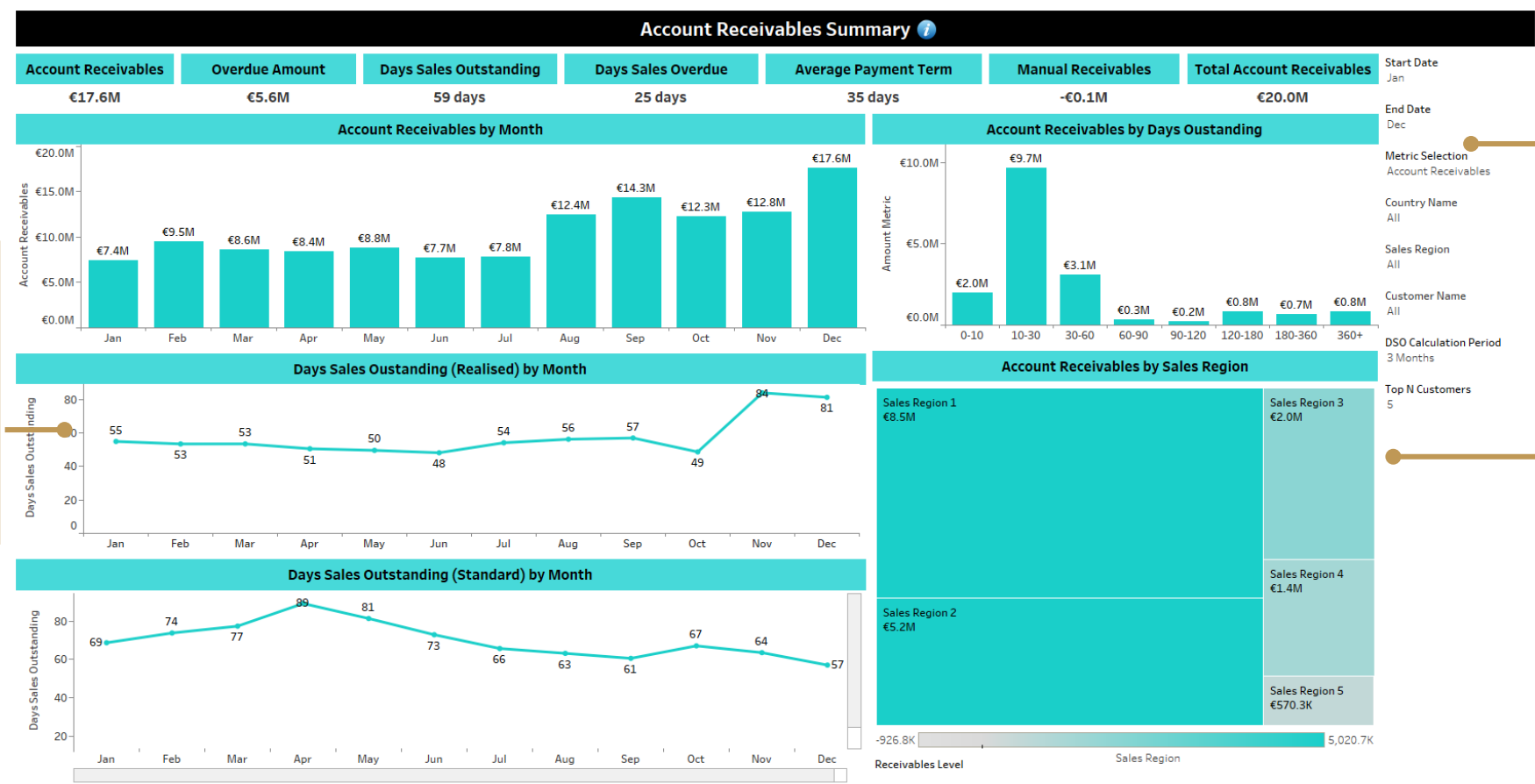
Analyzed the **impact of ~70 inventory movement types** and leveraged the **FIFO methodology** to derive the inventory aging and days inventory metric for any historical period across product lines, SKU and warehouses

## Order to Cash Analysis

Designed a data flow from the order data in CRM (Salesforce) source to the operations data in SAP, captured shipping information, tracked the AR and cash recognition by leveraging the financial data and calculated the lead time between all the stages in the funnel

# AR aging and DSO analysis

ILLUSTRATIVE



Days Sales outstanding calculated based on weighted average and standard accounting method to enable visualization by various dimensions such as customer, sales region etc.

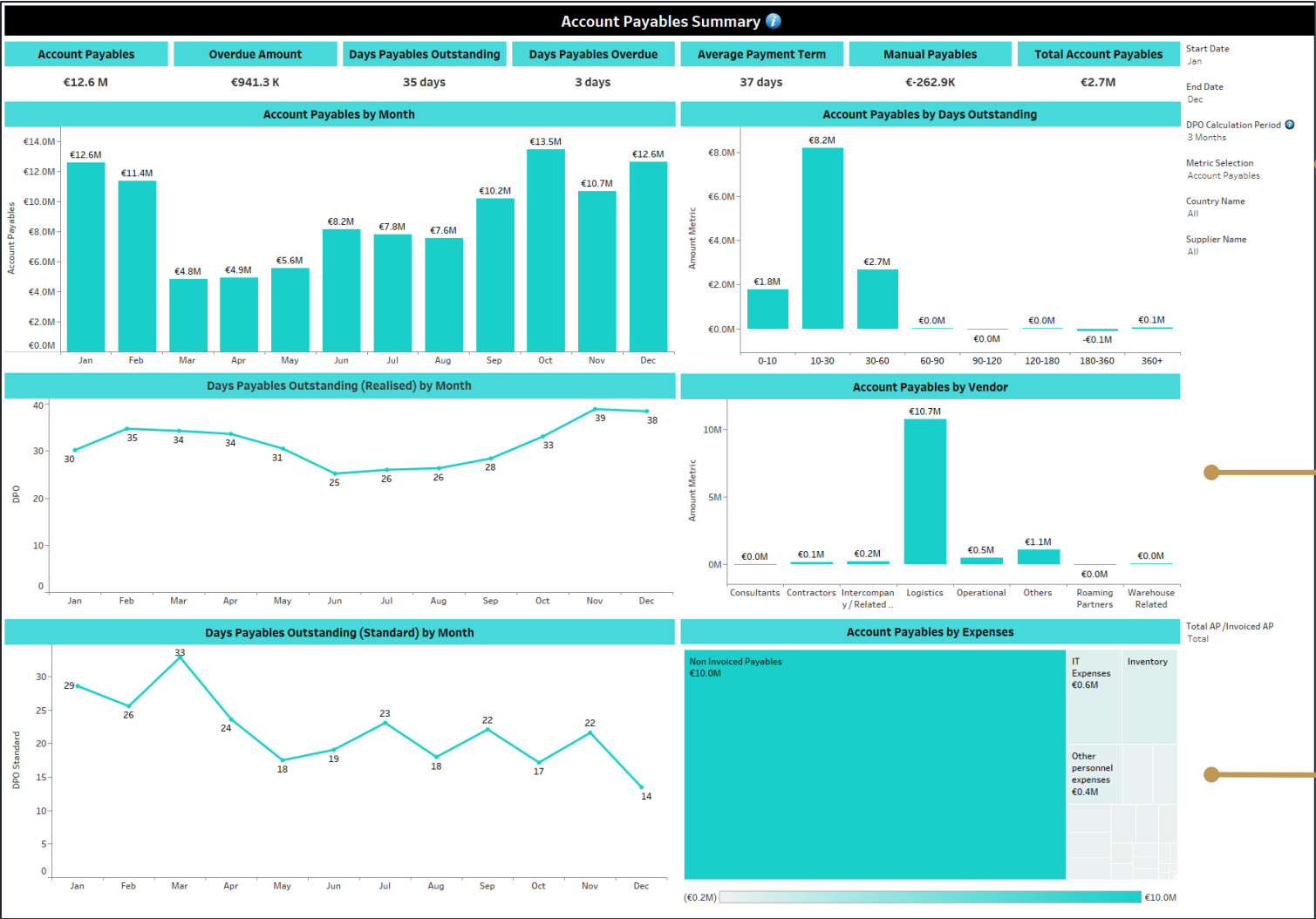
Flexibility to view the aging and days sales metric for **current due and overdue AR**

Insights into **aging of receivables** by days outstanding or days overdue

Notes: **DSO (Realised)** is calculated by considering the weighted average cleared amounts by tracking the invoices from the posting period of AR.  
**DSO (Standard)** is calculated by following the regular accounting formulae of  $(AR/Sales) \times \text{No of days in a period}$

# Accounts Payables and DPO Analysis

ILLUSTRATIVE



Days Payables outstanding calculated based on realised method and standard accounting method to enable visualization by various dimensions such as vendor, country etc.

Flexibility to view the aging and days payable metric for **current due and overdue payables**

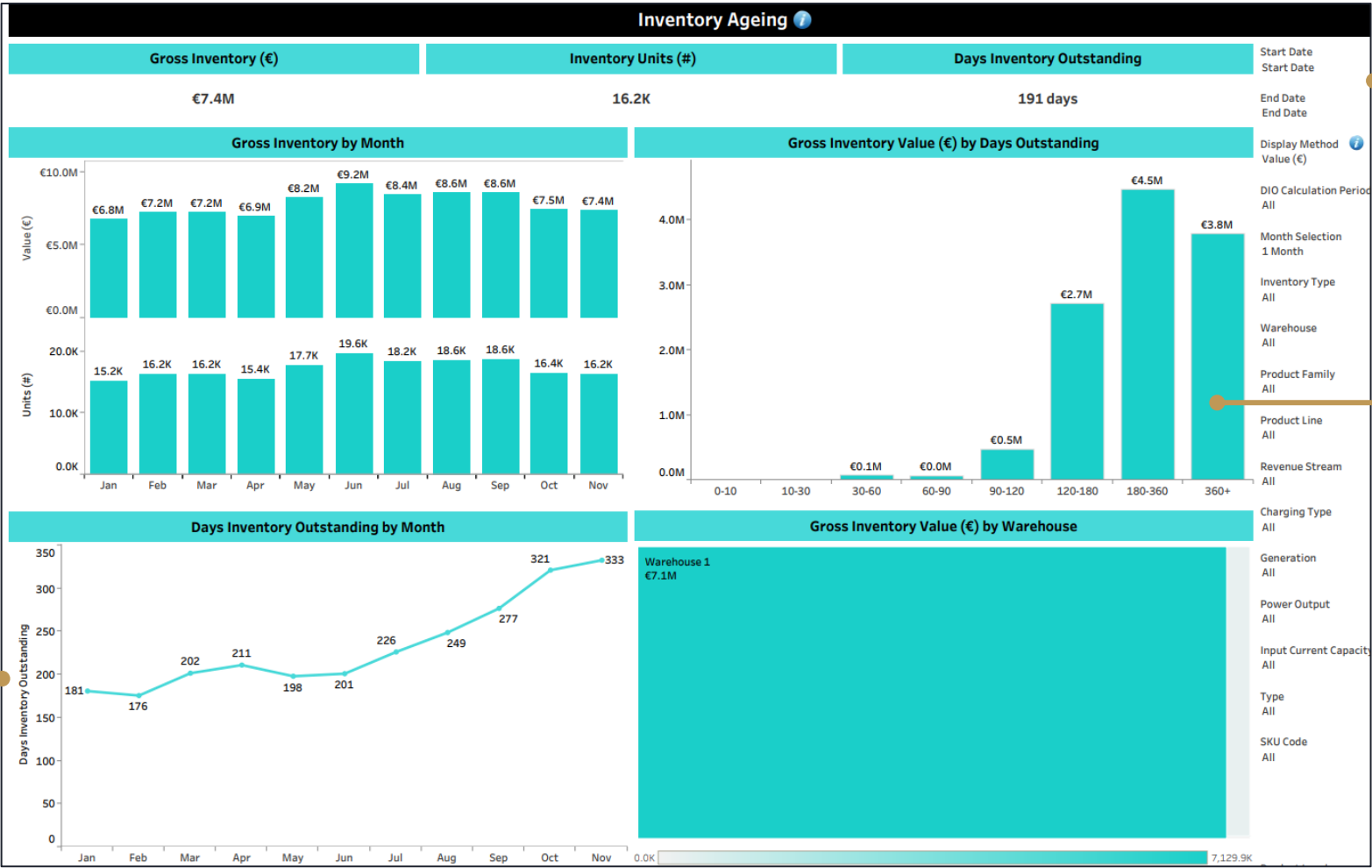
Insights into payables by vendor

Insights into Non-invoiced and Invoiced AP by **category of expenses**

Notes: **DPO (Realised)** is calculated by considering the weighted average paid amounts by tracking the invoices from the posting period of the invoice. **DPO (Standard)** is calculated by following the regular accounting formulae of (AP/Expenses )\* No of days in a period

# Inventory aging analysis

ILLUSTRATIVE



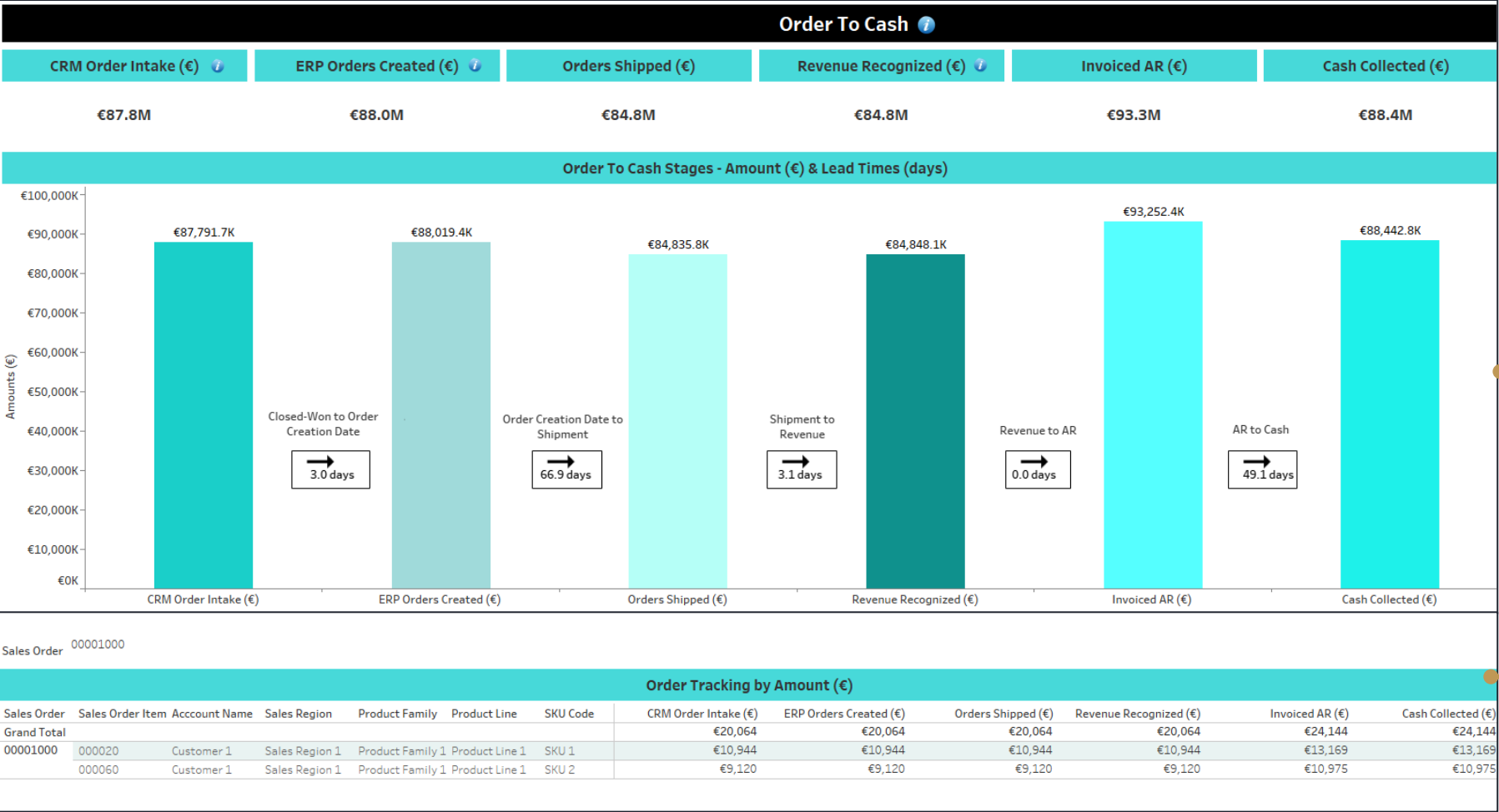
Flexibility to view the **aging and days inventory metric** based on any end date of past.

**Age of inventory** for current and historical periods.

**Days inventory outstanding** calculated based on weighted average method to enable visualization by various dimensions such as warehouse, SKU etc.

# Order To Cash Funnel

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Sales Order 00001000

Order Tracking by Amount (€)

Sales Order	Sales Order Item	Account Name	Sales Region	Product Family	Product Line	SKU Code	CRM Order Intake (€)	ERP Orders Created (€)	Orders Shipped (€)	Revenue Recognized (€)	Invoiced AR (€)	Cash Collected (€)
Grand Total							€20,064	€20,064	€20,064	€20,064	€24,144	€24,144
00001000	000020	Customer 1	Sales Region 1	Product Family 1	Product Line 1	SKU 1	€10,944	€10,944	€10,944	€10,944	€13,169	€13,169
	000060	Customer 1	Sales Region 1	Product Family 1	Product Line 1	SKU 2	€9,120	€9,120	€9,120	€9,120	€10,975	€10,975

Order life cycle tracking of **CRM orders** to the operational and financial data in the ERP system

Functionality to view order item lines **and order life cycle** by leveraging the Sales order number as an input