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**The Power of a
Single AR Ledger**



Agenda

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- The Accounts Receivable (AR) Management Challenge
- The Role of the AR Ledger
- The Penalties of a Fragmented AR Ledger
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Introduction

- Management of the AR asset is a multi-faceted, unrelenting, task. The AR asset's condition deteriorates every day unless the **right actions** are performed in the **right quantity** with the **right quality**.
- A fragmented AR ledger, resident on several ERP systems, delays and diminishes the required actions. Valuable time is wasted compiling consolidated AR data.
- Customers of multiple divisions whose AR is unconsolidated constitute an elevated credit risk

The AR Management Challenge - 2022

- Manage elevated Credit Risk while Driving Revenue
- Collect receivables on a timely basis
- Accommodate various Divisions and Business Models with wide variation in revenue streams, customers, markets, ERPs
- Deliver an Excellent Customer Experience
- Accommodate Work-from-Home
- Do it all without adding staff

The Role of the AR Ledger

- **Data Lake for AR Asset**
 - Single source of the truth
 - Auditable asset detail supporting statutory accounts (every penny of AR owed by every customer). Validates asset, revenue and profit valuations
 - Aged Trial Balance (ATB) = General Ledger (GL) balance
 - Basis for risk assessment, analysis and actions to manage AR asset
- **Metrics: derived from AR Ledger**

A single, consolidated AR Ledger is much more efficient & accurate

The Penalties of a Fragmented AR Ledger

1. **Inefficiency:** time wasted compiling data from several, disparate AR ledgers (Watch List)
2. **Elevated Risk of Error**
3. **Elevated Credit Risk :** Aged AR balances carried on multiple AR ledgers for same customer impedes full understanding of total credit exposure and risk
4. **Cripples auto-cash and Deduction resolution**
5. Complicates data presentation on **Customer Care Portal**
6. Kmart story

Solutions & Benefits

- Conceptually, the Solution is easy: a single, consolidated AR Ledger that includes every penny, transaction and customer that has AR; **“The Power of One”**.
- Individual customer AR data contained on separate ERP’s should be aggregated into one total to enable accurate assessment of total exposure and credit risk. Parent/child linkage required.
- Generation of consolidated AR ledger from multiple ERP’s must be **automated** and available on demand. Robust query and Analytics capability a “must have.”

Solutions & Benefits

A Single AR Ledger improves the quality and efficiency of:

- AR portfolio analysis – aging, aggregate Credit Risk
- Individual Customer aggregate Credit Risk analysis
- Collection portfolio allocation to Collectors
- Auto-cash
- Deduction processing, analysis & prevention
- Provision of complete information on Customer Care (EIPP) Portal and in Statements of Account sent to customers
- Cash Forecasting
- Global view of AR asset/currency exposure
- Ability to properly value Allowance for Doubtful Accounts and Reserves for Deductions, Disputes, Returns, Claims, etc.
enabling proper valuation of AR, Revenue and Profit

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Solutions & Benefits

Technology to create a Single AR Ledger from source data contained in multiple ERP's must:

- Interface seamlessly with the ERP's containing the separate AR Ledgers. Enable update "on demand"
- Include all open transactions and customer information (credit limits, sales data, etc.) contained in subsidiary ledgers
- Aggregate accurately by customer, tracking complex parent/child relationships

Case Study – Consolidated AR Ledger

Situation Overview

Our client, a global manufacturing company with three Global Shared Service Centers (SSC's) had widely dispersed operations and systems:

- 34 business units operating in 150 countries
- 120 disparate financial systems (~ ERP)
- 14 languages, 30 banking relationships

Customer Value

- Deployed Emagia AR Solution – multiple modules including **Receivables Automation which enabled Consolidated AR Ledger**
- Enabled creation of SSC's resulting in huge cost savings and service improvements in Order to Cash function
- Current AR is 85%
- Auto-cash hit rate is 92%
- Risk assessment of 100% of customers



Conclusion

- A fragmented AR Ledger creates many obstacles to the efficient and effective managing of the AR Asset
- Achievement of world class AR management performance is virtually impossible without an automated, consolidated AR Ledger (especially cost performance of 0.04% of revenue)
- Delivery of uniform, excellent Customer Experience requires consistency of service delivery enabled by centralized organizations using a single AR Ledger
- **A consolidated AR Ledger is a foundation to excellent AR and Order-to-Cash process management. If you don't have it, make 2022 the year you implement it!**



◀ If you have any questions or comments about this session, please let us know in the chat box or write to us at info@emagia.com

