# **Accounts Payable**

**Core Business Process**

Account Payables Management refers to the procedures and practices which are employed by FC Platinum with respect to managing its trade credit purchases. The AP activities consist of seeking trade credit lines, acquiring favourable terms of purchase, and managing the flow and timing of purchases so as to efficiently control the company’s working capital. AP Management is vital because the purchasing of inventory, raw materials, and other goods on trade credit allows a company to defer its cash outlays, while accessing resources immediately.

## **Prerequisites**

1. **Purchase order**

Is a commitment made by a buyer to a seller for required goods/ services at certain quoted and agreed prices for a specified quantity? POs are used to control our chasing in an entity.

1. **Data Entity**

This is a portal through which vendor invoices are received electronically by the Accounting Officer.

1. **Vendor invoices**

Vendor invoices are the invoice statements clearly stating the amount owed or required by the vendor for goods or services acquired by various departments at the organization (FC Platinum).

1. **Product or service**

These are goods or service acquired by the FC Platinum for consumption or resale or services offered by the vendor.

1. **Vendor**

This is the supplier who supplies products/services.

## **Invoicing**

### **Precondition**

1. **Printed Invoice received**

A printed invoice should be received by the Accounting Officer.

1. **GRV**

The GRV should be signed to indicate that the goods have been received as required in the presents of security

### **Process Description**

Once the goods have been confirmed that they have been received by the Accounting Assistant Inventory, the process of invoicing begins. The Accounting Assistant Procurement receives a Delivery Note and an invoice from the supplier and reconcile it to and the invoice against a purchase order. If the details, specifications, prices and quantities agree to the PO, the Accounting Assistant Procurement process the receipt. If the DN& Invoice cannot be reconciled with the Purchase order, the Accounting Assistant Procurement investigates and raises an order variation refer to the procurement cycle FCP uses a 3-way matching system and only when these 3 Documents are matching (PO, DN, Invoice) can an invoice be updated. Once the invoices are received and captured into the system, they update the Accounts Payable vendor account and inventory lines involved. Upon updating the invoice Creditors aging automatically updates. Vendor aging is an important report that is used by the Accounting Officer to review the Creditors accounts and the overall balance owes by FC Platinum to its’ Creditors.



**Invoice Details**

|  |  |  |
| --- | --- | --- |
| **Field Name** | **Datatype** | **Length** |
| Vendor name | Varchar | 20 |
| Address | Varchar | 45 |
| Phone | Num | 20 |
| Product/Service | Varchar | 30 |
| Quantity | Num | 10 |
| Cost | Num | 10 |

### **Actors**

* Accounting Officer
* Vendor

### **Workflow**

* None

### **Audit Trail**

* Invoice
* DN
* Purchase Order

## **Payment**

### **Precondition**

1. **Invoice Statement**

The supplier should have sent the invoice statement

### **Process Description**

The Accounting Officer identifies the invoices to be paid and requests for a statement from the Supplier. Upon receiving invoice statement, the Accounting Officer reconciles the invoice statement with the creditors account. If there are no variances the Accounting Assistant Payables compiles a remittance for invoice due for payment once payment is done the POP is attached to the reconciliation and remittance.

The remittance assists the Accounting Assistant Finance to settle the correct supplier invoice.



### **Actors**

* Accounting Officer
* Accounting Assistant Payables
* Accounting Assistant Finance
* Supplier

### **Workflow**

* Accounting Assistant Finance submits payments
* Accounting Officer approves

### **Audit Trail**

* Invoice
* Reconciliation

## **Aging Analysis**

### **Precondition**

1. **Vendor**

This is the supplier who supplies products ordered to FC Platinum.

### **Process Description**

The Accounting Officer runs an aging analysis report on the system and prints. The vendor aging report helps in decision making after analysis. The aging report can be spooled by either Age by Invoice Date / document Date.

**Age by Posting date**

* Date the invoice was posted.

**Age by Document**

* Date on invoice document.

**Aging Buckets**

|  |  |
| --- | --- |
| **Period (Days)** | **Description** |
| 0 – 30 | Current period |
| 31 – 60 | 60 days |
| 61 – 90 | 90 days |
| 91 – 120 | 120 days |
| Over 120 | 120+ days |



### **Actors**

* Accounting Officer

### **Workflow**

* None

### **Audit Trail**

* Aging report

## **Revaluation**

### **Precondition**

1. **Foreign currency invoice**

The invoice has to be foreign for it to be revaluated.

1. **Date**

The date should be the last day of the month.

### **Process Description**

At the end of each reporting month all unsettled/ open foreign currency invoices are revalued. The Accounting Officer loads the rate as of last day of the month to allow correct revaluation of the vendor balances. All foreign currency vendor balances should reflect the new revalued balances owed by FC Platinum as of the given reporting period. When the balance is settled at a later date from the revaluation date, the invoice will be settled at the prevailing rate as of the date of settlement. The difference between the paid amount and the revalued invoice amount is posted to the Profit/Loss account as an Exchange gain or Loss



### **Actors**

* Accounting Officer

### **Workflow**

* None

### **Audit Trail**

* Current rate
* Payment