



AP AUTOMATION FOR MORONS



No dummies were injured in the making of this ebook.

CONTENTS

INTRODUCTION	3
WHAT IS ACCOUNTS PAYABLE?	4
WHAT IS ACCOUNTS RECEIVABLE?	5
WHAT IS ELECTRONIC INVOICING?	6 - 7
WHAT IS AP AUTOMATION?	8
WHAT'S THE DIFFERENCE BETWEEN AP AUTOMATION & DOCUMENTATION MANAGEMENT?	9
WHAT IS PAYMENT AUTOMATION?	10 - 11
STATS FOR MORONS	12
DON'T BE A MORON, JOIN THE REVOLUTION	13

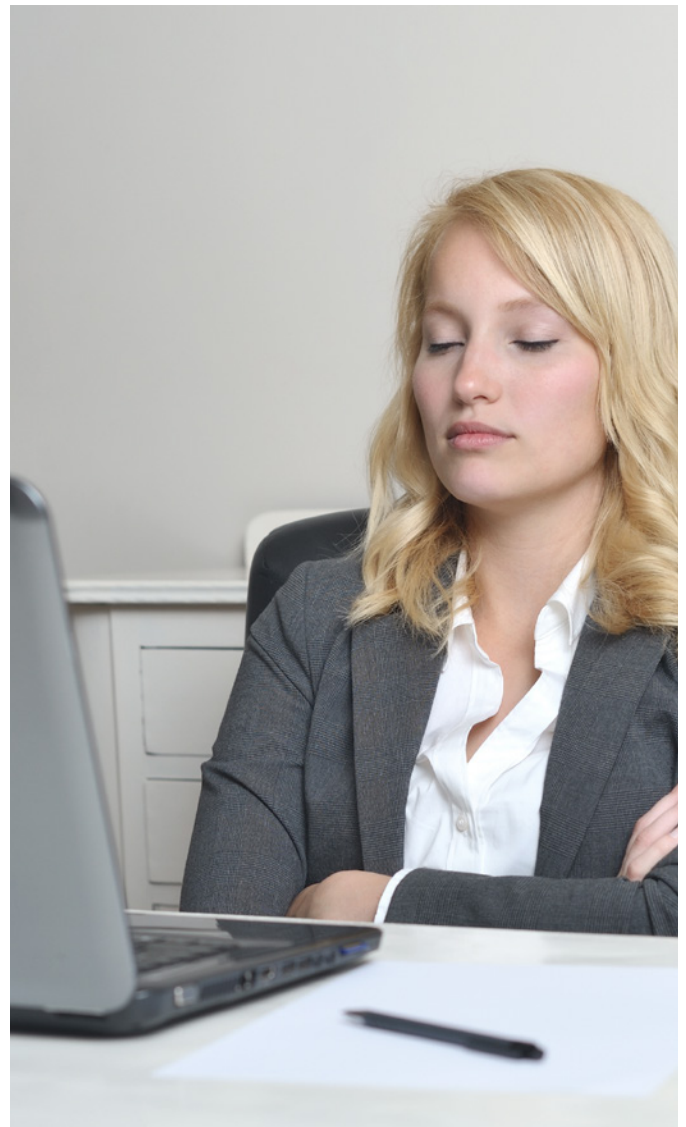
INTRODUCTION

Whoa, that's a pretty edgy title, huh? Well, don't get offended just yet. We know you're not a dummy, idiot, or moron. The fact that you've downloaded an eBook about accounts payable automation proves that you're a self-starter interested in learning more about a topic you're unfamiliar with. To us, you're a straight shooter with upper management written all over you!

In *AP Automation for Morons*, we'll give you a crash course on accounts payable, accounts receivable, electronic invoicing and payments, and how AP and payment automation can revolutionize the way your company manages their payables. Even if you aren't an accounting expert, you'll at least sound like one after reading our handy guide!

Also: Funny Facts:

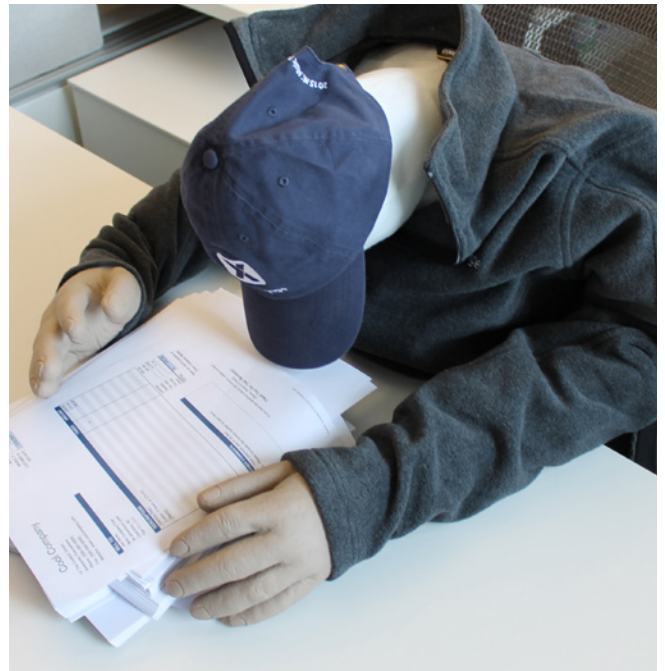
- ✖ Refrigerating rubber bands makes them last longer. I'm not sure why you would need to do this, but hey, it's science!
- ✖ The average office worker spends 50 minutes a day digging through drawers and file cabinets looking for lost files and other items. We call these people "office archaeologists."
- ✖ One percent of U.S. employers allow employees to take naps during working hours. 100 percent of that one percent of employees are extremely happy.
- ✖ No piece of normal-size paper can be folded in half more than seven times, so don't even bother trying!



WHAT IS ACCOUNTS PAYABLE?

Accounts Payable (AP) are amounts you, or your business owe because you purchased goods or services on credit from a supplier. Think of your household monthly bills – utilities, rent, cell phones, Netflix subscriptions, digital cable and internet – these all represent your personal “accounts payable”. You track and pay for these services monthly, often using electronic payment methods.

In business, [Accounts Payable](#) represents a company’s obligation to pay off a short-term debt to its creditors. Accountants or Bookkeepers use accounting software to track when they receive invoices and when they make payments to manage cash flow. For many businesses, however, AP is a manual, paper-based process that costs them time and money. While many AP professionals pay their personal bills quickly and conveniently online, their company’s finances are often very antiquated with paper invoices, filing cabinets, and paper checks.



“Accounts Payable represents a company’s obligation to pay off a short-term debt to its creditors.

WHAT IS ACCOUNTS RECEIVABLE?

Accounts Receivable (AR) refers to the outstanding invoices a company has, or the money it is owed from its clients. In your personal life, an example of Accounts Receivable would be buying a ticket to a concert or sporting event for a friend with the understanding that they will pay you back later. It's essentially an "IOU". In business, AR represents a line of credit extended by a company, due within a relatively short timeframe, which could range from a few days to a year. If a company has Receivables, then they've made a sale, but have not yet collected the money from the purchaser.

Most companies operate by allowing a portion of their sales to be on credit, offering their clients the ability to pay after receiving the service. For example, utility companies typically bill their customers after they have received electricity. While the utility or energy company waits for its customers to pay their bills, the unpaid invoices are considered Accounts Receivable.

Most businesses operate by enabling their clients to buy goods in credit. The cost of sales on credit is what is referred to as [Accounts Receivable](#). Generally, Accounts Receivable (AR), are the amount of money owed to the company by buyers for goods and services rendered. The Receivables should not be confused with Accounts Payable (AP). While AP is the debt a company owes to its suppliers or vendors, accounts receivable is the debt of the buyers to the company. Accounts Receivable are important assets to a firm, while Accounts Payable are liabilities that must be paid in the future by the company. Basically, firms choose to offer receivables to encourage customers to choose their products over the competitor's products.



WHAT IS ELECTRONIC INVOICING?

According to the business records of an unidentified Bostonian, checks first appeared in the United States in 1681, when merchants in Boston mortgaged their land to a fund that they could write checks against. 334 years later, a lot has changed. Since the mid-1960s, companies have utilized electronic invoicing to ensure their outstanding invoices are approved, processed, and paid.



Electronic Invoicing (e-invoicing) at its most basic level, is the exchange of an invoice document in an integrated electronic format between a buyer and a supplier. In a paper-based environment, invoice data has to be manually entered into the accounts payable system, which is labor-intensive and prone to errors. The hallmark of an electronic invoice is that it contains the data from the supplier in a format that can be integrated into the buyer's AP process without requiring additional data entry from the AP team.

An electronic invoice is structured invoice data issued in Electronic Data Interchange (EDI) or XML formats, often using Internet-based web forms. These documents can be exchanged in a number of ways including EDI, XML, or CSV files. They can be uploaded using emails, virtual printers, web applications, or FTP sites.



EDI

Electronic Data Interchange

is the electronic interchange of business information using a standardized format; a process which allows one company to send information to another company electronically rather than with paper.



XML

Extensible Markup Language

is a metalanguage which allows users to define their own customized markup languages, especially in order to display documents on the Internet.



CSV

Comma Separated Values

file allows data to be saved in a table structured format. CSVs look like a garden-variety spreadsheet but with a .csv extension.



FTP

File Transfer Protocol

is a standard network protocol used for the transfer of computer files from a server to a client using the Client-server model on a computer network.

As e-invoicing includes many different technologies and entry options, so it's useful to apply the following guidelines:

An e-invoice is:

- ✗ Structured invoice data issued in Electronic Data Interchange (EDI) or XML formats
- ✗ Structured invoice data issued using standard Internet-based web forms

An e-invoice isn't:

- ✗ Unstructured invoice data issued in PDF or Microsoft Word format
- ✗ A paper invoice sent via fax machine
- ✗ A scanned paper invoice



WHAT IS AP AUTOMATION?

Over the last decade, forward-thinking companies have adopted AP Automation to automate the paper and manual elements of processing invoices and making payments. These software solutions integrate with their accounting software and enable the accounts payable department to streamline workflows and reduce processing costs.

Automation adds significant value to Accounts Payable, including real-time visibility into performance and financial status, increased accuracy, and better compliance with tax laws and industry regulations. Simply put, if a company is still receiving paper invoices or paying bills, they're not capitalizing on today's best practices. They're also missing out on the unlimited potential for savings after relieving their AP team of time-consuming tasks such as opening the mail, data entry and filing mountains of paper. These manual tasks can lead to lost invoices, human error during data entry, and duplicate invoices.

AP Automation solutions help companies to streamline their Accounts Payable workflow, removing manual tasks and paper in the process. Sophisticated software integrates with your company's accounting system to track invoices electronically and enable companies to pay suppliers electronically while maintaining all of their banking relationships.

Just like in Accounts Payable, manual processes in the Accounts Receivable department create major inefficiencies and excessive overhead, wreaking havoc on a company's cashflow. Outdated, paper-based processes increase bad debt write-offs and keep companies from accessing the cash they need to support growth goals. The average company will write off [4% of Accounts Receivable](#) as bad debt. For a \$10 million company, that is \$400,000 every year they're losing. By implementing an automation solution, companies can see a 10-20% reduction in bad debt, putting savings back into their business.

WHAT'S THE DIFFERENCE BETWEEN AP AUTOMATION & DOCUMENT MANAGEMENT?

With document management, companies use software to store, manage, and track electronic documents and images of paper-based information captured by using an optical scanner. Document management takes paper out of the equation, but not the time-intensive tasks associated with it. A database organizes the stored documents, and search functionality enables users to quickly find specific documents.

Some companies think they've automated their accounts payable process by scanning and e-mailing their paper invoices when all they've really done is digitize an outdated operation and add an element for tracking invoices using e-mail. These companies may have saved a few days by getting the bill to the approver electronically, but they haven't eliminated the task or the time associated with it. In fact, they've added costs, because they had to buy a scanner and pay for the document imaging system.



AP automation, on the other hand, eliminates tedious tasks like opening the mail, manual data entry, and filing stacks of paper. By applying true automation to the AP and payment process, companies can eliminate paper invoices and checks altogether and create new time for more meaningful tasks.

Automation has been shown [to reduce operating costs](#) by an average of 50%, and reduces processing time 27 days to 2.8 days on average. That added time can be utilized to negotiate vendor discounts and rebate procurement instead of copying and scanning files or searching for misplaced invoices.

WHAT IS PAYMENT AUTOMATION?

In a paper-based system, the AP team prepares a payment either by writing a check or setting up a transaction via Automated Clearing House (ACH) or electronic funds transfer (EFT). An AP manager approves the payment, authorizing the department to take an early payment discount for a supplier if the payment is being made within the date range specified in the terms. The payment is then sent via U.S. mail, wire transfer, ACH/EFT, shipping company, or courier.

With a payment automation solution, the system automatically checks the status of terms for that particular supplier, and applies any early payment discounts to the transaction. Then, it prepares the payment, setting up the transaction via ACH/EFT, procurement card, or other methods as specified by the supplier. The system routes the payment information to an AP manager for approval.

Automation makes the payment approval process easier and more efficient for AP managers. During the implementation process, a solution provider will work with you and your



team to understand your current approval process. Then, they will build that approval process into your rules-based workflow. Once the workflow is established, the invoice is automatically routed to the appropriate people for approval when it's received into the system. The approver looks at the invoice within the portal, and can either approve it or dispute it.

For clerks and other members of the AP team, automation minimizes the need for manual tasks such as data entry, handling and filing physical documents, looking up each TIN individually, and printing checks. Clerks can focus instead on more important tasks such as verifying data for accuracy, handling exceptions, answering questions from suppliers, maintaining the master vendor file, and analyzing numbers.

No longer does a team member need to worry about fixing data entry errors and transpositions. Automation reduces the frustration of manually working through exceptions and eliminates repetitive and time-consuming tasks for every member of the team.



STATS FOR MORONS

48%

Fraud Research has shown that paper documents and checks are leading sources for fraud because data is not protected. In fact, 48 percent of payment fraud can be tracked back to paper checks.

According to a recent survey by the Association of Certified Fraud Examiners (ACFE), nearly 70 percent of corporate respondents have been victims of check fraud.

2-3
HOURS

Audits Often an auditor will spend 2-3 days with an organization, searching through drawers spilling over with paper invoices. In an automated system, however, it may only take 2-3 hours for an auditor to complete their task. By providing an auditor read-only access to your online portal, they can quickly search at random for any invoices they'd like to review and see the audit trail immediately.

44%

Processing Costs PayStream Advisors' research indicates that the average cost to process a transaction is 44 percent higher when performed manually rather than through an automated system.

21
BILLION

Paper Checks According to the Wall Street Journal, there are over 300,000 small and medium-sized businesses (SMBs) in the United States that have yet to automate their payment processes. U.S. companies lag behind their counterparts in Europe, Japan and Brazil when it comes to ePayments.

In the article, [*U.S. Companies Cling to Writing Paper Checks*](#), it states, "American businesses and consumers wrote 21 billion checks in 2012, according to the Federal Reserve." That's more than four times as many checks as were written that year in the European Union's 28 member countries!



DON'T BE A MORON. JOIN THE REVOLUTION!

This guide was created by AvidXchange™. AvidXchange revolutionizes the way organizations pay their bills. Serving more than 5,300 clients throughout North America and 300,000 vendors nationwide, AvidXchange is an industry leader in automating invoice and payment processes for organizations spanning multiple industries including Real Estate, Financial Services, Energy, Non-Profit, and Construction.

Interested in automating your payables and creating efficiencies for your AP team? Our automation specialists will create a customized demo and walk you through the streamlined workflow of an automated AP process. **To Schedule a Demo, Click [Here!](#)**