

A Day In The Life Of Accounts Payable



The Accounts Payable workday is full of potential problems, since the department deals with a variety of issues, most of which are associated with invoice processing.

The problem begins with the invoices aren't sent to the AP department, but rather the person who purchased the product or service.

These invoices often sit for days or even weeks before they're noticed, then, there's the time it takes to get the invoice to AP before it can even be added to the accounting system.

While creating methodical departmental business processes can be helpful, these procedures often create additional paper, and the more paper you have involved, the more time it takes to file, and the greater potential for error.

You can always scan the paper to digitize your records, but this adds another step, and there's always the potential that an invoice can be missed.

Invoice Processing is Labor Intensive

Whether the invoices come directly from suppliers or are forwarded to the AP department from elsewhere within your organization, there's a lot to be done.

Going beyond the mail handling and data entry aspects, invoices need to be coded with the appropriate general ledger (GL) codes and purchase categories.

Then, each invoice must be checked to make sure the charges are valid.

This means comparing them against purchase orders and contracts, and then taking time to make sure the goods and services were actually received.

If the information doesn't match, or the AP department doesn't have access to that information, the invoice must be sent to someone else for review and approval, which adds additional time.

Electronic Invoices Help - But Only if the Rest of the Process Works Well, Too

Using an electronic invoice system helps eliminate many of the issues with a paper-based system, but without a fully automated system that makes use of the information, your AP department still won't be as efficient as possible.

Manual invoice processing creates a number of problems, including:

- Lack of visibility into outstanding liabilities
- Invoices go beyond the discount period before they're entered into the AP system
- The potential for paying duplicate invoices increases because suppliers send additional copies
- The inclination to just pay the invoices becomes greater if the validation process is too complicated
- AP staff spends more time answering supplier inquiries about payment status
- Suppliers may stop delivering goods or services because invoices aren't paid in a timely manner
- Audits become more problematic, long, and costly

And this is in addition to the direct costs associated with invoice processing, such as AP personnel and operating costs.

A study from Aberdeen Group found that the average cost to process an invoice was \$15.61, while the bottom 30% had a cost of \$38.77, and the top 20% of companies had an average cost of \$3.09.

Using an automated procure to pay system eliminates the need for a paper-based invoice system. Many also use three-way matching to ensure what you order is on the invoice, and you don't pay for goods and services not yet received.

PLANERGY works well for companies of any size, by automating the AP process. The three-way matching process not only helps eliminate human error but increases processing time because it uses line item text from the order and receiving to automatically populate the items for AP.

Vendor invoices are automatically uploaded to the enterprise cloud and attached to the matching documents, so you can easily find and compare all the order documentation any time you want, from a centralized location.

With AP automation in place you streamline your entire business process.

The data flow from requisition through accounts payable allows your financial planning and analysis team to search, report, and analyze your procurement data at a granular level in real-time.

This, in turn, provides additional insight into how to increase value from your supply chain.

The automation also seamlessly transfers data from PLANERGY to your accounting or finance software, making things easier on the entire finance department, since the data goes in alongside the accounts receivable information, too.

Increased process visibility makes it easier to manage cash flow, which can have a positive impact on your bottom line.

To simplify your accounts payable workday, consider using a fully automated

procure to pay system. It will also ease the burden on your procurement department and make financial analysis much easier.

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

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