16BPU301 BUSINESS PROCESS SERVICES IN FINANCE AND ACCOUNTING

Programme Outcome

Financing and Accounting for BPS have wide scope and area of application. Financial organizations worldwide are facing the impact of higher volatility, uncertain business, and regulatory and socio-political environments putting pressure on them to make their bottom-line more predictable and sustainable.

Programme Learning Outcome

The objective of this paper is to help students to learn the basic concepts of BPO and various procedures and process regarding purchase management, receivable management. Students also get accounting knowledge in ratio analysis and budgeting.

Unit I

Introduction: Basic Accounting Principles, Concept, Convention - Systems of Book Keeping - Recording, Classifying and Summarizing of Transaction - Final Accounts - Types of Business Organizations - Business Partnerships - Types of BPOs - Merits and De-Merits on various BPO options - Accounting Business Process Cycle - Evolving of Outsourcing - Need for outsourcing Horizontal Services - Current Trend in F&A Outsourcing.

Unit II

Purchase Management: Activities before Purchasing, Quotations, Negotiation, Costs associated with Purchases etc - How a Purchase Order is raised, types of Purchase Orders, Contracts etc., Warehouse Receipt procedures, Returns, Issues and various Documents - Accounting Impact -Inventory Control - Types of discount offered by Vendors - Basics of Distribution Strategies, Integration of Strategic Partnering, Outsourcing and Procurement Strategies Freight Negotiation, FTL, Payments, Conditions etc., Various Activities in Accounts Payable and Accounting Impact - Types of Invoice Matching and resolving issues - Invoice Payment, Procedures and Mode of payment - Employee Payment (T&E and Various Cards) - Debit Balance, Write back, Discount adjustments and various actions - Help desk and support Activities -Vendor Account Reconciliation - Latest developments (Vendor Portal, EDI, E-Invoicing, Tools etc.,) - Effective management of AP leads to working Capital improvement.

Unit III

Receivable Management: Various Activities in Accounts Receivable and Accounting Impact - Background check for Customers (D&B Report, Credit Rating) Credit Limit, Customer Contract / Order - Management) - Mode of receiving Payment, Actions for non-receipt, Netting off - Revenue Recognition - Collection - Cash Applications - Adjustment of Discounts, Rebate, QPS discount, Write off etc., - Disputes Handling procedures - Customer Help desk and support Activities - Customer Account Reconciliation - Latest Developments (Customer Portal, E-Invoicing, Tools etc.,) - Effective management of AR leads to working Capital improvement. Activities in General Ledger - What is Subsidiary and Control Accounts - Chart of Accounts and maintenance, Cost Centre, Profit Centre, - Adjustment journals - Cost Allocation etc. - Bank Reconciliation - Fixed Asset Maintenance - Inter Company - Accounting and Reconciliation - Tax Accounting - Transactional Element - Generation of Final Accounts -

Various Reports (Statutory Reports, Schedules, Variance Analysis).

Unit IV

Budgeting and Ratio Analysis: Budgeting and Budgetary Controls - Capital Budgeting - Ratio Analysis - Process of Decison Making - Analysis of Financial Statements and Variances - Management Reporting - Modules and usage of ERPs - Basic Screens required to be understood for F&A process - 3. Report generation - XBRL, Platform, Counting, Data Privacy Law etc.

Unit V

Basics of Accounting Standard - Differences between various GAAPs (US, UK, Indian and IFRS) - COSO, Internal Controls & Audit, ISO Standards (applicable to BPO) / CMMI Certification.etc., - PCI Data Security Standard / Security Audit / Data Privacy and Protection SOX - Compliance / SSAE 16 /ISAE 3402 - SOD, Access, Incident Management, BCP etc., - How the various transaction flows are happening - BPO Terminologies - Importance of Process Documents Service Level Measurements Contractual elements - Governance model - Internal Reporting - Delivery Excellence - Integration of support functions - Future and Challenges

Note: This syllabus has 100% theory

Suggested Readings

Text Book

TCS BPS study material

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University Established Under Section 3 of UGC Act 1956)

Coimbatore – 641 021.

LECTURE PLAN
DEPARTMENT OF COMMERCE

STAFF NAME: DEEPTHI NIVASINI. K
SUBJECT NAME: BUSINESS PROCESS SERVICES IN FINANCE AND ACCOUNTING
SUB.CODE: **16BPU301** SEMESTER: IV CLASS: II B.Com (BPS)

S.No	Lecture Duration Period	Topics to be Covered	Support Material/Page Nos
		UNIT-I	
1.	2	Basic Accounting Principles	T: 8-10
2.	2	Accounting Concepts	T:10-11
3.	2	Accounting Conventions	T:11-13
4.	2	Recording, Classifying and Summarizing of Transaction	T: 16-18
5.	2	Final Accounts	
6.	2	Types of BPOs	T: 15
7.	2	Merits and De-Merits on various BPO options	T: 16, 17
8.	2	Accounting Business Process Cycle	T:19
9.	2	Need for outsourcing Horizontal Services	T:9-12
10.	2	Need for outsourcing Vertical Services	T:4-8
11.	2	Current Trend in F&A Outsourcing.	T:18-21
12.	2	Recapitulation and discussion of important questions	
	Total No of Hours Planned For Unit I=24		
		UNIT-II	
1.	2	Activities before Purchasing	T: 17-19
2.	2	Quotations, Negotiation, Costs associated with Purchases	W1

3.	2	How a Purchase Order is raised	T: 16
4.	2	Types of Purchase Orders, Contracts	T: 13-15
5.	2	Warehouse Receipt procedures	W2
6.	2	Inventory Control	T: 9-11
7.	2	Types of Inventory	T: 12,13
8.	2	Outsourcing and Procurement Strategies Freight Negotiation	T: 14
9.	2	Types of Invoice Matching and resolving issues	T: 15-17
10.	2	Invoice Payment, Procedures and Modes of payment	T: 18 - 23
11.	2	Help desk and support Activities, Vendor Account Reconciliation	T: 48-49
.12.	2	Recapitulation and discussion of important questions	
	Total No of Hours Planned For Unit II=24		
		UNIT-III	
1.	2	Various Activities in Accounts Receivable	T: 5-9
2.	2	Mode of receiving Payment, Actions for non-receipt	T: 14-17
3.	2	Revenue Recognition	T: 17
4.	2	Customer Help desk and support Activities	T:20
5.	2	Customer Account Reconciliation	T:21-23
6.	2	Activities in General Ledger	T: 5
7.	2	Subsidiary and Control Accounts	T: 9-13
8.	2	Chart of Accounts and maintenance, Cost Centre, Profit Centre	T: 8-11
9.	2	Inter Company - Accounting and Reconciliation	T: 15
10.	2	Tax Accounting - Transactional Element	T: 20
11.	2	Generation of Final Accounts	

12.	2	Recapitulation and discussion of important questions	
	Total No of Hours Planned For Unit III=24		
		UNIT-IV	
1.	2	Budgeting and Budgetary Controls	T: 5-8
2.	2	Capital Budgeting	T: 9
3.	2	Ratio Analysis	T: 11
4.	2	Process of Decision Making	T: 12
5.	2	Process maps	T:14-16
6.	2	High and Low level process maps	T: 18
7.	2	Analysis of Financial Statements and Variances	W1
8.	2	Modules and usage of ERPs	T: 21
9.	2	Report generation - XBRL	T: 9 -23
10.	2	Counting, Data Privacy Law	W2
11.	2	Basic Screens required to be understood for F&A process	T: 25
12.	2	Recapitulation and discussion of important questions	
	Total No of Hours Planned For Unit IV=24		
		UNIT-V	
1.	1	Oral presentation: Meaning	T: OC-1-15
2.	1	Importance of oral presentation	W6
3.	1	Characteristics of oral presentation	W6
4.	1	Presentation plan	W5
5.	1	Power point presentation	T1:OC-34-42
6.	1	Visual aids	T1:OC-50,51
7.	1	Recapitulation and Discussion of important questions	
8.	1	Discussion of Previous Year ESE Question Papers	
9.	1	Discussion of Previous Year ESE Question Papers	

10.	1	Discussion of Previous Year ESE Question Papers	
	Total No of Hours Planned for unit V=24		
Total Planned Hours	**120**		

TEXT BOOK

T: TCS MATERIAL

WEBSITES

W1: www. icai. org, www. bis.org/pub/bcbsca07.pdf

W2: www.coso.org/resources.html, www.sec.gov/about/laws/soa2002.pdf

Possible Questions

Unit I

Part – A (10*1=10)

1. BPS is contracting a specific business task to a __________provider
    a. a) Enterprise b) individual c) **third party** d) agreed
2. Services are awarded to a BPS entity in neighbourhood countries in _______outsourcing.
    a) Offshore b) **Near shore** c) Onshore d) foreign
3. _____________assumption assumes that all the transactions are recorded in terms of money.
    a) **Monetary** b) Business entity c) Going concern d) Periodic
4. In ________convention trivial matters are to be disregarded so that the disclosure is not burdened with minute details.
    a) Conservatism b) **Materiality** c) Consistency d) Full disclosure
5. _____________are the purchased items which have not yet entered the production process.
    a) Finished goods b) raw materials c) Hedge inventory d) WIP
6. The newest items in stock are sold first in _________
    a) FIFO b) Fixed pricing c) LIFO d) Standard cost
7. Which of the following organizations is a non- profit organization?
    a) FMCG b) Partnership c) **Trade union** d) Limited Company
8. The liability of a sole-trading concern is__________
    a) limited b) long c) **unlimited** d) personal
9. _____________assumption assumes that all the transactions are recorded in terms of money.
    a) **Monetary** b) Business entity c) Going concern d) Periodic
10. In ________convention trivial matters are to be disregarded so that the disclosure is not burdened with minute details.
    a) Conservatism b) **Materiality** c) Consistency d) Full disclosure

Part – B (2 marks)

1. What is a captive BPO?
2. What is Business entity assumption?
3. What is Supply chain management?
4. Define Purchase order.
5. What do you mean by outsourcing?

Part – C (8marks)

1. Enumerate the steps involved in an invoice processing cycle.
2. Explain in detail the P2P process under Accounts Payable
3. Enumerate the general guidelines or conventions for preparing financial statements.
4. Explain the two types of BPS along with their merits and demerits.
5. What are the different services provided by BPS?

UNIT-I

SYLLABUS

INTRODUCTION:

Basic Accounting Principles, Concept, Convention - Systems of Book Keeping - Recording, Classifying and Summarizing of Transaction - Final Accounts - Types of Business Organizations - Business Partnerships - Types of BPOs - Merits and De-Merits on various BPO options - Accounting Business Process Cycle - Evolving of Outsourcing - Need for outsourcing Horizontal Services - Current Trend in F&A Outsourcing.

ACCOUNTING PRINCIPLES

Accounting principles and assumptions are the essential guidelines under which businesses prepare their financial statements. These principles guide the methods and decisions for a business over a short and long term. For both internal and external reporting purposes, it is important to understand the concepts presented below because they serve as a guideline to the analysis of financial reporting issues.

1. **Revenue Recognition Principle** – Under this principle revenue is to be recorded when it is realized (or realizable), and when it is earned and not when it is received. Revenue is realized when goods or services are exchanged, is realizable when assets received can be converted to cash, and is earned when all necessary requirements are met entitling the company to the benefits represented by the revenue (e.g. services performed).

   For example, suppose a neighborhood coffee house orders 100 coffee mugs from a coffee wholesaler in June. The coffee house takes delivery of the new mugs in July and pays for the order in August. The wholesaler does not recognize the revenue from this sale in June, when the order was placed, or in August, when the cash was received. For recording purposes, the revenue is recognized by the wholesaler in July, when the coffee mugs were delivered to the coffeehouse.

This principle is used for the recognition of revenue for both goods and services. For example, if an attorney is hired with an agreed upon retainer fee of $2,500 in May, and the services are not performed until July, the attorney does not recognize the revenue until July. The attorney must earn the income before it can be recorded as such, even though he/she received cash for the service at an earlier date.

2. **Historical Cost Principle** – The historical cost principle deals with the valuation of both assets and liabilities. The value at the time of acquisition is used to value most assets and liabilities. For example, say the coffee wholesaler purchased an office building in 1990 for $1.2 million. Over time this asset has most likely appreciated in value. However, in accordance with the cost principle, the original (historical) price of the building is what is recorded as the cost of the building in the books of the business.
3. **Matching Principle** – This principle mandates that the expenses of a business need to line up with its revenue. The expense or cost of doing business is recorded in the same period as the revenue that has been generated as the result of incurring that cost. In the case of the coffee wholesaler, when the 100 coffee mugs were delivered in July they changed from being a part of inventory (asset) to a cost of goods sold entry (expense) in the month that the revenue from the sale was recognized. At this point, the difference between the revenue and expense is determined as the gross profit from the sale.
4. **Full Disclosure Principle** – This principle states that all past, present and future information that may have had an impact on the financial performance of the company needs to be fully disclosed. The historical performance of a company is readily available, but examining the numbers does not always provide the entire financial picture of a company. Sometimes there are alternative situations that need to be reported. Pending or current lawsuits are one example of a transaction that could severely impact a company's bottom line. In addition, incomplete financial transactions or any other conditions that could impact the company's performance must also be disclosed. Most of these transactions are disclosed in the footnotes to the financial statements.

ACCOUNTING ASSUMPTIONS

1. **Economic Entity Assumption** – Under the economic entity assumption, an economic activity can be identified to a separate entity accountable for that activity. In other words, this assumption states that businesses must keep their transactions separate from their owners', business units' or other businesses' transactions. For example, the business activities of the neighborhood coffee house are to be kept separate from the financial activities of its owners or managers. The financial statements for the coffee house will only reflect the revenue and expenses for the coffee house. Thus, it is possible to compare the financial statements of this coffeehouse with its competitors' reports, since these statements should be reported separately under the economic entity assumption. Important to note, a separate entity does not necessary mean a legal entity. For example, financial statements for a parent company and its subsidiaries (i.e. separate legal entities) can be presented together (i.e. consolidated financial statements).
2. **Going Concern Assumption** – For accounting purposes, the going concern assumption states that the financial activities of a business are assumed to be in operation for an indefinite period of time. This allows a business to operate with a view towards a long term. This is a very critical assumption as it provides that there is no short term end point in which all assets need to be sold and all debt must be paid off. Thus, the going concern assumption makes it possible to depreciate or amortize assets because we assume that businesses will have a long life. For example, if the coffee house was going to be sold, its assets would be valued at their disposal or liquidation value (sales price less expense of disposal). Under the going concern assumption, the coffee house values its assets at their original cost. As we can see, the going concern assumption is only inapplicable when business liquidation is imminent, and it should be used in all other business situations.
3. **Monetary Unit Assumption** – This assumption states that information in the financial statements must be expressed in monetary units. The reason is that economic activity is expressed in monetary unit, and thus, it makes sense to apply the same basis for accounting purposes. Monetary units are relevant, universally available, and understandable. Using the neighborhood coffeehouse as an example, the intrinsic value of

the best coffee server cannot be valued in the financial statements, regardless of how many customers frequent the coffeehouse due to this individual. The inherent value of this person cannot be quantified in the financial statements as an asset.

The monetary unit assumption also states that a stable unit of currency is to be used as the unit of record. In the United States, the US Dollar is typically the currency of choice. Important to note, accounting ignores inflation or deflation and assumes that US Dollar remains reasonably stable. For instance, no adjustments are necessary when adding 1990 dollars to 2010 dollars, unless economic conditions change dramatically (e.g. hyperinflation).

4. **Time Period Assumption** – This assumption allows for the division of businesses operational activities into artificial time periods for reporting purposes as determined by the business owners. The coffeehouse can record information on a daily, weekly, monthly, quarterly and yearly basis during a time frame they deem relevant. However, there is a trade-off between the accuracy (reliability) and relevancy in preparing financial statements: the more quickly a company presents financial data, the more likely such data contains errors (i.e. less reliable information).

Accounting Concepts

Four important accounting concepts underpin the preparation of any set of accounts:

- **Going Concern**
  According to this concept the financial statements are normally prepared on the assumption that an enterprises is a going concern and will continue in operation for the foreseeable future. Transaction are therefore recorded in such a manner that the benefits likely to accrue in future from money spent. It is because of this concept that fixed assets are recorded at their original cost and depreciation in a systematic manner without reference to their current realizable value.

- **Consistency**

Transactions and valuation methods are treated the same way from year to year, or period to period. Users of accounts can, therefore, make more meaningful comparisons of financial performance from year to year. Where accounting policies are changed, companies are required to disclose this fact and explain the impact of any change.

- **Prudence**
  Profits are not recognised until a sale has been completed. In addition, a cautious view is taken for future problems and costs of the business (the are "provided for" in the accounts" as soon as their is a reasonable chance that such costs will be incurred in the future.

- **Matching (or "Accruals")**
  Income should be properly "matched" with the expenses of a given accounting period.

OUTSOURCING

INTRODUCTION

Depending on the nature of the organization, the activities are divided into core and noncore functions. The core activities are central to the organization and have direct bearing on the success of the organization. The noncore activities are supportive or secondary functions. The division of activities is also dependent on how the organization defines its business processes. A business process combines various inputs to create an output that is of value to the internal or external customer. A well-defined business process is customer centric, that is, it is meant to serve the customer. It is designed to address many of the problems with traditional organizational structures which create a huge and unwieldy bureaucracy that impedes rather than addresses customer service.

Organizations need to continuously evaluate and improve business processes to suit the business environment in which they operate. The key considerations are reducing cost, gaining efficiency, and improving customer service. This calls for business process reengineering. One of the major reengineering initiatives in the recent past is outsourcing of noncore business functions. BPO refers to the shift of noncore business processes from internal management to outside third-party providers. The outsourced activities may not be the core part of an organization, but that is not to say that they are less important. For example, some of the most outsourced processes such as payroll and benefits administration and customer call centers are an important part of any organization but they are outsourced simply because a third party can provide them faster, better, and cheaper. Further, as organizations gain experience in outsourcing and develop maturity in managing the process, they may start outsourcing even their core functions and processes.

Outsourcing is not just confined to large organizations. They may equally benefit small- and medium-sized enterprises (SMEs). For example, a small firm may decide to outsource such functions as billing and customer service, statutory compliance reports, accounting and taxation, human resource management services, and packaging and shipping. By outsourcing such activities, firms can tap into external expertise and technological advances without having to invest in them and maintain flexibility in the scope and scale of their operations. Even not-for-profit organizations, such as Red Cross, can better spend their money and offer faster and better services by outsourcing procurement and transport of supplies to remote regions of the world.Outsourcing, however, is not right for every organization, every time, and every activity. As with any management concept, it is not just the idea but the way it is actually implemented that determines its success. Organizations and business leaders that embrace a concept simply because it is the latest fad, ignoring organizational realities, are bound to fail. Outsourcing is a complex process and can prove to be costly and damaging if not handled well. It requires a good understanding of what and when to outsource, whom to outsource to, and how to manage outsourcing on a sustainable basis. For example, if the corporate culture of the organization is characterized by blame shifting, internal politics, and learning disability, then outsourcing may actually complicate matters further. Short-term and narrow objectives such as cost cutting without considering long-term implications can result in serious damage to the future of the organization. That is why outsourcing is a strategic business decision and tool.

BENEFITS OF OUTSOURCING

- Cost savings. Outsourcing may result in significant cost savings in overheads, labor costs, production costs, and so forth. For example, in call center operations where employee costs are significant, Indian call center agents cost one tenth of their Western counterparts and claim to offer better productivity. Outsourcing providers typically specialize in certain activities and can achieve cost savings through economies of scale. However, cost considerations need to be carefully weighed against long-term impact and sustenance of cost advantage, loss of organizational knowledge, and likely customer and community backlash.
- Performance improvements. By focusing and specializing on particular activities and skills, outsourcing providers often achieve better performance standards in customer service quality. These are reflected in the service level agreements and measured by performance metrics.
- Flexibility. In a quickly moving and uncertain business environment, flexibility is the key to manage the markets. By outsourcing, organizations can better manage sudden surges or drops in demand for their products and services, fix short-term problems in skills and supplies, reach the market with new offers faster than competitors, and cut expenses by not having to invest in new and costly technologies.
- Focus on core activities. By outsourcing peripheral activities, organizations can direct their precious and scarce resources toward activities in which they have core competency to better withstand market pressures and improve their profit margins.

RISKS OF OUTSOURCING

- Loss of control. Organizations generally have greater control on internal activities. When activities are outsourced, the vendor exercises primary control on day-today activities, and any failure on the part of the vendor will directly impact the client.Potential loss of organizational learning. Innovation and creativity are critical in a knowledge economy. With outsourcing, employees with critical skills may be lost resulting in adverse effects on the ability of the organization to be innovative. The outsourcing providers may hold the key to new knowledge and exploit it to their advantage.

- Managing costs. In evaluating any outsourcing proposal, the management needs to examine the sustainability of the perceived cost advantages in the medium to long term. Short-term gains may be offset by long-term losses. Poorly drafted service agreements can lead to unforeseen cost increases during the term of the agreement. If the performance expectations are not clearly spelled out or market conditions change unexpectedly, they may have serious implications on cost considerations. Many costs are intangible, such as potential loss of organizational knowledge and are difficult to quantify. There are also hidden costs such as the cost of managing the outsourcing arrangements, which may outweigh potential cost savings.
- Cost of mismanagement. Outsourcing is often a major organizational change with serious implications for employee careers, organizational structure, and strategic capabilities. If mismanaged, outsourcing can cause irreparable damage to the future of the organization

Business process outsourcing gives private and public sector organisations the opportunity to focus resources on core processes. Organisations can outsource back-office and peripheral functions to service providers for more efficient and more cost-effective handling. One of the key benefits of business process outsourcing is the ability to convert fixed overhead costs into pay-on-demand service charges. This means you only incur charges when you use the service and charges will vary in accordance with demand.

BPS SERVICES

BPS services are generally categorized into horizontal and vertical services:

Horizontal BPO: Horizontal BPO involves function centric outsourcing. The vendor specializes in carrying out particular functions across different industry domains. Examples of horizontal BPO are outsourcing in procurement, payroll processing, HR, facilities management and similar functions. Automatic Data Processing (ADP) is an example of a horizontal BPO vendor. ADP focuses on providing services in horizontal functions such as payroll, HR, benefit administration, tax solutions, etc. However, according to Gartner, companies should focus on providing vertical services as the market matures.

Vertical BPO: A vertical BPO focuses on proving various functional services in a limited number of industry domains. Healthcare, financial services, manufacturing and retail are examples of vertical BPO domains. EXL Service Holdings is a vertical BPO having focus on industry domains such as healthcare, business services, utilities and energy and manufacturing.

KNOWLEDGE PROCESS OUTSOURCING

KPO services include all kinds of research and information gathering, e.g. intellectual property research for patent applications; equity research , business and market research , legal and medical services; training, consultancy, and research and development in fields such as pharmaceuticals and biotechnology ; and animation and design.

INVENTORY MANAGEMENT

Inventory optimization in supply chain, ABC analysis is an inventory categorization method which consists in dividing items into three categories, A, B and C: A being the most valuable items, C being the least valuable ones. This method aims to draw managers' attention on the critical few (A-items) and not on the trivial many (C-items).

It is a common rule of thumb in business; e.g., "80% of your sales come from 20% of your clients."

The ABC approach states that, when reviewing inventory, a company should rate items from A to C, basing its ratings on the following rules:

A-items are goods which annual consumption value is the highest. The top 70-80% of the annual consumption value of the company typically accounts for only 10-20% of total inventory items.

C-items are, on the contrary, items with the lowest consumption value. The lower 5% of the annual consumption value typically accounts for 50% of total inventory items.

B-items are the interclass items, with a medium consumption value. Those 15-25% of annual consumption value typically accounts for 30% of total inventory items.

The annual consumption value is calculated with the formula: (Annual demand) x (item cost per unit).

Through this categorization, the supply manager can identify inventory hot spots, and separate them from the rest of the items, especially those that are numerous but not that profitable.

Products are ranked starting with the highest sales volumes. Out of 17000 references:

Top 2500 products (Top 15%) represent 70% of the sales.

Next 4000 products (Next 25%) represent 20% of the sales.

Bottom 10500 products (Bottom 60%) represents 10% of the sales.

This example is fairly close to the canonical Pareto situation.

INVENTORY MANAGEMENT POLICIES

Policies based on ABC analysis leverage the sales imbalance outlined by the Pareto principle. This implies that each item should receive a weighed treatment corresponding to its class:

A-items should have tight inventory control, more secured storage areas and better sales forecasts. Reorders should should be frequent, with weekly or even daily reorder. Avoiding stock-outs on A-items is a priority.

Reordering C-items is made less frequently. A typically inventory policy for C-items consist of having only 1 unit on hand, and of reordering only when an actual purchase is made. This approach leads to stock-out situation after each purchase which can be an acceptable situation, as the C-items present both low demand and higher risk of excessive inventory costs. For C-items, the question is not so much how many units do we store? but rather do we even keep this item in store?

B-items benefit from an intermediate status between A and C. An important aspect of class B is the monitoring of potential evolution toward class A or, in the contrary, toward the class C.

Splitting items in A, B and C classes is relatively arbitrary. This grouping only represents a rather straightforward interpretation of the Pareto principle. In practice, sales volume is not the only metric that weighs the importance of an item. Margin but also the impact of a stock-out on the business of the client should also influence the inventory strategy.

THE A.B.C. METHOD OF INVENTORY CONTROL SYSTEM: ADVANTAGES AND DISADVANTAGES

In order to exercise effective control over materials, A.B.C. (Always Better Control) method is of immense use. Under this method materials are classified into three categories in accordance with their respective values. Group 'A' constitutes costly items which may be only 10 to 20% of the total items but account for about 50% of the total value of the stores.

A greater degree of control is exercised to preserve these items. Group 'B' consists of items which constitutes 20 to 30% of the store items and represent about 30% of the total value of stores.

A reasonable degree of care may be taken in order to control these items. In the last category i.e. group 'Q' about 70 to 80% of the items is covered costing about 20% of the total value. This can be referred to as residuary category. A routine type of care may be taken in the case of third category.

This method is also known as 'stock control according to value method', 'selective value approach' and 'proportional parts value approach'.

If this method is applied with care, it ensures considerable reduction in the storage expenses and it is also greatly helpful in preserving costly items.

ADVANTAGES OF A.B.C. METHOD OF INVENTORY CONTROL:

(i) It ensures control over the costly items in which a large amount of capital is invested.

(ii) It helps in developing scientific method of controlling inventories. Clerical costs are considerably reduced and stock is maintained at optimum level.

(iii) It helps in maintaining stock turnover rate at comparatively higher level through scientific control of inventories.

(iv) It ensures considerable reduction in the storage expenses. It results in stock carrying stock.

(v) It helps in maintaining enough safety stock for C category of items. The following graph demonstrates ABC inventory classification.

DISADVANTAGES OF ABC INVENTORY CONTROL

This analysis suffers from the following drawbacks:

1. This technique can be successfully employed only, if there is proper standardisation of materials in the store.

2. A good system of codification of materials should be in operation for the success of this analysis.

3. The analysis is based on monetary value of the items in use. Other important factors one ignored.

In spite of the above mentioned limitations, the ABC analysis is very popular method of inventory control. It is an effective instrument in reducing the cost of materials in the store house.

PARETO'S PRINCIPLE

Almost a century ago in 1906, Italian economist Vilfredo Pareto devised a mathematical formula to explain the uneven distribution of wealth among people in Switzerland. His observation was 20% of the people held 80% of the total wealth. Though the principle was initially applied to economics, it was hugely popular and successful in explaining the rationale behind other industry problems as well. Software application development, support, and maintenance are no different. The Pareto principle is also referred to as the 80/20 rule. Using this rule, when we analyze raw data of any business problem using Pareto charts, it gives us valuable information that helps us in management decisions. The 80/20 rule is basically empirical and not absolute. The figures 20 and 80 are not important; it may sometimes be 10 and 90 or 30 and 70. We are not concerned with the exact figures as long as it helps us to identify the key factors.

Some of the scenarios in which the Pareto principle can be used are listed below. Please note that it is not limited to the following cases.

80% of customer complaints are caused by 20% of our products or services

20% of a meeting's duration results in 80% of its value

20% of your products or services generates 80% of your profitability

Applying the same principle in software, we can assume that a vital few factors cause most of an application's problems. If we can correct these few factors that account for 20% of the application design, then the product or the application will have greater probability of success. Because the principle is a generalized one, it can be used in any platform or technology, not solely Lotus Notes. But we are more interested in applying it to Domino application support and maintenance.

Application of the Pareto principle is useful in the following instances:

Identifying those few components that cause the majority of the problems in a system

When available data is too voluminous to identify those components that cause the majority of the problems and a mathematical method is needed to identify them

LOGISTICS

The Council of Supply Chain Management Professionals defines logistics as "part of the supply chain process that plans, implements and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customer's requirements."

Bowersox, Closs and Cooper define logistics as activities – transportation, warehousing, packaging and more – that move and position inventory and acknowledge its role in terms of synchronizing the supply chain.

The objective behind logistics is to make sure the customer receives the desired product at the right time and place with the right quality and price. This process can be divided into two subcategories: inbound logistics and outbound logistics.

Inbound logistics covers the activities concerned with obtaining materials and then handling, storing and transporting them. Outbound logistics covers the activities concerned with collection, maintenance and distribution to the customer. Other activities, such as packing and fulfilling orders, warehousing, managing stock and maintaining the equilibrium between supply and demand also factor into logistics.

LOGISTICS FLOW

Flow in logistics is the process of how the products are produced and after delivered to the customer. They can be pushed, pulled, tense and synchronous, and probably all of us will recognize and have an example when explained.

- Pushed flow is the most usual way of logistics. The products are produced, stored and sent to customers in this way. Companies dimension their stocks using demand forecasts
- Pulled flows are the opposite to pushed flows and in this case are the customer's order who define the quantities to be produce, and which dimension the stock. Obviously, a quickly response to customer needs is essential to producers.

- A tense flow is done when the producer has almost no stock. The production corresponds exactly to the customer's orders and is directly delivered to the customer. It is sometimes called JIT technique (Just in Time).
- Finally, synchronous flow appears when production or supply is made according to customer instructions, or needs. This is very usual in automotive industries and it because component manufacturers are always located near from the car factory.

Cerasis, like a lot of North American non-asset logistics providers, focus on three modes of transportation, often called motor freight.

There are three primary segments of motor freight, or modes—less-than-truckload (LTL), full truckload (TL) and small package or parcel modes. Certainly time and service requirements dictate that some freight moves via an expedited or time-definite ground move. However, the largest percentage or ground transportation shipments move via one of the three primary modes.

The goal of managing shipments in each of these designated modes is maximizing asset utilization. This is accomplished by:

Shifting from one mode to a more cost effective mode building larger, more economical shipments within any of the three modes.

In the logistics industry, freight brokers and freight agents hold a very unique position in the fact that they are both a buyer and seller of transportation. In many ways, that they are in direct conflict with one another and here's why: When freight brokers sell to customers, the goal is to sell your services at the highest price possible, while offering customer's good VALUE for their money. When freight brokers buy transportation, the objective is to secure the lowest PRICE possible without compromising the level of service we need. The difference between the two is how freight brokers and freight agents make money.

Because negotiating is inevitable as a freight broker agent, it's imperative to build better relationships with both your customers and carriers while not forgetting to focus on selling the value you bring to the table first. When the focus is on these two components, will lessen your negotiating time and increase your profits.

Supply chain management is an overarching concept that links together multiple processes to achieve competitive advantage, while logistics refers to the movement, storage and flow of goods, services and information within the overall supply chain.

Supply Chain Management - DEFINITION

Supply chain management, as explained by Michigan State University professors Donald Bowersox, David Closs and M. Bixby Cooper in Supply Chain Logistics Management, involves collaboration between firms to connect suppliers, customers and other partners as a means of boosting efficiency and producing value for the end consumer. The book considers supply chain management activities as strategic decisions, and set up “the operational framework within which logistics is performed.”

It is the efforts of a number of organizations working together as a supply chain that help manage the flow of raw materials and ensure the finished goods provide value. Supply chain managers work across multiple functions and companies to ensure that a finished product not only gets to the end consumer, but meets all requirements as well. Logistics is just one small part of the larger, all-encompassing supply chain network.

KEY DIFFERENCES BETWEEN LOGISTICS AND SUPPLY CHAIN MANAGEMENT

It is important to remember that while the terms should not be used interchangeably, they do supplement each other. One process cannot exist without the other. Here are some key differences between the two terms that will help you keep from blurring the lines between them.

Supply chain management is a way to link major business processes within and across companies into a high-performance business model that drives competitive advantage.

Logistics refers to the movement, storage and flow of goods, services and information inside and outside the organization. The main focus of supply chain is competitive advantage, while the main focus of logistics is meeting customer requirements.

Logistics is a term that has been around for a long time, emerging from its military roots, while supply chain management is a relatively new term. Logistics is an activity within the supply chain. Logistics is the management of the flow of things between the point of origin and the point of consumption in order to meet requirements of customers or corporations. The resources managed in logistics can include physical items such as food, materials, animals, equipment, and liquids; as well as abstract items, such as time and information.

The logistics of physical items usually involves the integration of information flow, materialhandling, production, packaging, inventory, transportation, warehousing,and often security.

Inbound logistics is one of the primary processes of logistics concentrating on purchasing and arranging the inbound movement of materials, parts, or finished inventory from suppliers to manufacturing or assembly plants, warehouses, or retail stores.

Outbound logistics is the process related to the storage and movement of the final product and the related information flows from the end of the production line to the end user.

Procurement logistics consists of activities such as market research, requirements planning, make-or-buy decisions, supplier management, ordering, and order controlling. The targets in procurement logistics might be contradictory: maximizing efficiency by concentrating on core competences, outsourcing while maintaining the autonomy of the company, or minimizing procurement costs while maximizing security within the supply process.

UNIT 1

S.NO		A	B	C	D	Answers
1	___________ is the relationship between persons who have agreed to share profits of a business carried on by all or any of them acting for all	Partnership	sole trading	Hindu undivided family	joint venture	Partnership
2	Expand ITES	Information enabled services	Information Technology enabled services	Into new exchange services	Improving existing services	Information Technology enabled services
3	_______________services means a combination of both data and voice services	comprehensive	data	Transaction	blend	blend
4	________________includes all activities and processes that are required to supply a product to a final consumer.	retailing	logistics	supply chain	delivering	supply chain
5	Which of the following is not a participant in supply chain?	Sources of supplies	storage	Distribution channels	calling	calling
6	Supply chain___________calls for determining numbers and location of each participant	introduction	configuration	channel	process	configuration
7	The major costs of the supply chain, the level of customer satisfaction, the business growth are largely influenced by the _____________strategy	company's	managing	inventory	member	inventory
8	___________can defined as an end user	customer	employer	wholesaler	retailer	customer
9	Customer order is the trigger for the ___________supply chain process	push	pull	tense	synchronous	pull
10	Demand forecast is the trigger for _____process	pull	push	synchronous	tense	push
11	Items used in production that do not become part of the product	raw material	anticipatory inventory	WIP	MROs	MROs
12	___________inventory is stored to be sold when market price are high	hedge	anticipatory	MROs	Transportation	hedge
13	_____________are items used to support general operations and maintenance	WIP	MROs	anticipatory inventory	raw material	MROs
14	This method uses cost determined before production begins	FIFO	LIFO	AVERAGE COST	STANDARD COST	STANDARD COST
15	_____________method helps in controlling inventory	ABC Inventory control	HEDGE	FIFO	LIFO	ABC Inventory control
16	___________is demand driven by the demand of another item	dependent	independent	actual	competitive	dependent
17	___________________ia s service industry which provides support to movement of stock at both input and output stages	BPS	Logistics	SCM	ASN	Logistics
18	Most of F&A services are ________________centric services	voice	data	transaction	function	data
19	________________based BPS service covers F&A, HR, Payroll	Non-voice	voice	transaction	function	Non-voice
20	________________based BPS services are usually involved in activities like call or contact centers or customer service help desks	Non-voice	voice	transaction	function	voice
21	Supply chain consists of___________phases to the flow of material	2	3	5	4	3
22	In SCM, there is a constant flow of _______and/or information from the supplier to the customer and vice versa	material	data	delivery	quotation	material
23	_______________can be defined as an end user	supplier	manufacturer	wholesaler	customer	customer
24	______________ has the biggest advantage of service speed when compared to other transportation modes	rail transportation	air transportaion	pipe lines	water transportation	air transportaion
25	Orders strictly placed as per the requirement is called _______________	FOQ	POQ	EOQ	LOT- for LOT	LOT- for LOT
26	Planned order report contains order details to be relesed to the __________________	supplier	manufacturer	wholesaler	customer	supplier
27	______________ is the premier organisation that represents the Indian service industry	COSO	NASSCOM	SEM	IFRS	NASSCOM
28	The newest items in stock are sold first in _________	FIFO	Fixed pricing	LIFO	Standard cost	LIFO
29	Trade discount is granted by a manufacturer to buyers in the ___________trade	different	distinct	same	competitive	same
30	__________________inventory are built up in expectation of future demand.	Fluctuation	Anticipation	Distribution	MRO	Anticipation
31	The oldest items in stock are sold first in _________	FIFO	Fixed pricing	LIFO	Standard cost	FIFO
32	ABC Inventory control helps in determining the _________of items	image	introduction	importance	instinct	importance
33	Trade discount is also known as_____________discount	Quality	Quantity	cost	cash	Quantity
34	_____________is the initiation of the purchase process.	PR	PO	AP	Place	PR
35	Demands are of _________types.	two	eight	six	five	two
36	The min role of MRP is to know when the material is ______________	Over	Available	required	Despatced	required
37	_________________is a proof document sent by the supplier to buyer for the return of materials ordefective goods delivered.	debit note	credit note	return note	accounts receipt	credit note
38	If the buyer returns the goods to the seller it is called_________	purchase return	sales return	purchase allowance	goods returned	purchase return
39	The liability of a sole-trading concern is__________	limited	long	unlimited	personal	unlimited
40	For any suppplies, the purchase department will obtain at least _________________quotations.	Two	Four	Three	Five	Three

41	Once the rates are finalised a PO will be raised on the ______________	client	customer	company	vendor	vendor
42	Which of the following organizations is a non- profit organization?	FMCG	Partnership	Trade union	Limited Company	Trade union
43	BPS is contracting a specific business task to a __________provider	Enterprise	individual	third party	agreed	third party
44	If the buyer agrees to keep the product with minor defects at a reduced price, it is called ___________	purchase return	purchase allowance	sales allowance	sales return	purchase allowance
45	_____________assumption assumes that all the transactions are recorded in terms of money.	Business entity	Monetary	Going concern	Periodic	Monetary
46	Services are awarded to a BPS entity in neighbourhood countries in _______outsourcing.	Offshore	Near shore	Onshore	foriegn	Near shore
47	Purchase returns and allowances are supported by a ____________note from the vendor	debit note	credit	invoice	return	credit
48	In ________convention trivial matters are to be disregarded so that the disclosure is not burdened with minute details.	Materiality	Conservatism	Consistency	Full disclosure	Materiality
49	The processing of a credit note is done only after verifying that the original ________has been processed	invoice	voucher	receipt	item	invoice
50	_____________is the proof of document sent by supplier to buyer for return of materials	credit note	debit note	invoice	return	credit note
51	Companies into manufacturing and trading are maintaining their stock transactions in a separate module are called __________	Stock Module	Inventory Module	Storage Module	None of these	Inventory Module
52	Which of the following is an example of Liability accounts?	Bank Loan	Interest Expenses	Salaries & Wages	Stock	Bank Loan
53	payment of utility bill is an exmple of _______________	AP	AR	GL	EFT	AP
54	________________is an integral part of procurement and AP control environment	customer master file	vendor master file	employee master file	credit control	vendor master file
55	_______________ is restricted to a few individuals of the department	Blocking	Unblocking	Authorisation	Editing	Authorisation
56	Vendor information will be sent ______________ by fax, email or work flow tool.	physically	virtually	electronically	identically	electronically
57	SRF refers to ____________	Supplier renewal form	Supplier restoration form	Supplier reform file	Supplier registration form	Supplier registration form
58	Suppliers are expected to constantly ______________their personal information.	edit	alter	change	update	update
59	Choice of_____________is important as it can directly influence the level of customer service	manufacturer	supplier	channel	retail	channel
60	If the buyer returns the goods to the seller it is a_________ for the buyer.	purchase return	purchase	sales	sales return	purchase return

Possible questions

Unit II

Part – A (10*1=10)

1. Merging of vendor records happens during _____________
   a) **acquisition** b) amalgamation c)mid-term d) shifts
2. ________________refers to the process of making the vendor code operative for future transactions
   a) Merging b) Blocking c) **Unblocking** d) Creation
3. _____________________is the process of settling the vendor or suppliers who had provided goods or rendered services.
   a)Accounts receivable b)**Accounts Payable** c)Recording d)adjusting

4. _______________have to be created tocapture details of vendors.

   a) Employee masters b) **Vendor Masters** c) Customer database d) Worksheets

5. _____________is an adaptive responsive tool used by a customer.

a)**Vendor portal** b) Dormant portal c) Employee register d) Operative flow

6. To set up a customer in supplier's system, ____________would be asked to fill up some application.

a) Customer b) seller c) vendor d) authority

7. _____________vendors are those vendors with whom the business has not placed an order for a reasonable time
   a) Operative b)**Dormant** c)Innovative d)occupied
8. _________________is the money owed by customer to business resulting from credit sales or service.
   a) Accounts Payable b) **Accounts receivable** c) MSA d)SLA

9. Based on the information in the ____________a billing clerk would generate an invoice.

   a) Purchase order b) **sales order** c) invoice d) voucher
10. _____________________is the process of settling the vendor or suppliers who had provided goods or rendered services.
   a)Accounts receivable b)**Accounts Payable** c)Recording d)adjusting

Part – B (2 marks)

1. Give two points denoting the importance of vendor master file.
2. What is cash discount?
3. What is T&E?
4. What is an invoice?
5. What do you mean by Optical Character recognition?

Part – C (8 marks)

1. Discuss the significance of the lockbox maintained by the accounts receivable team.
2. Explain in detail the vendor payment process in Accounts Payable.
3. Explain the role of the cash application team under Accounts Receivable.
4. Discuss the significance of the O2C process in accounts receivable.
5. Explain in detail the Procure to pay process.

S.NO		A	B	C	D	Answers
	UNIT 2					
1	All the transactions related to P2P (Procure to payment) including creating, maintaining the Vender Master, processing all vendor involves and payments , etc., are maintained in a seperate module is called _______________	Accounts Payable	Accounts Receivable	Accounts Manageable	None of these	Accounts Payable
2	____________ is raised to recover the dews from vendor.	invoice	credit note	debit note	voucher	debit note
3	The Objective of the payment is to ensure timely and accurate completing of ___________	Payment to vendor	Submission to the tax department	Reimbursement of the employee expenses	All of the above	All of the above
4	______________have to be created tocapture details of vendors.	Employee masters	Vendor Masters	Customer database	Worksheets	Vendor Masters
5	____________is an adaptive responsive tool used by a customer.	Vendor portal	Dormant portal	Employee register	Operative flow shifts	Vendor portal
6	Merging of vendor records happens during ____________	acquisition	amalgamation	mid-term	shifts	acquisition
7	___________shows all parts of raw material required to make final assembly	bill of lading	bill of material	invoice	PO	bill of material
8	___________refers to the order details to be released to the supplier	planned order report	purchase order report	MRO Report	sales order	planned order report
9	PR is converted to PO post getting all the __________ by the planner	signature	authentication	approvals	assistance	approvals
10	_______________refers to the process of making the vendor code operative for future transactions	Blocking	Merging	Unblocking	Creation	Unblocking
11	After receipt of the PR the purchasing department will call for __________	negotiation	quotation	application	approval	quotation
11	____________________is the process of settling the vendor or supplier's who had provided goods or rendered services.	Accounts receivable	Accounts Payable	Recording	adjusting	Accounts Payable
12	_____________are the purchased items which have not yet entered the production process.	raw materials	Finished goods	Hedge inventory	WIP	raw materials
13	Payables are also referred to as __________	outstandings	creditors	debtors	investments	creditors
14	__________discount is offered by vendors for prompt/early settlement of their bills	cash	trade	cost	quality	cash
15	In the lifecycle of an invoice __________analyst queries invoice in the imaging system.	AP	AR	MR	Scanning	AP
16	____________vendors are those vendors with whom the business has not placed an order for a reasonable time	Operative	Dormant	Innovative	occupied	Dormant
17	In _____________system vendor invoices are no longer required	ERS	ERP	Credit	Cash	ERS

18	______________ payments made will increase the credit rating with D & B agencies.	Late	Early	Casual	Prompt	Prompt
19	Payment run is carried out based on the payment _____________ assigned to each supplier.	batch	line	priority	time	priority
20	Prior to sending the payments for approval a payment ____________ is printed for completing the payment approval process.	cheque	book	register	list	register
21	Expand CRR	cash registerd to report	cash recorded to report	Cash requirement report	cash requirement to record	Cash requirement report
22	_____________indicates poor OCR accuracy.	1-2% incorrect	5% incorrect	6% incorrect	more than 10% incorrect	more than 10% incorrect
23	The word dormant vendor will also include the __________________of the company.	retailors	promoters	customers	employees	employees
24	_________will relate to the IT and BPS services offerings to various industries.	ITES	IAS	CSAT	GAAP	ITES
25	The normal activity in payment processing is to ________the invoices which are valid and due	pay	receive	sign	send	pay
26	If the Invoice, PO and GRN are not in sync the invoice is _____________	accepted	rejected	renewed	rewritten	rejected
27	Inventory which is stored to be sold when market prices are high	Hedge	Anticipatory	Fluctuation	Transportation	Hedge
28	Expand SCM	supply challenge management	supply chain maintanence	supply chain management	seller chain management	supply chain management
29	_____________inventory are built up in expectation of future demand.	Fluctuation	**Anticipation**	Distribution	MRO	**Anticipation**
30	ABC Inventory control helps in determining the __________of items	image	introduction	**importance**	instinct	**importance**
31	Services are awarded to a BPS entity in neighbourhood countries in _______outsourcing.	Offshore	Onshore	foreign	near shore	near shore
32	There are ______________types of business organisations	2	3	4	5	3
33	The order may be amended by customers this is called order_______________	rectification	modification	alteration	Editing	rectification
34	Huge organisations ______________their non-critical functions	sell	outsource	hire	give	outsource
35	_______________is a permanent record that contains key information about a customer.	Vendor Master	Customer master	Employee master	register	Customer master
36	_____________is an adaptive responsive tool used by a customer.	**Vendor portal**	Dormant portal	Employee register	Dormant portal	**Vendor portal**
37	The word dormant vendor will also include the __________________of the company.	promoters	employees	customers	employers	employees

38	_______discount is provided to a customer to encourage him to pay before the due date.	trade	quantity	cash	credit	cash
39	_____________is also known as supplier or creditor reconciliation	vendor reconciliation	reconciliation	customer reconciliation	employee reconciliation	vendor reconciliation
40	__________________Is the process of obtaining services,supplier and equipment in Conformance with corporate regulation	Logistics	Inventory turnover	Operations	Inventory turnover	Procurement
41	Process management , plant management, capacity planning - resource, super, schedule jobs/people, waiting like management, and process involvement project are all example _____________	Retail	None of the above	Operations	None of the above	Operations
42	__________________Is the process of obtaining services,supplier and equipment in Conformance with corporate regulation	Procurement	Logistics	Operations	Inventory turnover	Procurement
43	Process management , plant management, capacity planning - resource, super, schedule jobs/people, waiting like management, and process involvement project are all example _____________	Logistics	Retail	Operations	None of the above	Operations
44	Merging of vendor records happens during _____________	amalgamation	amalgamation	mid-term	shifts	acquisition
45	___________shows all parts of raw material required to make final assembly	bill of material	bill of material	invoice	PO	bill of material
46	___________refers to the order details to be released to the supplier	purchase order report	purchase order report	MRO Report	sales order	planned order report
47	PR is converted to PO post getting all the __________ by the planner	authentication	authentication	approvals	assistance	approvals
48	_______________refers to the process of making the vendor code operative for future transactions	Merging	Merging	Unblocking	Creation	Unblocking
49	After receipt of the PR the purchasing department will call for __________	quotation	quotation	application	approval	quotation
50	____________________is the process of settling the vendor or supplier's who had provided goods or rendered services.	Accounts Payable	Accounts Payable	Recording	adjusting	Accounts Payable
51	_____________are the purchased items which have not yet entered the production process.	Finished goods	Finished goods	Hedge inventory	WIP	raw materials
52	Payables are also referred to as __________	creditors	creditors	debtors	investments	creditors
53	__________discount is offered by vendors for prompt/early settlement of their bills	trade	trade	cost	quality	cash
54	In the lifecycle of an invoice __________analyst queries invoice in the imaging system.	AR	AR	MR	Scanning	AP
55	____________vendors are those vendors with whom the business has not placed an order for a reasonable time	Dormant	Dormant	Innovative	occupied	Dormant
56	In _____________system vendor invoices are no longer required	ERP	ERP	Credit	Cash	ERS

57	______________ payments made will increase the credit rating with D & B agencies.	Early	Early	Casual	Prompt	Prompt
58	Payment run is carried out based on the payment _____________ assigned to each supplier.	line	line	priority	time	priority
59	All the transactions related to P2P (Procure to payment) including creating, maintaining the Vendor Master, processing all vendor involves and payments , etc., are maintained in a seperate module is called ________________	Accounts Receivable	None of these	Accounts Receivable	Accounts Payable	Accounts Payable
60	_____________ is raised to recover the dews from vendor.	credit note	voucher	credit note	debit note	debit note

UNIT-II

SYLLABUS

PURCHASE MANAGEMENT:

Activities before Purchasing, Quotations, Negotiation, Costs associated with Purchases etc - How a Purchase Order is raised, types of Purchase Orders, Contracts etc., Warehouse Receipt procedures, Returns, Issues and various Documents - Accounting Impact -Inventory Control - Types of discount offered by Vendors - Basics of Distribution Strategies, Integration of Strategic Partnering, Outsourcing and Procurement Strategies Freight Negotiation, FTL, Payments, Conditions etc., Various Activities in Accounts Payable and Accounting Impact - Types of Invoice Matching and resolving issues - Invoice Payment, Procedures and Mode of payment - Employee Payment (T&E and Various Cards) - Debit Balance, Write back, Discount adjustments and various actions - Help desk and support Activities -Vendor Account Reconciliation - Latest developments (Vendor Portal, EDI, E-Invoicing, Tools etc.,) - Effective management of AP leads to working Capital improvement.

ACCOUNTS PAYABLE

to their customers by allowing them to pay for a product or service after it has already been received. Suppliers offer various payment terms for an invoice. Payment terms may include the **Accounts payable** (AP) is money owed by a business to its suppliers shown as a liability on a company's balance sheet. It is distinct from notes payable liabilities, which are debts created by formal legal instrument documents.

An accounts payable is recorded in the Account Payable sub-ledger at the time an invoice is vouched for payment. Vouchered, or vouched, means that an invoice is approved for payment and has been recorded in the General Ledger or AP subledger as an outstanding, or open, liability because it has not been paid. Payables are often categorized as Trade Payables, payables for the purchase of physical goods that are recorded in Inventory, and Expense Payables, payables for the purchase of goods or services that are expensed. Common examples of Expense Payables are advertising, travel, entertainment, office supplies and utilities. *AP* is a form of credit that suppliers offer offer of a cash discount for paying an invoice within a defined number of days.

For example, 2%, Net 30 terms mean that the payer will deduct 2% from the invoice if payment is made within 30 days. If the payment is made on Day 31 then the full amount is paid.

In households, accounts payable are ordinarily bills from the electric company, telephone company, cable television or satellite dish service, newspaper subscription, and other such regular services. Householders usually track and pay on a monthly basis by hand using cheques, credit cards or internet banking. In a business, there is usually a much broader range of services in the AP file, and accountants or bookkeepers usually use accounting software to track the flow of money into this liability account when they receive invoices and out of it when they make payments. Increasingly, large firms are using specialized Accounts Payable automation solutions (commonly called ePayables) to automate the paper and manual elements of processing an organization's invoices.

Commonly, a supplier will ship a product, issue an invoice, and collect payment later, which describes a cash conversion cycle, a period of time during which the supplier has already paid for raw materials but hasn't been paid in return by the final customer.

When the invoice is received by the purchaser, it is matched to the packing slip and purchase order, and if all is in order, the invoice is paid. This is referred to as the three-way match.[2] The three-way match can slow down the payment process, so the method may be modified. For example, three-way matching may be limited solely to large-value invoices, or the matching is automatically approved if the received quantity is within a certain percentage of the amount authorized in the purchase order.

TYPES OF PURCHASE ORDER

1. A Standard Purchase Order - is created when you know the Item, Price, Delivery schedule and Payment terms.

2. A Planned Purchase Order - is created when you are not sure about the required delivery schedules. You are sure about the other details like Item, Price, Delivery Schedule and Payment Terms. In the PPO window you have to enter a Need-By date, but this date that you enter will be treated only as a tentative date. The exact date on which the shipments

are to be delivered is informed to the Supplier by creating Schedule Releases against the PPO.

3. A Blanket Purchase Agreement - is created you are not sure about the Qty, Price and required Delivery schedule. The Qty and Price fields will be disabled as soon as you choose the PO Type as Blanket Purchase Agreement. You have to enter a Price. This price what you are entering can be made either final or overridable by checking or unchecking the check box name Allow Override in the 'Price Information' region of the PO lines. The exact Quantity, Delivery Schedule and final Price will be informed to the Supplier by creating Blanket Releases against the BPA.

4. A Contract Purchase Agreement - is created when you do not know even the item that is to be purchased. The only information that you provide in a CPA is Supplier, Supplier Site, Payment Terms and Agreement Control details. Standard Purchase Orders are created by referring to the CPA when something is to be purchased against this CPA.

The Typical Procure to Pay Cycle (P2P)

These steps are usually involved in your typical procure to pay cycle:

- Identification of Requirement
- Authorization of Purchase Request
- Final Approval of Purchase Request
- Procurement
- Identification of Suppliers
- Inquiries
- Receipt of the Quotation
- Negotiation

- Selection of the Vendor
- Purchase Order Acknowledgement
- Advance Shipment Notice
- Goods Receipt
- Invoice Recording
- 3 Way Match
- Payment to Supplier

If following best practices and the cycle outlined above, when an employee working in a specific department (i.e., marketing, operations, sales, etc) wants to purchase something, they submit a purchase request to a manager (also considered an approver).

Authorization of Purchase Request

The purchase request is either approved or denied based factors such as the type of request, the cost, the product, and allowable budget. If the request is above the approval limit the particular approver is authorized to approve, it will be sent to the next most senior employee for revision (or approval).

Final Approval of Purchase Request

After the appropriate department has authorized the respective request, it will then be sent to the inventory controller. That person will review the other open purchase orders to identify if there are any similar orders from others in the company. After the approval of the inventory controller, the purchase request will be available to the procurement department.

Procurement

The buyer (in the procurement department) will identify any existing contracts that may exist with suppliers. If there is such a contract, then a Call-Off will be generated and sent to the supplier. In the event no such contract exists, then the buyer will initiate a supplier search.

Identification of Suppliers: The buyer may speak with the requester of the products, search on the Internet, use referrals, search databases, etc. to identify potential the suppliers of the requested material.

Enquiries: Once the suppliers are identified, the buyer sends the request for quotation/proposal (RFP)

Receipt of the Quote

At this point, the supplier will send the quotes back to the buyer. The buyer will then send the quotes back to the department for a technical evaluation. Once reviewed, the buyer will send the changes and requests back to the supplier. Finally, the supplier sends the commercial quote to the buyer.

Negotiation

Short-listed suppliers are invited for negotiations. During the negotiation period, buyers and suppliers can negotiate various issues that will help maximize their businesses position. Some of the key negotiation topics include:

- Reduction in the prices of the materials
- Year-over-year reduction in prices
- Quantity price discounts
- Delivery terms and conditions
- Year-over-year improvement in quality

- Initial quality
- Freight charges
- Insurance charges
- Payment terms
- Selection of the Vendor

After negotiations with all the selected vendors, one will be awarded the contract, according to the selection criteria. The contract is then awarded and the vendor will be sent the purchase order.

Purchase Order Acknowledgement

After receiving the purchase order, the supplier will send an acknowledgement to the buyer for their records. If any software is being used for procurement functions, the supplier can remotely download purchase orders and can acknowledge the PO.

Advance Shipment Note

The supplier can send an advance shipment note to the buyer as soon as they ship the material to the buying organization. This note normally contains the ship date, the transporter's name, the tracking number, the number of packages, the weight of the packages, the receiving location address, the PO number and a description of goods.

Receipt of the Goods

When the goods are received at the warehouse of the buying organization, the receiving staff checks the delivery note, PO number etc. and acknowledges the receipt of the material. Quantity and quality are checked and any unfit items are rejected and sent back to the supplier.

Invoice Recording

Accounts payable will then process the invoice and enter it into the procurement system.

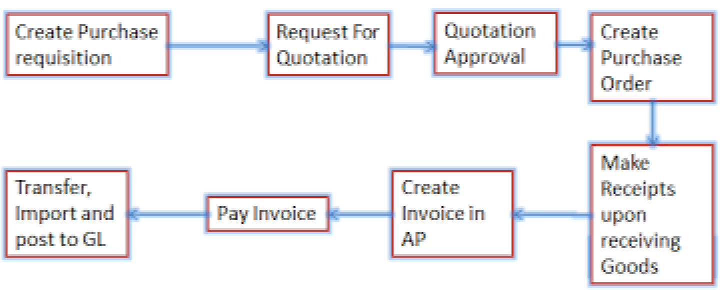
3-Way Match

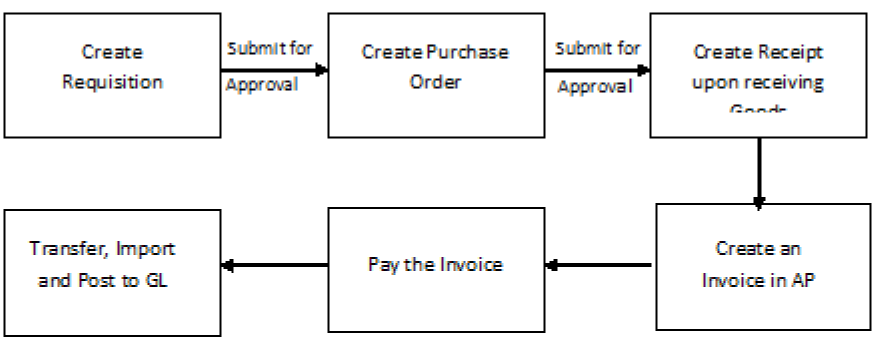
The accounts payable department receives the purchase order, invoice, and delivery documents such as goods received note and packing slips.

Payment to Supplier

Finally, the payment is released to the vendor.

P2P, is the process of obtaining the raw materials needed for manufacturing a product or providing a service, and making payment for these.





STRATEGIC PARTNERSHIPS

Strategic partnering relations are carefully calculated relationships developed between businesses, organizations or individuals that involve working with each other toward a collective goal. Strategic partnerships bring together entities with similar, yet not duplicate services, as well as their combined resources of talent, knowledge, expertise and often, finances. While each entity retains its own autonomy, strategic partnering relations can help participants expand their business base and attract more clients. Strategic partner relations can crate a win-win for both parties.

- Business-to-Business

When two businesses form strategic partnerships, they often draw from each other's areas of strength and share their professional contacts. An example is a marketing firm that offers advertising and promotional services to its customers. This firm may find it advantageous to form strategic partnering relations with a public relations firm of a similar size, and with a similar type of client base. Through the strategic relationship, the marketing agency agrees to refer their clients who need public relations services to the partner firm. In turn, the public relations firm refers their clients seeking marketing services to the marketing partner firm. Both parties may also collaborate on pitching new prospects on combined services.

- Person-to-Person

Individuals form strategic partnering relations that are often more personal in nature. Individuals typically develop strategic partnering relations through networking, business or lead referral groups. Individuals in these groups agree to refer others in their organization to clients and contacts who may be in need of particular services offered by other members of the group. Person-to-person strategic partnering relations are also developed between professionals seeking a quid-pro-quo relationship. An example would be an executive who regularly advertises in a newspaper with an implied understanding that if the paper needs an expert opinion or quote related to his industry, the executive will be on the short list of possible contacts.

BENEFITS OF STRATEGIC PARTNERING

The benefit of strategic partnering relations is that it allows businesses and individuals to expand their existing client bases without the time, expense and risk of launching a new line of services by themselves. It can also help with introductions to entirely new markets, including overseas markets. Strategic partners also become more valuable in the minds of their customers because they can offer a broad range of coordinated products and services. In strategic partnering relations where partners share financial contributions toward joint ventures, the risk of each partner may decreases by half.

DOWNSIDES OF STRATEGIC PARTNERING

A company owner knows his business, his employees and their talents and skills. Even if a potential strategic partner looks good on paper, until a project or referral has been successfully completed, there is no certainty about the quality of the partner's work. Referring an existing client to a strategic partner without full knowledge of the way the customer will be treated or serviced puts the first company's client relationship at risk if something goes wrong or if the service is below standard.

Strategic partnerships are increasingly becoming a vital element of businesses' corporate growth strategies with executives setting aside 20 percent of their assets or more to developing and maintaining partnerships. In the globalizing economy, strategic partnerships are helping businesses pool knowledge resources, diversify their product lines and more. Below are the top six reported benefits businesses aim to derive from new partnerships.

1. Acquire New Customers

Increased market share and market access are the leading reasons businesses seek new partnerships, with 68 percent of executives listing acquiring new customers as a main benefit of effective alliances. Businesses can participate in new supplier-vendor relationships, form ongoing deals with import/export firms and more in order to increase market share and access.

2. Increase Revenue

66 percent of senior executives view increased revenue as a primary advantage of successful partnerships. When their strategic objectives align and their resources complement each other, business partners can provide each other new market access and, in turn, new revenue streams.

3. Expand Geographic Reach

Expanding distribution is among the top three benefits sought by businesses entering into partnerships, with 32 percent of executives naming expanding geographic reach as a primary goal of their partnerships. Tightly linked to accessing new customers and revenue channels, geographic expansion is often a first step toward new growth.

4. Extend Product Lines

27 percent of executives list product diversification as a primary goal of strategic partnerships. Businesses often collaborate to gain access to the materials, knowledge or market they need to extend their product lines.

5. Access New Technologies and IP

Partnerships are often an ideal way to access new technologies without expending resources. Just over a quarter, or 26 percent, of business leaders list gaining access to new technology or intellectual property as a benefit of strategic partnerships.

6. Add Sharing Resources

Along the same lines of accessing new technologies and IP, businesses also enter strategic partnerships in order to pool resources. 23 percent of executives cite adding sharing resources as a primary objective of partnerships, effectively advancing them on their path to innovation.

A strategic partner can provide you with capital, or let you leverage their brand to give you more exposure. They could help you win business by offering services that you can't, while you build out those competencies on your own team. When it works well, a strategic partnership can be just what you need to speed up the growth of your business.

The partnership between Hudson's Bay Co. and tech firm True Fit is a good example of a partnership with mutual benefits. HBC partnered with True Fit to add the U.S. company's fit personalization software to thebay.com. This gave HBC the cachet of being the first Canadian retailer to use this innovative technology. It also allows them to deliver a better experience to their online customers. In return, True Fit got the brand benefits of partnering with an iconic retail leader, and access to the Canadian market.

STRATEGIC FREIGHT PROCUREMENT

As a shipper or logistics service provider (LSP), you need to keep your transportation costs low while still ensuring reliable transportation services from carriers. Strategic freight procurement helps you to investigate the best rates from carriers to transport items between specific locations (trade lanes) and then to agree a contract (agreement) with the carriers. SAP Transportation Management (SAP TM) supplies the tools you need to request rate quotations, evaluate responses, and award the transportation business to carriers.

POSSIBLE QUESTIONS

UNIT III

PART – A (10*1=10)

1. Based on the information in the ____________a billing clerk would generate an invoice.

    a) Purchase order b) **sales order** c) invoice d) voucher

2. Changing master records is called customer master ________________

    a) modification **b)**editing c) rectification d) alteration

3. The normal activity in payment processing is to ________the invoices which are valid and due

    a) receive b) **pay** c) sign d) send

4. Credit rating agencies play a __________role by providing financial stability of an entity.

    a) main b)major c) **supportive** d) intentional

5. The order may be amended in the system it is called ________

    a) modification **b)**editing **c) rectification** d) alteration

6. _____________indicates poor OCR accuracy.

    a) 1-2% incorrect b) 5% incorrect c) 6% incorrect d) **more than 10% incorrect**

7. _____________is the money owed by the customer to the business resulting from credit sales or service.

    a)**Accounts receivable** b)Accounts Payable c)Remains d)advance

8. _______discount is provided to a customer to encourage him to pay before the due date.

    a) trade b) quantity c)**cash** d) credit

9. Evaluation of customer for credit worthiness is a stage in which process

    a) **Customer Master set up** b) Accounts receivable c) cash applicationd) Control

10. ______________refers to managing sales orders received from the buyer.

    a) **Order management** b) credit management c) risk management d) ASN

PART – B (2 marks)

1. What do you mean by dunning letters?
2. Give two points denoting the benefits of maintaining chart of accounts.
3. What do you mean by Intercompany accounting?
4. Define Cash application.

5. What is a sales order?

PART – C(8 marks)

1. Explain the customer master setup process.
2. Give a summary of the activities involved in credit management.
3. Explain the functioning of a lock box.
4. What are the different methods used by companies during the collection process?
5. Enumerate the O2C process under Accounts receivable?

S.NO		A	B	C	D	Answers
	UNIT 3					
1	______________________discount is provided to the customer to encourage him to pay before the due date	trade	cash	quality	quantity	cash
2	____________________________is a plan to control or improve one's credit with the assistance of a professional service provider	credit management	cash management	debit management	risk management	credit management
3	_____________________is an internal document of the company which would give input for production department to produce goods	sales order	raw material register	purchase order	voucher	sales order
4	_________________refers to managing sales orders received from the buyer.	order management	credit management	cash management	debit management	order management
5	Once marketing signs the contracts __________________team receives orders and contracts	vendor	customer	AR	billing	billing
6	____________________includes sending a bill/invoice to the customer via mail, electronically or EDI	Billing process	Intimating	informing	transferring	Billing process
7	Based on information in the Sales order a billing_________________would generate an invoice	manager	officer	clerk	assistant	clerk
8	Revenue as a result of the _______________will be rendered in the books of accounts	purchase	sales	billing	process	sales
9	Collections are largely classified under _____________heads	3	4	5	2	2
10	A telephone operator calling an individual for an unpaid mobile bill is an example of ______________collection	B2B	B2C	Both B2B & B2C	Special collection	B2C
11	Most non-payments result from_____________	refusal to pay	lack of funds	disputes	not being valid	lack of funds
12	_____________is a form of demand notice issued to a debtor	dunning letter	credit memo	collection letter	due letter	dunning letter
13	Dunning letters are issued based on the _______________legal procedures of the country	unique	local	permanent	consistent	local
14	Suppliers after a period would hire __________agency to recover the money owed by the customer	foreign	international	captive	3rd party	3rd party
15	______________indicates the number of days it takes to collect revenue	DSO	Ageing	DBO	PO	DSO
16	_________________is a process of applying cash received from the customer against the open invoice	cash application	crediting	allocating	credit management	cash application

17	_________________is a post office box set by banksfor receiving payments from customers	bank	lock box	account	check	check	lock box
18	Lock boxes should be set nearest to ________________	customers	company	suppliers	banks	banks	customers
19	A ______________is a payment instrument used to make payment for business outstanding or dues	cheque	bill	invoice	credit card	credit card	cheque
20	Fedwire in USA is equivalent to _____________in India	RTGS	NEFT	EFT	EDI	EDI	RTGS
21	All the transactions related O2C (Order to Cash Payment) including creating, maintaining the Customer Master, processing all customer involves , Revenue Recognition etc., are maintained I __________	Accounts Payable	Accounts Receivable	both AP&AR	Both A & B	None of these	Accounts Receivable
22	_____________accelerates the cash conversion period.	Lock box		payment process	AP	AR	Lock box
23	Which of this is not form part of subsidiary ledger	Accounts Receivable		Balance sheet	Accounts payable	payroll	Balance sheet
24	Credit rating agencies play a __________role by providing financial stability of an entity.	main	b)major	supportive	intentional	major	supportive
25	There are ___________major types of accounts	1		2	3	4	
26	Evaluation of customer for credit worthiness is a stage in which process	Accounts receivable		Customer Master set up	Control	cash application	Customer Master set up
27	The general ledger maintenance starts with the creation of records and lasts till______	receiving		reporting	reconciling	registering	reporting
28	____________is the money owed by the customer to the business resulting from credit sales or service.	Accounts receivable		Accounts Payable	Remains	advance	Accounts receivable
29	Lock boxes can be established in _______________ of several cities	local office		courier office	post office	collector office	post office
30	____________means a unit which generates income.	Line item		profit center	sales center	cost center	profit center
31	Permitting banks to open the payment envelopes in the case of lockboxes _________the time taken by businesses to process the customer's payments	shortens		widens	restricts	removes	shortens
32	To do credit sales any business would involve getting into a ______between the seller and buyer.	MSA		SOP	SLA	Contract	MSA

33	When using a lockbox the payments are accelerated on an average of_________days	2to5	3to4	5to10	1to2	3to4
34	The devices or persons involved in transferring entries from Sub-ledgers to General ledger are called	Feeders	individuals	third parties	providers	Feeders
35	All receipts uploaded in the lockbox system gets matched with the _____invoice in the ERP application	unreceived	unmatched	open	closed	open
36	_____________refers to managing sales orders received from the buyer.	Order management	credit management	risk management	ASN	Order management
37	Receiving and applying payments is the role of which team under Accounts receivable?	cash application	cash management	credit control	vendor master team	cash application
38	____________is a list containing a fixed structure in numeric or alphanumeric to denote a particular general ledger account	Control account	Chart of Accounts	Sub-ledger	Line item	Chart of Accounts
39	To set up a customer in supplier's system, ___________would be asked to fill up some application.	customer	seller	vendor	authority	customer
40	_______________is a form of demand notice issued to a debtor for non-settlement of dues	dunning letter	legal notice	DD	private memo	dunning letter
41	A telephone operator calling an individual to pay an unpaid mobile bill is an example of__	B2B	B2C	O2C	P2P	B2C
42	The collection team will approach the _____________for payment a few days in advance	supplier	customer	bank	agency	customer
43	All transactions relating to accounts payable and vendor master processing are included in ________module	Accounts receivable	Accounts Payable	Inventory	fixed assets	Accounts Payable
44	In the collection precess if the _____________are delayed , the business will not be able to meet the vendor payments and other expenditure	outflows	debts	inflows	interest	inflows
45	Based on the information in the sales order a ________would generate an invoice.	Manager	billing clerk	accountant	cashier	billing clerk
46	Accounts receivable collection plays a major part in the ___________of a business	cash application	cash management	working capital management	reserves	working capital management
47	Requests or approvals for write off could be______	debit notes	key notes	emails	accounts receipt	emails

48	Based on the information in the ____________a billing clerk would generate an invoice.	PO		SO	invoice	voucher	SO
49	_______________is a process to apply cash received from the customer on an open invoice.	cash application		remittance	crediting	mailing	cash application
50	______________is a software module integrating each department/module/functions of an enterprise.	SAP		ERP	JAVA	ORACLE	ERP
51	Expand YTD	Year-to-date		Yes –to-delivery	Year-end-Deliver	It cannot be expanded	Year-to-date
52	Which of this does not form part of subsidiary ledger	Payroll		Customer account	Vendor account	Balance sheet	Balance sheet
53	The __________of a collection process is measured through the ageing of customer accounts	status		health	type	stage	health
54	When the financial statements are consolidated the balances in the inter company account are ______________	eliminated		adjusted	amended	added	eliminated
55	________________is a permanent record that contains key information about a customer.	Vendor Master		Customer master	Employee master	register	Customer master
56	____________is a daily process.	Risk evaluation		payment	cash application	demand notice	cash application
57	Changing master records is called customer master ________________	modification	**b)**editing	rectification	alteration	editing	modification
58	The _________of customer updated by the customer master team will be used for future analysis and reporting.	details		type	address	id	type
59	Daily routine transactions are recorded in ___________	General ledger		Control Accounts	Sub ledgers	personal ledgers	Sub ledgers
60	Account ____________is a procedure for ensuring the reliability of accounting records by comparing balances of transactions, identifying and addressing discrepancies	restoration		receivables	reconciliation	recording	reconciliation

Possible Questions

Unit IV

Part – A (10*1=10)

1. Daily routine transactions are recorded in______________
   a. a) General ledger b) AP c) AR d) **Sub- ledgers**
2. _______________is a software module integrating each department/module/functions of an enterprise.
   a. a) SAP b) **ERP** c) JAVA d) Oracle
3. ______________are controls inbuilt in the process to ensure no person has end to end control over a transaction during its life cycle.
   a. a) **Internal check** b) Internal controls c) defective controls d) default control
4. _____________is the point in time to which data can be recovered.
   a. a) RTO b) **RPO** c) BPO d) BCP
5. ______________is a proactive methodology to ensure that the business activities should not get disturbed at any point of time.
   a. a) RTO b) RPO c) BPO d) **BCP**
6. _____________will relate to the IT and BPS services offerings to various industries.
   a) ITES b) CSAT c) IAS d) GAAP
7. BPS is contracting a specific business task to a ___________provider

   a) Enterprise b) individual c) **third party** d) agreed

8. _________________risk is the risk of loss resulting from incorrect or ineffective operation of a process.

   a) inherent b) **operational** c) current d) sudden

9. There are _____key elements of internal control

   a) two b) three c) four d) five

10. _____________are practised through SOPs
    a) Internal checks b)Internal Audits c)External audit d)**Internal Controls**

Part – B (2 marks)

1. What is operational risk?
2. Define ERP.
3. What is incident management?
4. List the two types of internal controls.
5. Define TAT.

PART - C(8 MARKS)

1. Explain the different stages of BCP.
2. Explain the advantages or benefits of installing an ERP system.
3. Discuss the importance of a Business Continuity Plan.
4. Discuss incident management in BPS?
5. How can internal control be practised in an organisation?

S.NO		A	B	C	D	Answers
	UNIT 4					
1	The two key elements of __________control are internal check and internal audit	external	automated	internal	defective	internal
2	COSO is the coming together of 5 key private sector bodies in __________	US	UK	India	Europe	US
3	____________risk is the risk of loss resulting from incorrect or ineffective operation of a process.	inherent	operational	current	sudden	operation al
4	____________requirement is very less in mannual accounting	investment	corruption	audit	checking	investme nt
5	______________of records in computer using accounting software is called computerised accounting system	realisation	updation	editing	altering	updation
6	With _________the business processes will be quick, accurate and saves huge time.	ERP	SIPOC	KNANO	SOP	ERP
7	Which of the following is an internal user of XBRL?	Regulators	Banks and Financial institutions	Credit agencies	Investor relations	Investor relations
8	Which of the following is an external user of XBRL?	Operations	internal audit	Investor relations	Credit agencies	Credit agencies
9	Expand FASB	Fast Accounting Standards Board	First Advancement Board	Financial Accounting Standards Board	Financial Standards board	Financial Accounti ng Standard s Board
10	COSO is the coming together of _ key private sector bodies in US	3	2	5	4	5
11	IFRS are principles -based standards, interpretations and the framework adopted by the ______________	IASB	ASB	GAAP	SAC	IASB
12	The purpose of XBRL is to convert the ________data into meaningful comparable information	relevant	important	financial	monetary	financial
13	_____________must be appropriately designed and operated	ICoFR	IAS	SIPOC	IFRS	ICoFR
14	During the mandatory leave policy the functions of an employee is performed by___________	another employee	authority	automation	officers	another employee
15	A particular country's accounting body working jointly with IAS to develop high quality standards over time is called	adoption	convergence	control plan	control	converge nce
16	The well controlled company make more _________than a poorly controlled one	time	money	success	changes	money
17	_______audit is recurring and focuses on operating effectiveness	Type I	Type II	Type III	Type IV	Type II

18	_______________is a process of identifying waste, eliminating waste and maximising flow	lean	sixsigma	BCP	flow	lean
19	________________is a technique used to document and analyse processes	process mapping	progress mapping	value mapping	tracking	process mapping
20	Kaizen is a Japanese word for_____________	improvement	involvement	innovation	initiation	improve ment
21	Critical activities identification is a technique used for identification of ___________activities required for producing a product or service	maximum	minimum	medium	minor	minimum
22	_________________is a method to improve the quality of a process by identifying the causes for variation	lean	sixsigma	BCP	flow	sixsigma
23	Lower the _________rate, higher is the sigma level	defect	model	variation	variable	defect
24	In six sigma Y is the _________of the process	input	causes	output	effect	output
25	X in six sigma denotes the ___________	effects	input	causes	output	causes
26	In DMAIC methodology I indicates	Improve performance	increase performance	innovate	innitiate	Improve performa nce
27	_______________uses DMAIC metodology	lean	sixsigma	BCP	flow	sixsigma
28	Effort-benefit matrix is a tool to assess the solutions on efforts involved as against the __________	results	awards	acheivements	benefits	benefits
29	Brain writing is a technique for ______________	process mapping	Priorotize	Solution identification	optimising	Solution identifica tion
30	_________________is much sought after in the BPS industry	improvement	involvement	innovation	initiation	innovatio n
31	_______________is a method used to understand if the process is able to meet customer specification	SPC	SIPOC	SOP	SLA	SPC
32	___________plan is required to detect the change in any process	control	action	active	emergency	control
33	___________is a comprehensive e-sourcing suite designed for emerging markets to improve savings	SPC	SIPOC	SOP	SPoC	SPoC
34	What is SaaS?	Software as a Service	Software as a Source	Service as a Source	Source as a Service	Software as a Service
35	What is S2C?	Service 2 Contract	Source 2 contract	Statement 2 contract	style 2 contract	Source 2 contract
36	The foremost document that talks about the outsourcing activities is called ________	Statement of contract	Statement of work	Scope of work	Source of work	Statemen t of work
37	Information ____________awareness should be spread to ensure adequate reach within the organisation	spread	security	social	sign	security

38	By restricting logical access to the information source information is secured against ___________access	authorised	unauthorised	frequent	official	unauthorised
39	The CSIRT handles ___________security incident management	control	computer	credit	cash	computer
40	From clients prospective it is the responsibility of the _________provider to ensure BCP	business	remedy	service	control	service
41	Every organisation deals with multiplicity of __________generated from various sorces	facts	information	emails	features	information
42	Srecurity guards are placed at the entry points to ensure authorised access into the premises. This is an example of__________	physical security	data security	information security	identity	physical security
43	Expand XBRL	Extensible business reporting language	Expandable business reporting language	Expandable business reforming language	Excess business reforming language	Extensible business reporting language
44	Clean desk policy should be adhered to where business data is kept locked _____________	when not in use	when in use	when needed	when required	when not in use
45	_____________policy should be used to set data not required to be destroyed periodically	clean desk	data security	data retention	Recovery	data retention
46	_____________is used to ensure a proper plan to contine business activities during disaster	BCP	SPC	SIPOC	SOP	BCP
47	Inclusive reporting is where services given by the sub service organisation are ______________under SSAE 16/ISAE 3402 service auditor's engagement	excluded	removed	eliminated	included	included
48	Carved out reporting is where services given by the sub service organisation are ______________under SSAE 16/ISAE 3402 service auditor's engagement	excluded	removed	eliminated	included	excluded
49	The purpose with which a particular control is deployed is called_______________	control	control aim	control plan	control objective	control objective
50	A control objective is set with respect to the risk we need to_____________	input	improve	increase	mitigate	mitigate
51	Control objectives are framed around the _________themes	ICoFR	IFRS	GAAP	IAS	ICoFR
52	Control objectives and control activity are designed to address and mitigate the __________observed	faults	risk	accuracy	promptness	risk
53	_______________risk in a process is always classified as high	residual	technical	inherent	operational	inherent

54	Where controls operate as designed the residual risk is classified as __________	high	low	medium	more	low
55	_____________way checks are performed to validate the quantity billed in the invoice with the PO and GRN	1	2	3	5	3
56	Type I engagements report on the _________of controls	design	operating effectiveness	source	None of the above	design
57	Type II engagements report on the _________of controls	design	operating effectiveness	source	None of the above	operating effective ness
58	The auditor engaged by the service organisation to report on its__________contols is called service auditor	external	internal	major	minor	internal
59	SSAE_______provides guidance to service auditors	70	16	34	20	16
60	_________engagement is performed in the first year of operation	Type I	Type II	Type III	Type IV	Type I

UNIT-IV

SYLLABUS

BUDGETING AND RATIO ANALYSIS:

Budgeting and Budgetary Controls - Capital Budgeting - Ratio Analysis - Process of Decison Making - Analysis of Financial Statements and Variances - Management Reporting - Modules and usage of ERPs - Basic Screens required to be understood for F&A process - 3. Report generation - XBRL, Platform, Counting, Data Privacy Law.

BUDGETARY CONTROL

Meaning:

Budgetary control is the process of determining various actual results with budgeted figures for the enterprise for the future period and standards set then comparing the budgeted figures with the actual performance for calculating variances, if any. First of all, budgets are prepared and then actual results are recorded.

The comparison of budgeted and actual figures will enable the management to find out discrepancies and take remedial measures at a proper time. The budgetary control is a continuous process which helps in planning and co-ordination. It provides a method of control too. A budget is a means and budgetary control is the end-result.

Definitions:

"According to Brown and Howard, "Budgetary control is a system of controlling costs which includes the preparation of budgets, coordinating the departments and establishing responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability." Weldon characterizes budgetary control as planning in advance of the various functions of a business so that the business as a whole is controlled.

J. Batty defines it as, "A system which uses budgets as a means of planning and controlling all aspects of producing and/or selling commodities and services. Welsch relates budgetary control with day-to-day control process." According to him, "Budgetary control involves the use of budget and budgetary reports, throughout the period to co-ordinate, evaluate and control day-to-day operations in accordance with the goals specified by the budget."

From the above given definitions it is clear that budgetary control involves the follows:

(a) The objects are set by preparing budgets.

(b) The business is divided into various responsibility centres for preparing various budgets.

(c) The actual figures are recorded.

(d) The budgeted and actual figures are compared for studying the performance of different cost centres.

(e) If actual performance is less than the budgeted norms, a remedial action is taken immediately.

Objectives of Budgetary Control:

Budgetary control is essential for policy planning and control. It also acts an instrument of co-ordination.

The main objectives of budgetary control are the follows:

1. To ensure planning for future by setting up various budgets, the requirements and expected performance of the enterprise are anticipated.

3. To operate various cost centres and departments with efficiency and economy.

4. Elimination of wastes and increase in profitability.

5. To anticipate capital expenditure for future.

6. To centralise the control system.

7. Correction of deviations from the established standards.

8. Fixation of responsibility of various individuals in the organization.

Essentials of Budgetary Control:

There are certain steps which are necessary for the successful implementation budgetary control system.

These are as follows:

1. Organisation for Budgetary Control

2. Budget Centres

3. Budget Mammal

4. Budget Officer

5. Budget Committee

6. Budget Period

7. Determination of Key Factor.

1. Organization for Budgetary Control:

The proper organization is essential for the successful preparation, maintenance and administration of budgets. A Budgetary Committee is formed, which comprises the departmental heads of various departments. All the functional heads are entrusted with the responsibility of ensuring proper implementation of their respective departmental budgets.

The Chief Executive is the overall in-charge of budgetary system. He constitutes a budget committee for preparing realistic budgets A budget officer is the convener of the budget committee who co-ordinates the budgets of different departments. The managers of different departments are made responsible for their departmental budgets.

2. Budget Centres:

A budget centre is that part of the organization for which the budget is prepared. A budget centre may be a department, section of a department or any other part of the department. The establishment of budget centres is essential for covering all parts of the organization. The budget centres are also necessary for cost control purposes. The appraisal performance of different parts of the organization becomes easy when different centres are established.

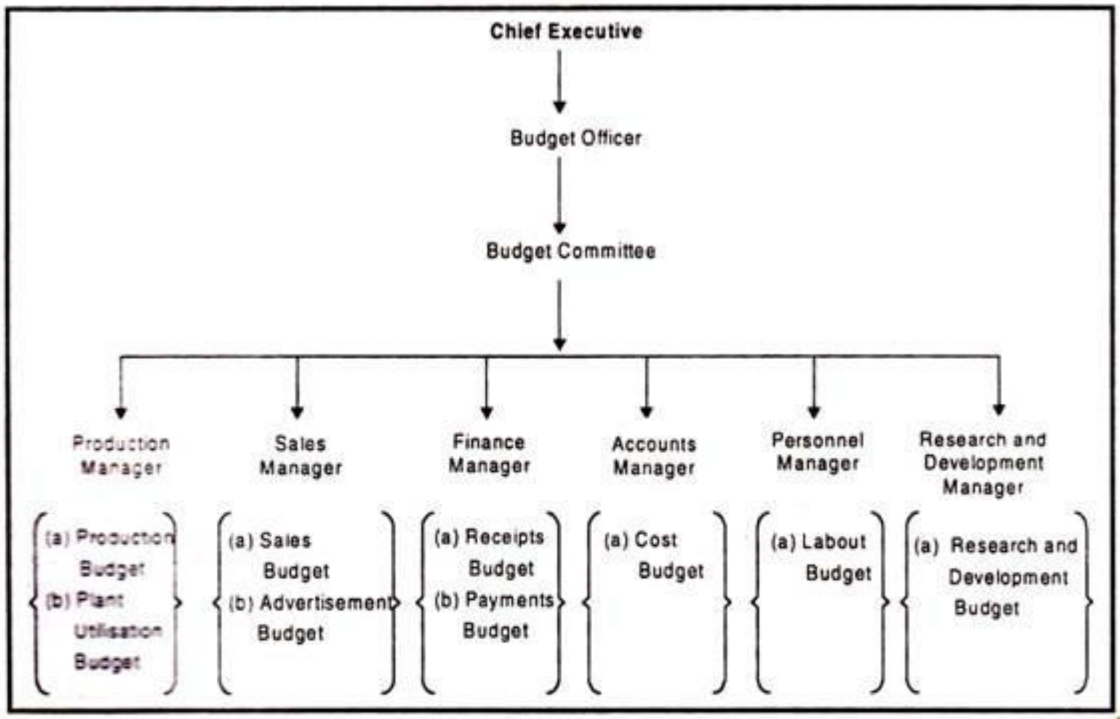
3. Budget Manual:

A budget manual is a document which spells out the duties and also the responsibilities of various executives concerned with the budgets. It specifies the relations amongst various functionaries.

4. Budget Officer:

The Chief Executive, who is at the top of the organization, appoints some person as Budget Officer. The budget officer is empowered to scrutinize the budgets prepared by different functional heads and to make changes in them, if the situations so demand. The actual performance of different departments is communicated to the Budget Officer. He determines the deviations in the budgets and the actual performance and takes necessary steps to rectify the deficiencies, if any.

He works as a coordinator among different departments and monitors the relevant information. He also informs the top management about the performance of different departments. The budget officer will be able to carry out his work fully well only if he is conversant with the working of all the departments.



5. Budget Committee:

In small-scale concerns the accountant is made responsible for preparation and implementation of budgets. In large-scale concerns a committee known as Budget Committee is formed. The heads of all the important departments are made members of this committee. The Committee is responsible for preparation and execution of budgets. The members of this committee put up the case of their respective departments and help the committee to take collective decisions if necessary. The Budget Officer acts as convener of this committee.

6. Budget Period:

A budget period is the length of time for which a budget is prepared and employed. The budget period depends upon a number of factors. It may be different for different industries or even it may be different in the same industry or business.

The budget period depends upon the following considerations:

(a) The type of budget i.e., sales budget, production budget, raw materials purchase budget, capital expenditure budget. A capital expenditure budget may be for a longer period i.e. 3 to 5 years purchase, sale budgets may be for one year.

(b) The nature of demand for the products.

(c) The timings for the availability of the finances.

(d) The economic situation of the country.

(e) The length of trade cycles.

All the above-mentioned factors are taken into account while fixing period of budgets

7. Determination of Key Factor:

The budgets are prepared for all functional areas. These budgets are interdependent and inter-related. A proper co-ordination among different budgets is necessary for making the budgetary control a success. The constraints on some budgets may have an effect on other budgets too. A factor which influences all other budgets is known as Key Factor or Principal Factor.

There may be a limitation on the quantity of goods a concern may sell. In this case, sales will be a key factor and all other budgets will be prepared by keeping in view the amount of goods the concern will be able to sell. The raw material supply may be limited, so production, sales and cash budgets will be decided according to raw materials budget. Similarly, plant capacity may be a key factor if the supply of other factors is easily available.

The key factor may not necessarily remain the same. The raw materials supply may be limited at one time but it may be easily available at another time. The sales may be increased by adding more sales staff, etc. Similarly, other factors may also improve at different times. The key factor also highlights the limitations of the enterprise. This will enable the management to improve the working of those departments where scope for improvement exists.

Advantages of Budgetary Control:

The budgetary control system help in fixing the goals for the organization as whole and concerted efforts are made for its achievements. It enables ‘economies in the enterprise.

Some of the advantages of budgetary control are:

1. Maximization of Profits:

The budgetary control aims at the maximization of profits of the enterprise. To achieve this aim, a proper planning and co ordination of different functions is undertaken. There is a proper control over various capital and revenue expenditures. The resources are put to the best possible use.

2. Co-ordination:

The working of different departments and sectors is properly coordinated. The budgets of different departments have a bearing on one another. The co-ordination of various executives and subordinates is necessary for achieving budgeted targets.

3. Specific Aims:

The plans, policies and goals are decided by the top management. All efforts are put together to reach the common goal, of the organization. Every department is given a target to be achieved. The efforts are directed towards achieving some specific aims. If there is no definite aim then the efforts will be wasted in pursuing different aims.

4. Tool for Measuring Performance:

By providing targets to various departments, budgetary control provides a tool for measuring managerial performance. The budgeted targets are compared to actual results and deviations are determined. The performance of each department is reported to the top management. This system enables the introduction of management by exception.

5. Economy:

The planning of expenditure will be systematic and there will be economy in spending. The finances will be put to optimum use. The benefits derived for the concern will ultimately extend to industry and then to national economy. The national resources will be used economically and wastage will be eliminated.

6. Determining Weaknesses:

The deviations in budgeted and actual performance will enable the determination of weak spots. Efforts are concentrated on those aspects where performance is less than the stipulated.

7. Corrective Action:

The management will be able to take corrective measures whenever there is a discrepancy in performance. The deviations will be regularly reported so that necessary action is taken at the earliest. In the absence of a budgetary control system the deviations can be determined only at the end of the financial period.

8. Consciousness:

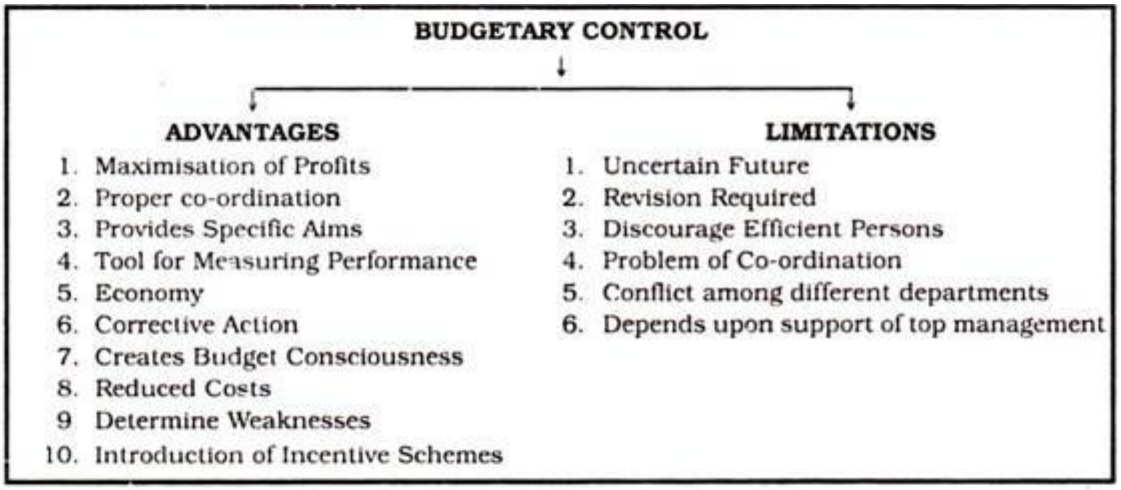
It creates budget consciousness among the employees. By fixing targets for the employees, they are made conscious of their responsibility. Everybody knows what he is expected to do and he continues with his work uninterrupted.

9. Reduces Costs:

In the present day competitive world budgetary control has a significant role to play. Every businessman tries to reduce the cost of production for increasing sales. He tries to have those combinations of products where profitability is more.

10. Introduction of Incentive Schemes:

Budgetary control system also enables the introduction of incentive schemes of remuneration. The comparison of budgeted and actual performance will enable the use of such schemes.



Limitations of Budgetary Control:

Despite of many good points of budgetary control there are some limitations of this system.

Some of the limitations are discussed as follows:

1. Uncertain Future:

The budgets are prepared for the future period. Despite best estimates made for the future, the predictions may not always come true. The future is always uncertain and the situation which is presumed to prevail in future may change. The change in future conditions upsets the budgets which have to be prepared on the basis of certain assumptions. The future uncertainties reduce the utility of budgetary control system.

2. Budgetary Revision Required:

Budgets are prepared on the assumptions that certain conditions will prevail. Because of future uncertainties, assumed conditions may not prevail necessitating the revision of budgetary targets. The frequent revision of targets will reduce the value of budgets and revisions involve huge expenditures too.

3. Discourage Efficient Persons:

Under budgetary control system the targets are given to every person in the organization. The common tendency of people is to achieve the targets only. There may be some efficient persons who can exceed the targets but they will also feel contented by reaching the targets. So budgets may serve as constraints on managerial initiatives.

4. Problem of Co-ordination:

The success of budgetary control depends upon the co-ordination among different departments. The performance of one department affects the results of other departments. To overcome the problem of coordination a Budgetary Officer is needed. Every concern cannot afford to appoint a Budgetary Officer. The lack of co-ordination among different departments results in poor performance.

5. Conflict Among Different Departments:

Budgetary control may lead to conflicts among functional departments. Every departmental head worries for his department goals without thinking of business goal. Every department tries to get maximum allocation of funds and this raises a conflict among different departments.

6. Depends Upon Support of Top Management:

Budgetary control system depends upon the support of top management. The management should be enthusiastic for the success of this system and should give full support for it. If at any time there is a lack of support from top management then this system will collapse.

MODULES AND USAGE OF ERP

SAP ERP consists of several modules, including Financial Accounting (FI), Controlling (CO), Asset Accounting (AA), Sales & Distribution (SD), Material Management (MM), Product Planning (PP), Quality Management (QM), Project System (PS), Plant Maintenance (PM), Human Resources (HR). SAP ERP collects and combines data from the separate modules to provide the company or organization with enterprise resource planning.

Typical implementation phases:

- Phase 1 - Project Preparation
- Phase 2 - Business Blueprint
- Phase 3 - Realization
- Phase 4 - Final Preparation
- Phase 5 - Golive Support

Companies planning to implement or upgrade an SAP ERP system should pay strict attention to system integration to save their SAP ERP implementation from failure. With system integration in place, data flows completely and correctly among various SAP ERP components, thereby not only streamlining business processes but also eliminating or minimizing redundant data entry efforts.

Integration is the key in this process. "Generally, a company's level of data integration is highest when the company uses one vendor to supply all of its modules." An out-of-box software package has some level of integration but it depends on the expertise of the company to install the system and how the package allows the users to integrate the different modules

Advantage

- Allows easier global integration (barriers of currency exchange rates, language, and culture can be bridged automatically)
- Updates only need to be done once to be implemented company-wide
- Provides real-time information, reducing the possibility of redundancy errors
- May create a more efficient work environment for employees[10]
- Vendors have past knowledge and expertise on how to best build and implement a system
- User interface is completely customizable allowing end users to dictate the operational structure of the product.

Disadvantages

- Locked into relationship by contract and manageability with vendor - a contract can hold a company to the vendor until it expires and it can be unprofitable to switch vendors if switching costs are too high
- Inflexibility - vendor packages may not fit a company's business model well and customization can be expensive
- Return on Investment may take too long to be profitable
- Implementations have a risk of project failure

POSSIBLE QUESTIONS

UNIT V

PART – A (10*1=10)

1. A BPS __________defines a standard method of measuring certain attributes of the process or the transaction or the service.
   a) Service b)**Metrics** c)Company d)Mode
2. The essence of Sarbanes Oxley Act is contained in __________provisions.
   a) two b) three c) four d) five
3. ________________controls are practiced post facto.
   a) Internal checks b) **Defective** c) External audit d) Internal Controls
4. The US government enacted the SOX Act on ___________
   a) 30th July 2002 b) 20th Jun 2000 c) 13th May 2003 d) 5th April 2007
5. ________________is the time taken to complete a process or activity.
   a) TAT b) CSAT c) SLA d) MSA
6. SOW refers to___________
   a) Statement of Work b) Scope of Work c) System of Work d) Scale of work
7. In this phase, actual operations of a BPS will take place with Proper business unit Setup.
   a) Documentation b) **Delivery** c) Work Shadow d) Pilot
8. Accounting Standard ___________covers Valuation of Inventories
   a) 3 b)**2** c) 12 d)17
9. Daily routine transactions are recorded in______________
   a) General ledger b) AP c) AR d) **Sub- ledgers**
10. BPS is contracting a specific business task to a ___________provider
    a) Enterprise b) individual c) **third party** d) agreed

PART – B (2 marks)

1. Define BPS metrics.
2. Who is a transition manager?
3. Expand IFRS and GAAP
4. Why was SOX Act established?
5. Define SLA.

PART – C(8 marks)

1. Explain Lean process.
2. Explain Six Sigma as a quality control tool.
3. What are the provisions included in the Sarbanes Oxley Act?
4. Enumerate the role of quality in BPS.
5. Explain the importance of the Indian Accounting Standards.

S.NO		A		B	C	D	Answers
	UNIT 5						
1	SMART Metrics includes___________________	Specific, Measurable, Actionable, Relevant, Timely	b) Smart, Measurable, Active, Real, Type	Smart, Measurable, Active, Real, Type	Specific, Medium, Actionable, Resting, Time	Specific, Measurable, Applicable, Relevant, Timely	Specific, Measurable, Actionable, Relevant, Timely
2	The essence of Sarbanes Oxley Act is contained in _________provisions.	2		3	4	5	2
3	In this phase, actual operations of a BPS will take place with Proper business unit Setup.	Documentation	b) **Delivery**	Work Shadow	Pilot	Delivery	Delivery
4	___________is a proactive methodology to ensure that the business activities should not get disturbed at any point of time.	RPO		RTO	BCP	BPO	BCP
5	Till date Sept.2013 there are ___________standards that have been issued by IFRS	20		13	12	11	13
6	The US government enacted the SOX Act on __________	30th July 2002	b) 20th Jun 2000	13th May 2003	5th April 2007	20th Jun 2000	30th July 2002
7	Expand DCFC	Daily Control Functional Chart		Daily Chart Functional Control	Date Control Functional Chart	Daily Check Function Chart	Daily Control Functional Chart
8	SOW contains __________________	Statement of Work		scope of services	scope of work	style of work	Statement of Work
9	_______________is the time taken to complete a process or activity.	TAT		CSAT	SLA	MSA	TAT
10	____________are practised through SOPs	Internal checks		Internal Audits	External audit	Internal Controls	Internal Controls
11	___________is the point in time to which data can be recovered.	RPO		RTO	BCP	BPO	RPO
12	SOW refers to__________	Statement of Work		Scope of Work	System of Work	Scale of work	Statement of Work
13	In _____________the modifications are carried out in the production environment after they are tested	incident management		change management	credit management	cash management	incident management
14	________________are stronger than manual controls.	Internal check		Internal controls	defective controls	Automated controls	Automated controls
15	A BPS _________defines a standard method of measuring certain attributes of the process or the transaction or the service.	Service		Metrics	Company	Mode	Metrics
16	Most of the customers outsource their process primarily for achieving ____________benefits	cost		service	cash	process	cost
17	IFRS is being recommended in order to bring _____________in presentation of financial reports	clarity		uniformity	acceptability	anonimity	uniformity
18	__________of duties is an important component of a properly functioning internal control environment.	aggregation		Segregation	Performing	Listing	Segregation
19	____________are controls inbuilt in the process to ensure no person has end to end control over a transaction during its life cycle.	Internal check		Internal controls	defective controls	default control	Internal check
20	____________is an activity wherein the internal controls are assessed by an independent authority for an assurance on design and operating effectiveness.	Internal checks		Internal Audits	External audit	Internal Controls	Internal Audits
21	_______________risk is the risk of loss resulting from incorrect or ineffective operation of a process.	inherent	b) **operational**	current	sudden	operational	operational
22	_______________controls are practiced post facto.	Internal check		Internal controls	defective controls	Automated controls	defective controls
23	All the transactions related to capitalisation of assets, processing depreciation as per Act applicable, Maintaining of Fixes Asset Register, Retirement of Assets as per Act etc., are maintained in a separate module is called ______	Fixed Assets		Movable Assets	Immovable Assets	None of these	Fixed Assets
24	All the transactions related to project, including maintaining the Customer Master, processing all Customer involves, etc., are maintained in a separate module is called _____	Project Accounting module		System module	Management module	None of these	Project Accounting module
25	Accounts for amalgamation is dealt with in ________	AS 19		AS 16	AS 14	AS12	AS 14
26	The provisions regarding first time adoption of IFRSs are contained in _______	IFRS 1		IFRS 2	Neither of the above	IFRS	Neither of the above
27	what are the key terms used in SSAE16/ISAE3402?	service organization		service auditor	user organization	all the above	all the above
28	benefits of SSAE16 Audit are	helps the user organization be compliant with SOX requirements		the SSAE16 audit before the user Auditor to plan the scope of the Audit	Provides an external third party assurance	all the above	all the above
29	Contents of SSAE16 Service Audit report are	Description of Internal control objectives as provided by service organization		Information provided by the internal service Auditor - on the tests of operation effectiveness	other information provided by the service organization	all the above	all the above
30	The two key elements of Internal controls are	Identifying the controls		internal check	internal audit	B&C	B&C

31	"Operating effectiveness" refers to	Satisfactory Operation of Controls		Strengthing the control mechanism	Measuring the Productiveness in operation	None of the above	
32	The term COSO refers to	The Committee of Service Organisations		The committee of Supplier Organization's	The Committee of Sponcers Organisations	none of the above	The Committee of Sponcers Organisations
33	What are called COSO Components ?	Control Entertainment		Risk Assignment	Information and Communication	Control Activities and Monitoring	All the above
34	3 way match performed in invoice processing function in an example of	Control Objectives		Control Activity	Risk Description	Inherent Resk	Control Activity
35	Accounting Standard __________covers Valuation of Inventories	2		3	12	14	2
36	There are _____key elements of internal control	3		2	4	5	2
37	what are the indirect benefits of implementing ERP in an organization	Better Corporate image		improved customer goodwill	Customer satisfaction	All the above	All the above
38	which of the following are the most powerful ERP'S & widely used across world	SAP & MS Word		Oracle Applications & Excel	Oracle Applications & SAP	MS Word & MS Excell	Oracle Applications & SAP
39	Expand SAP	Systems Applications and Products		System Analysis and Products	System Applications and Production	None of the above	Systems Applications and Products
40	____________and operating effectiveness are two very key words used in the context of internal control	control	b) audit	design	Segregation	audit	design
41	The SAP Controlling (CO) Module's Components are	cost element Accounting		Cost Controlling	Cost Centre Accounting	All of the Above	All of the Above
42	________________refers to a bird's eye view of the process with the steps before and after	Macro map		Value stream map	mind map	process map	Macro map
43	______________is a type of map which helps in understanding a high level flow of process	Value stream map		process map	route map	mind map	Value stream map
44	______________is a set of standards that defines framework to do all activities in any organisation	Quality management system		value management system	cash management	credit management	Quality management system
45	___________is the time taken to complete a process or activity.	TAT		CSAT	SLA	MSA	TAT
46	An unplanned interuption to an IT service or reduction in the quality of an IT service	incident		action	execution	process	incident
47	_______________may result from internal sources as well as external events	Operational risk		external risks	inherent risks	damage	Operational risk
48	_____________would take into consideration the volume, latency and efficiency as key parameters	SLA		resource estimation	MSA	QCP	resource estimation
49	Quality role can be classified into _________major sections	2		3	4	5	3
50	_____________is a risk mitigation process to identify failure modes in each step	FMEA		FEMA	FIRMI	FEEM	FMEA
51	_____________is used to quantify risk	RPO		RPN	RPS	MRP	RPN
52	Plan to do dedicated quality checkers has to be a part of__________	SLA		resource estimation	MSA	QCP	QCP
53	_________________is the problem resolution on all transactional errors	RCA		RPO	RPN	RPS	RCA
54	______________framework has been created with the objective of creating value to customers	Fish bone		lean	six sigma	quality improvement	quality improvement
55	________is used for productivity improvement	Fish bone		lean	six sigma	quality improvement	lean
56	Filtering of root causes can be done based on ___________of causes	voting		sharing	identifying	eliminating	voting
57	Six sigma was originally developed by__________	Micromax		Motorola	apple	IBM	Motorola
58	_____________is a six sigma tool used to understand customer requirement in a four quadrant	KNANO		KANO	NANO	KONO	KANO
59	Expand DPMO	Defects per million opportunities		Defaults per million opportunities	Defaults per major opportunity	Defects per million orders	Defects per million opportunities
60	KANO is a six sigma tool used to understand customer requirement in a __________ quadrant	3		2	4	1	4

UNIT-V

SYLLABUS

BASICS OF ACCOUNTING STANDARD: Differences between various GAAPs (US, UK, Indian and IFRS) - COSO, Internal Controls & Audit, ISO Standards (applicable to BPO) / CMMI Certification.etc., - PCI Data Security Standard / Security Audit / Data Privacy and Protection SOX - Compliance / SSAE 16 /ISAE 3402 - SOD, Access, Incident Management, BCP etc., - How the various transaction flows are happening - BPO Terminologies - Importance of Process Documents Service Level Measurements Contractual elements - Governance model - Internal Reporting - Delivery Excellence - Integration of support functions - Future and Challenges.

Indian Accounting Standard (abbreviated as **Ind-AS**) is the Accounting standard adopted by companies in India and issued under the supervision and control of Accounting Standards Board (ASB), which was constituted as a body in the year 1977. ASB is a committee under Institute of Chartered Accountants of India (ICAI) which consists of representatives from government department, academicians, other professional bodies viz. ICAI, representatives from ASSOCHAM, CII, FICCI, etc.

The Ind AS are named and numbered in the same way as the corresponding International Financial Reporting Standards (IFRS).

The 'Accounting Standards' are issued and amended by the "Accounting Standards Board (ASB)" of the ICAI from time to time, to establish uniform standards which have to be complied to ensure that financial statements are prepared uniformly, in accordance with generally accepted accounting practices in India (Indian GAAP) and for better understanding of the users.

These standards are mandatory on the dates specified either in the respective document or by notification issued by the Council of the ICAI.

List of Mandatory Accounting Standards

AS 1 Disclosure of Accounting Policies

AS 2 Valuation of Inventories (amended) *

AS 3 Cash Flow Statements

AS 4 Contingencies and Events Occurring after the Balance Sheet Date *

AS 5 Net Profit or Loss for the period,Prior Period Items and Changes in Accounting Policies

AS 6 Depreciation Accounting (withdrawn) *

AS 7 Construction Contracts (revised 2002)

AS 8 Accounting for Research and Development (withdrawn for AS 26)

AS 9 Revenue Recognition

AS 10 Accounting for Fixed Assets (amended) *

AS 11 The Effects of Changes in Foreign Exchange Rates (revised 2003) **

AS 12 Accounting for Government Grants

AS 13 Accounting for Investments (amended) *

AS 14 Accounting for Amalgamations (amended) *

AS 15 Employee Benefits (revised 2005)

AS 16 Borrowing Costs

AS 17 Segment Reporting

AS 18 Related Party Disclosures

AS 19 Leases

AS 20 Earnings Per Share

AS 21 Consolidated Financial Statements (amended) *

AS 22 Accounting for Taxes on Income

AS 23 Accounting for Investments in Associates in Consolidated Financial Statements

AS 24 Discontinuing Operations

AS 25 Interim Financial Reporting

AS 26 Intangible Assets

AS 27 Financial Reporting of Interests in Joint Ventures

AS 28 Impairment of Assets

Process - A process is a structured set of activities that transform inputs into outputs. As used in project management, a process map provides a clear visual way of defining the steps that must be completed to reach a particular outcome. It can provide clarity and serve as a springboard for analysis resulting in process improvements.

PROCESS MAPPING

A process map is a planning and management tool that visually describes the flow of work. Process maps show a series of events that produce an end result. A process map is also called a flowchart, process flowchart, process chart, functional process chart, functional flowchart, process model, workflow diagram, business flow diagram or process flow diagram. It shows who and what is involved in a process and can be used in any business or organization and can reveal areas where a process should be improved.A process map is a flow diagram of the primary processes within an organization. It very specifically shows you both who and what is involved in a process. Process maps visually describe the flow of activities of a process and are not limited to a single business department or function.

Process mapping is about communicating your process to others so that management objectives can be achieved. The main purpose behind business process mapping is to assist organizations in becoming more effective. A clear and detailed business process map or diagram allows outside firms to come in and look at whether or not improvements can be made to the current process. One of the purposes of process mapping is to gain better understanding of a process. The flowchart below is a good example of using process mapping to understand and improve a process. In this chart, the process is making pasta. Even though this is a very simplified process map example, many parts of business use similar diagrams to understand processes and improve process efficiency, such as operations, finance, supply chain, sales, marketing and accounting.

An as-is process map describes the current state of a process, including the ways that multiple entities or agents interact to reach a particular outcome. It provides a basis for analysis and discussion resulting in planned improvements, which can be conveyed in a to-be process map. Virtually any process can be broken down in a similar fashion, which can streamline communication and analysisBusiness process mapping takes a specific objective and helps to measure and compare that objective alongside the entire organization's objectives to make sure that all processes are aligned with the company's values and capabilities.

Building a stronger communication and understanding is possible with process maps. Processes are strategic assets of an organization that if managed well deliver a competitive advantage. And processes assist us in defining responsibilities, internal controls, and work standards for compliance, consistency, and performance.

PROCESS FLOWS OR ACTIVITIES

A “process map” visually describes the flow of activities of a process. A process flow can be defined as the sequence and interactions of related process steps, activities or tasks that make up an individual process, from beginning to end. A process map is read from left to right or from top to bottom. We prefer to minimize “backflow” or arrows that go from right to left or bottom to top because it can greatly confuse the reader (more on this later).

SIPOC PROCESS MAP

Process maps come in many different forms but they all tend to use a SIPOC format and a standard UML for symbols. The most common process map types include: High-Level Process Map, Process Flow Chart, Document Map, Cross Functional or Swim Lanes Process Map, Value Stream Map, Work Flow Diagram, and a Rendered Process Map.

SIPOC DIAGRAM

It helps if a process map identifies a Supplier providing Inputs to a Process, which produces Outputs for a Customer. We call this basic format a SIPOC (Supplier, Input, Process, Output, and Customer). There are many variations of this SIPOC theme but it does provide a useful framework for understanding the critical elements, sources, and outputs of a process. Standard symbols are used within a process map to describe key process elements. These symbols come from the Unified Modeling Language or UML, which is an international standard for drawing process maps. There are many symbols that can be used.

BETTER PROCESS UNDERSTANDING

Process maps are used to develop a better understanding of a process, to generate ideas for process improvement or stimulate discussion, build stronger communication, and — of course — to document a process. Often times a process map will highlight problems and identify bottlenecks, duplication, delays, or gaps. Process maps can help to clarify process boundaries, process ownership, process responsibilities, and effectiveness measures or process metrics. Process maps can be very effective at increasing process understanding during training.

Process maps are not limited to a single department or function. For example, the ISO 9000 Quality Management Systems standard requires some type of process map of the organization's quality processes. Mapping should be the first step in designing a process or in documenting a procedure. Why? Because, to improve a process you must understand it and most of us understand a graphical picture better than a written procedure.

TYPES OF PROCESS MAPS

Process mapping is about communicating your process to others. You can build stronger understanding with process maps. The most common process map types include:

High-Level, Low-Level, and Cross Functional or "Swim Lanes" Maps.

High-Level Process Map

One of the types of process maps is a High-Level Process Map. This describes all of the core processes within an organization. For example, ISO 9001 requires that the sequence and interaction of the Quality Management System processes are determined. One way to demonstrate that processes are "determined" is through a high-level process map.

The term "process map" does not refer to the scope of a process being high-level, low-level, or very detailed. A process map is focused on the activity flow, order, or sequence and interaction.

Low-Level Process Map

The main difference between a high-level and low-level process map is one of scope. In this one of the types of process maps, the process flow has not changed, just the scope of what we are looking at. The Order-To-Cash Cycle has nine processes identified but each process can be further subdivided into sub-processes. Each sub-process makes up a low-level process map or process flow chart. A low-level process map is an area of a high-level process map that we have zoomed into for more detail.

For example: the Accounts Receivable (A/R) Cycle is comprised of customer billing, credit, and collections. If we take a look at just the credit approval portion (Figure 2) of the whole A/R cycle we see that there are five main steps: sales call, order entry, credit check, review A/R balance, and calculate credit terms. There are three UML symbols used: square for process steps, diamond for decisions and an odd looking square with a curved bottom representing data.
Low-level process maps can provide a lot of detail for analysis and can be used in place of textual procedures for simple processes. If you want to "lean out" your documentation for ISO 9001 then flowcharts can simplify your procedures and reduce unnecessary paperwork. Organizations with highly trained employees can benefit by using simple process maps.

One problem with low-level process maps is that sometimes it is hard to determine who is responsible for which activity. Another is that they may not conform very well to the SIPOC format we prefer.

Swimlane (or Cross-functional) Map: separates out the sub-process responsibilities in the process. In this case a Cross Functional or "Swim Lanes" Map can be used to convey individual responsibilities or departmental roles within an organization.

Activity Process Map: represents value added and non-value added activities in a process

Detailed Process Map: provides a much more detailed look at each step in the process

Document Map: documents are the inputs and outputs in a process

High-Level Process Map: high-level representation of a process involving interactions between Supplier, Input, Process, Output, Customer (SIPOC)

Rendered Process Map: represents current state and/or future state processes to show areas for process improvement

Value Stream Map: a lean-management technique that analyzes and improves processes needed to make a product or provide a service to a customer.

BENEFITS OF PROCESS MAPPING

Process mapping spotlights waste, streamlines work processes and builds understanding. Process mapping allows you to visually communicate the important details of a process rather than writing extensive directions. Process maps are used to:

- Increase understanding of a process
- Analyze how a process could be improved
- Show others how a process is done
- Improve communication between individuals engaged in the same process
- Provide process documentation
- Plan projects
- Process maps can save time and simplify projects because they:
- Create and speed up the project design
- Provide effective visual communication of ideas, information and data
- Help with problem solving and decision making
- Identify problems and possible solutions

- Can be built quickly and economically
- Show processes broken down into steps and use symbols that are easy to follow
- Show detailed connections and sequences
- Show an entire process from the beginning to the end

Process maps help you to understand the important characteristics of a process, allowing you to produce helpful data to use in problem solving. Process maps let you strategically ask important questions that help you improve any process.

Value-Added Chain Diagram: unconnected boxes that represent a very simplified version of a process for quick understanding

Work Flow Diagram: a work process shown in “flow” format; doesn’t utilize Unified Modeling Language (UML) symbols.

Process mapping symbols

Key elements of process mapping include actions, activity steps, decision points, functions, inputs/outputs, people involved, process measurements and time required. Basic symbols are used in a process map to describe key process elements. Each process element is represented by a specific symbol such as an arrow, circle, diamond, box, oval or rectangle. These symbols come from the Unified Modeling Language or UML, which is an international standard for drawing process maps. Example of Process Map Symbols

BUSINESS PROCESS MAPPING

In business, a process is a group of interrelated tasks that happen as a result of an event. These tasks produce a desired result for the customer. Process mapping can be used in many areas of business: business process improvement, business process redesign, reengineering, training, quality improvement, simulation, information technology, work measurement, documentation, process analysis, operational process design, process integration, acquisitions, mergers and selling business operations. Business process mapping can also be helpful for complying with manufacturing and service industry regulations, such as the common ISO 9000 (International Organization for Standardization) or ISO 9001.

Process mapping has become streamlined because of software that provides a better understanding of processes. Process maps can be created in common programs like Microsoft Word, PowerPoint or Excel, but there are other programs more customized to creating a process map. Process mapping is about communicating your process to others so that you achieve your management objectives. Knowing how to map a process will help you build stronger communication and understanding in your organization.

Step 1: Identify the problem

Type its title at the top of the document.

Step 2: Brainstorm activities involved

At this point, sequencing the steps isn't important, but it may help you to remember the steps needed for your process.

Decide what level of detail to include.

Determine who does what and when it is done.

Step 3: Figure out boundaries

Step 4: Determine and sequence the steps

It's helpful to have a verb begin the description.

Step 5: Draw basic flowchart symbols

Each element in a process map is represented by a specific flowchart symbol. Lucidchart makes it simple to create and rearrange shapes, add labels and comments and even use custom styling in your process map.

Ovals show the beginning of a process or the stopping of a process.

Rectangles show an operation or activity that needs to be done.

Arrows represent the flow of direction.

Diamonds show a point where a decision must be made. Arrows coming out of a diamond are usually labeled yes or no. Only one arrow comes out of an activity box. If more than is needed, you should probably use a decision diamond.

A parallelogram shows inputs or outputs.

Step 6: Finalize the process flowchart

Process maps provide valuable insights into how a businesses or an organization can improve processes. When important information is presented visually, it increases understanding and collaboration for any project.

BUSINESS CONTINUITY PLAN

Business continuity' is planning to continue businesses at another location after disaster strikes till repair of the original location is under way. It also involves dealing with partners, shareholders, customers and other important stakeholders without whom an organization will not be complete.

'Business continuity plans' are a necessity in today's world as unthinkable disasters such as earthquakes, flood, tsunamis continue to rock our world.

REAL LIFE EXAMPLES OF BCP

IBM having one-fifth of its Indian employees in Chennai moved key personnel to Bangalore, India. This enabled them to maintain business continuity and maintain 24×7 relations.

Cognizant moved some of its employees to work locations within Chennai which were not badly affected by the floods. They also moved their employees to other cities as well in addition to allowing employees to work from home where possible. Some employees also volunteered to stay in office and work on critical projects.

Infosys moved many of its employees to Bangalore and Hyderabad in addition to providing work from home where possible.

HCL flooded by rains moved several of its employees to Noida after having to shut down the Chennai office temporarily.

TCS gave the option of work from home to maintain client interactions.

Wipro gave its Chennai employees the option of working from home. (Chennai rains leave Tech Inc marooned; firms like IBM, Cognizant, Infosys enforce contingency plans, relocate key staff)

Electrical systems were monitored, food and fuel were stocked, boats were arranged to enable movement within Chennai.

Business continuity planning (or business continuity and resiliency planning) is the process of creating systems of prevention and recovery to deal with potential threats to a company.[1]

Any event that could negatively impact operations is included in the plan, such as supply chain interruption, loss of or damage to critical infrastructure (major machinery or computing /network resource). As such, BCP is a subset of risk management.[2]In the US, government entities refer to the process as continuity of operations planning (COOP).[3] A Business Continuity Plan outlines a range of disaster scenarios and the steps the business will take in any particular scenario to return to regular trade. BCP's are written ahead of time and can also include precautions to be put in place. Usually created with the input of key staff as well as stakeholders, a BCP is a set of contingencies to minimize potential harm to businesses during adverse scenarios.

QUALITY CONTROL TOOLS

THE LEAN APPROACH

Lean is a tool used by businesses to streamline manufacturing and production processes. The main emphasis of Lean is on cutting out unnecessary and wasteful steps in the creation of a product so that only steps that directly add value to the product are taken.

As far as Lean methodology is concerned, the only way to determine if something has value or not is to consider whether a customer would be willing to pay for it. Any part of the production that does not add value is simply removed from the equation, leaving a highly streamlined and profitable process in place that will flow smoothly and efficiently.

THE HISTORY OF LEAN MANUFACTURING

Lean manufacturing is not new, the ideas behind it were originally introduced by Henry Ford. He liked to keep the production standards incredibly high so that each step flowed naturally into the next, thus resulting in very little waste.

Toyota then accommodated this process and developed the Toyota Production System, which became one of the most efficient systems in the world.

The biggest difference between Lean vs Six Sigma is that they view the causes of waste very differently. The ultimate goal of lean manufacturing is to reduce waste by eliminating bottlenecks and improving the quality of your products.

Lean identifies seven areas of waste that are common in most production systems. Let's look at each of the "seven deadly wastes" in more detail.

The 7 Deadly Wastes - LEAN

Overproduction: This occurs when products are being produced that there is no customer demand for.

Waiting: Waiting is the lag time in between each step in production. When employees are left waiting no value is being added.

Transport: This type of waste occurs when materials or products are moved inefficiently.

Motion: Motion refers to poor work standards and employees moving inefficiently between tasks.

Over-processing: Over-processing occurs when you spend too much time producing a product or produce it in a very inefficient way.

Inventory: This happens when your inventory levels are too high and you have too much work in progress at one time.

Defects: Defects are the amount of time employees spend identifying and fixing production mistakes.

Implementing Lean will allow employees to move materials less frequently which will improve the quality and require less overall inventory. It also allows quality issues to be dealt with during the manufacturing process, which saves both time and resources because employees aren’t scrambling to fix mistakes later.

All of the improvements listed above will result in a more successful manufacturing process. As the products are being produced and delivered on time, the customers will have a more satisfying experience. And because the products were produced at a higher standard of quality, there will be fewer customer complaints.

LEAN PROCESS

Definition

Lean is a production practice with the key tenet of preserving value with less work. Operations that fail to create value for the end customer are deemed "wasteful." Eliminating waste and superfluous processes reduces production time and costs.

The seven wastes listed by Japanese founders Toyota are transport, inventory, motion, waiting, overproduction, over-processing and defects. The tools for implementation include value stream mapping, kanban pull systems and poka-yoke (mistake proofing).

Lean's mantra of "doing things better" leads many companies to view it from a cultural standpoint. Think of it like recycling – for it to work, it has to be more than an arbitrary process, and actually be engrained in society. For Lean to be successful, it has to permeate the business silos and receive universal backing amongst senior management and employees.

Lean's strength is its fast implementation. Immediate benefits relate to productivity, error reduction, and customer lead times. Long-term benefits include improvements to financial performance, customer satisfaction, and staff morale.

The three principles of Lean leadership and thinking – challenge oneself to meet goals, kaizen (continuous improvement) and genchi genbutsu (going to the source - the "factory floor" – to make informed decisions) are well respected.

Process-orientated industries with clearly defined value chains – particularly those with manufacturing or supply-chain elements -are the most receptive to Lean methodology. These include automotive, industrial engineering and pharmaceutical industries.

Lean and Six Sigma are often used in conjunction with one another in value chain improvement. Six Sigma process mapping does not distinguish between information flow and product material flow, because they all come under the process umbrella. The Lean discipline of value stream mapping leads many exponents to miss how information processing by departments can hinder the order to delivery cycle. Combining techniques makes it easier to measure and execute on lead times.

Lean is opposite to fat and it often focuses on removal of 'wastes' sometimes referred to as 'muda' in Japanese. Operations that fail to create value for the end customer are deemed "wasteful."

Although the basic lean model was introduced more than 100 years ago, it has continued to evolve over time, from Henry Ford's continuous assembly lines for the Ford Model T, to the concept of interchangeable parts used by Eli Whitney and Samuel Colt, to the Toyota Production System. These concepts, in addition to a multitude of others, have come together to formulate what we know today as lean manufacturing.

Lean was based on the 1980s Toyota Production System, and covered all facets of the manufacturing business, from quality assurance to human resources.

The concept of Lean emerged over time, as Toyota engineers developed solutions to overcome problems that beset the company as it grew from humble beginnings into a global superpower. In this respect, Lean is an organic, flexible system.

Lean's relatively simple methodology and ability to attack a very transparent evil – waste – make it an integral part of manufacturing and service industries. It is a far less abstract than BPM, for instance. Lean Flow is about how items or people we are dealing with in a process move from the first step to the last. Obviously, the intention in Lean flow is to move the item or product through the process as quick as possible, without any risk to quality and customer satisfaction.

Lean Flow

In fact, flow is about increasing the throughput of work undertaken in the process, whilst improving quality and customer satisfaction. This concept, which emanated from the Toyota Production System, can be used in any industry. Any business that has a process can and should use such Flow techniques.

THE BENEFITS OF LEAN

When successfully achieved, expect productivity improvements far greater than 40%.

Through the improvement of one's productivity will come increased capacity to process more items, and less resource needed to do this. Also, on-time Delivery will improve, and therefore customer satisfaction.

If customer satisfaction improves, and one's capacity and capability to turn work around quicker also develops, you have just encountered a powerful business improvement tool, which has actively created a competitive advantage for you in your market place!

The principles of Lean Flow emphasises that the best way to run a process is to use the minimum resources and time as possible, from start to end, thus seeking to link as much Value Added steps together – Aim to 'make one and move it on', as this is the most efficient option.

Improving Flow – IMPLEMENTATION OF LEAN

1.Map the process: Follow each step and draw it down on paper. Measure the process as well: What is the process? What are we achieving? What are our process metrics telling us? What do our customers think of us?

2. Identify and note down all the problems that the process owners experience. What do the staff think? What about the managers and other stakeholders? What areas of frustration are there? Do not try to jump the gun here and come up with solutions; just ask for input as to what the issues are.

3.Identify all waste in the current process using the seven wastes as a guide to what should be looked for. For each waste we should ask why it occurs and what could be done to prevent it.

4. Now map an ideal state – create the perfect process that you could achieve if you didn't have constraints – what it would look like if we had no waste whatsoever -Aim for perfection! You have now created an Ideal State Map – something that probably will not be achieved. Now go back and create the next best process: One which is the best you can do in the real world. Now draw this and include actions on it, in order to achieve this Future State Map. By following this simple formula, it allows people to think differently than they would do if they started with the current state and were then asked to make improvements. – Preconceptions can be challenged easily with this method.

5. Develop an action plan to show actions needed, including timescales and owners to those actions, in order to move from the existing state to the Future improved state. Then commit to

the process – Commitment means getting accountability from individuals in the team, conducting regular weekly meetings to show status against the plan and keep working and making improvements to the process according to your action plan. – Stick with it!

6. Ensure that you monitor your new process, by putting performance measures in place to show quantifiable improvements. Make it responsibility of select team members to monitor and review them regularly and again, more importantly, take ownership and accountability for them.

Continue to monitor and make improvements in the effort for continuous improvement and celebrate team successes, no matter how small they seem.

PRINCIPLES OF LEAN

The five-step thought process for guiding the implementation of lean techniques is easy to remember, but not always easy to achieve:

Specify value from the standpoint of the end customer by product family.

Identify all the steps in the value stream for each product family, eliminating whenever possible those steps that do not create value.

Make the value-creating steps occur in tight sequence so the product will flow smoothly toward the customer.

As flow is introduced, let customers pull value from the next upstream activity.

As value is specified, value streams are identified, wasted steps are removed, and flow and pull are introduced, begin the process again and continue it until a state of perfection is reached in which perfect value is created with no waste.

Unless an engineer is directly involved in manufacturing, he or she may only be slightly familiar with “lean” principles. Long considered a way to greatly improve manufacturing efficiency, lean can be applied to any business or production process, in any industry. For example, lean is now being used extensively in the healthcare industry to improve efficiency and reduce costs. The principles can even be used, on a smaller scale, to organize your office, workspace, or laboratory.

Lean was originally created by Toyota to eliminate waste and inefficiency in its manufacturing operations. The process became so successful that it has been embraced in manufacturing sectors around the world. For an American company, being lean is critical for competing against lower-cost countries.

The goal of lean is to eliminate waste—the non-value-added components in any process. Unless a process has gone through lean multiple times, it contains some element of waste. When done correctly, lean can create huge improvements in efficiency, cycle time, productivity, material costs, and scrap, leading to lower costs and improved competitiveness. And remember, lean isn't restricted to manufacturing. It can improve how a team works together, inventory management, and even client interaction.

The five-step thought process for guiding the implementation of lean techniques.

Five Key Principles

The Lean Enterprise Institute (LEI), founded by James P. Womack and Daniel T. Jones in 1997, is considered the go-to resource for lean wisdom, training, and seminars. According to Womack and Jones, there are five key lean principles: value, value stream, flow, pull, and perfection.

1. Value. Value is always defined by the customer's needs for a specific product. For example, what is the timeline for manufacturing and delivery? What is the price point? What are other important requirements or expectations that must be met? This information is vital for defining value.

2. Value stream. Once the value (end goal) has been determined, the next step is mapping the "value stream," or all the steps and processes involved in taking a specific product from raw materials and delivering the final product to the customer. Value-stream mapping is a simple but

eye-opening experience that identifies all the actions that take a product or service through any process. That process can be in design, production, procurement, HR, administration, delivery, or customer service. The idea is to draw, on one page, a "map" of the flow of material/product through the process. The goal is to identify every step that does not create value and then find ways to eliminate those wasteful steps. Value-stream mapping is sometimes referred to as process re-engineering. Ultimately this exercise also results in a better understanding of the entire business operation.

3. Flow. After the waste has been removed from the value stream, the next step is to be sure the remaining steps flow smoothly with no interruptions, delays, or bottlenecks. “Make the value-creating steps occur in tight sequence so that the product or service will flow smoothly toward the customer,” advises LEI. This may require breaking down silo thinking and making the effort to become cross-functional across all departments, which can be one of the greatest challenges for lean programs to overcome. However, studies show that this will also lead to huge gains in productivity and efficiency, sometimes as high as 50-percent improvement or more.

4. Pull. With improved flow, time to market (or time to customer) can be dramatically improved. This makes it much easier to deliver products as needed, as in “just in time” manufacturing or delivery. This means the customer can “pull” the product from you as needed (often in weeks, instead of months). As a result, products don’t need to be built in advance or materials stockpiled, creating expensive inventory that needs to be managed, saving money for both the manufacturer/provider and the customer.

5. Perfection. Accomplishing Steps 1-4 is a great start, but the fifth step is perhaps the most important: making lean thinking and process improvement part of your corporate culture. As gains continue to pile up, it is important to remember lean is not a static system and requires constant effort and vigilance to perfect. Every employee should be involved in implementing lean. Lean experts often say that a process is not truly lean until it has been through value-stream mapping at least half a dozen times.

Lean can be infectious. Customers will notice big improvements as you implement lean and likely want to be part of your process. This collaborative thinking will also extend to your suppliers as well, who will want to use lean themselves to generate their own improvements.

The core idea behind lean is maximizing customer value while minimizing waste," states LEI. "Simply put, lean means creating more value for customers with fewer resources."

A lean organization understands customer value and focuses its key processes to continuously increase it. The ultimate goal is to provide perfect value to the customer through a perfect value creation process that has zero waste. "Lean accomplishes this," adds LEI, "by changing the focus of management from optimizing separate technologies, assets, and vertical departments to optimizing the flow of products and services through entire value streams that flow horizontally across technologies, assets, and departments to customers."

Lean's future may rest on the translation of its methodology from the manufacturing floor to more unconventional settings. 5S standardised work stations may have a future in research and development labs, but not the everyday office.

Whether it's as a philosophy, a fixed state (being Lean), a methodology (performing Lean) or a cultural transformation (becoming Lean), it has a veritable future.

SIX SIGMA

Six Sigma is a methodology that sets a high bar for the quality of outputs that are provided to customers. A Six Sigma process map like this one can help you analyze potential risks and weaknesses in your process in order to improve them.

The essential goal of Six Sigma is to eliminate defects and waste, thereby improving quality and efficiency, by streamlining and improving all business processes. While it was first designed for use in manufacturing, practitioners quickly discovered that Six Sigma could be useful and applicable throughout all aspects of a business - from customer support to management to service delivery.

Today, Six Sigma plays a key role in the leadership of an organization, and its wide-scale implementation can help a company to achieve real and measurable results.

Six Sigma - Definition

Six Sigma is a set of tools and strategies to limit defects and variability in business processes, with the overarching goal of process improvement.

Its two project methodologies – DMAIC (define, measure, analyse, improve, control) and DMADV (define, measure, analyse, design, verify) are based on Deming’s Plan-Do-Check-Act cycle.

Six Sigma’s implementation rests on a dedicated improvement team divided into hierarchies based on a "belt" accreditation system. The team leverages advanced statistical techniques such as pareto charts and root cause analysis to reach quantified value targets.

Six Sigma is a multifaceted methodology. To the statistical engineer in manufacturing, it might simply be a production quality metric, but to a customer service employee or CEO, it may embody the corporate culture.

Broadly speaking, it’s a quality improvement methodology that provides a framework for a company to train its employees in key performance areas, shape strategy, align its services with customer needs, and to measure and improve the effectiveness of business processes. Fundamental to the latter is the identification of KPIs, and a focus on process quality variation.

Six Sigma was first outlined by Motorola in 1985 as a statistical modeling of manufacturing processes. A "sigma rating" relates to the percentage of defect-free products. A sigma rating of 4.5 (3.4 defects per 1 million) was initially touted as a realistic benchmark, with 6 sigma representing the Holy Grail.

Six Sigma was popularised by then CEO of General Electric Jack Welch in 1995, and by 1998 he claimed that it had led to $750 million in cost savings. By the late 1990s, two thirds of Fortune

500 companies had incorporated Six Sigma projects, and by 2000, the discipline had spawned its own training and consultancy programs.

customer's expectations. It focuses more on eliminating any variation in the customer experience. **A Six Sigma company will produce no more than 3.4 defects for every million opportunities.**

Six Sigma was introduced in the 1980's by an engineer for Motorola named Bill Smith. Smith believed that by getting rid of variation you can improve the customer experience and increase your overall savings.

Six Sigma has helped Motorola save millions of dollars in revenue. After witnessing Motorola's success, other companies have adopted Six Sigma and seen dramatic savings as well. General Electric, Toshiba, Bank of America, and Intel have all adopted Six Sigma principles and seen dramatic improvements.

DMAIC

One of the main differences between Lean vs Six Sigma is each method implements process improvement. Six Sigma does this primarily by using DMAIC. DMAIC stands for define, measure, analysis, improvement, and control. Here is a more in-depth look at each step of the process:

- Define: In this first step, you will define the problem and how it is affecting the current process.
- Measure: During this step, you will measure the current data. By examining the process that is already in place and identifying what isn't working you can begin finding ways to make improvements.
- Analysis: Now that you have measured all of your current data, you can begin analyzing it to get to the root of the problem.

- Improvement: This is the step where you will come up with solutions, test your solutions, and make improvements as needed.

- Control: Once you have implemented a new process you must continue to make improvements over time. These changes will only last if employees continue to refine and maintain the process.

Six Sigma's traditional stomping ground – manufacturing – seems to be looking beyond quality control to foster an innovation culture. But for industries such as financial services, which demand a unique customer focus and struggle with a glut of data, Six Sigma represents the perfect partner.

It is a set of tools and strategies to limit defects and variability/ in consistency, also referred to as "Mura" in business processes. Its two project methodologies – DMAIC (define, measure, analyse, improve, control) and DMADV (define, measure, analyse, design, verify) are based on Deming's Plan-Do-Check-Act cycle. The team leverages advanced statistical techniques such as pareto charts and root cause analysis to reach quantified value targets.

The roots of Six Sigma as a measurement standard can be traced back to Carl Friedrich Gauss (1777-1855) who introduced the concept of the normal curve. Six Sigma as a measurement standard in product variation can be traced back to the 1920's when Walter Shewhart showed that three sigma from the mean is the point where a process requires correction. Many measurement standards (Cpk, Zero Defects, etc.) later came on the scene but credit for coining the term "Six Sigma" goes to a Motorola engineer named Bill Smith. (Incidentally, "Six Sigma" is a federally registered trademark of Motorola).

KAIZEN

Kaizen looks to improve all aspects of a business through standardizing processes, increasing efficiency and eliminating waste by involving everyone while Six Sigma focuses more on improving the quality of the final product by finding and eliminating causes of defects, whether by variances (Sigma is a mathematical term that measures a process' deviation from perfection)

Criticism of Six Sigma centres around its lack of originality beyond traditional quality improvement methods, implementation time (a minimum of 3 months), potential to stifle innovation, and the 1.5 sigma shift.

However, the proliferation of training courses, support organisations, and the fact that the average Six Sigma Black Belt commands a salary of $90,000 all point to its longevity. The skills to identify and quantify variation are strongly valued. As long as companies continue to see a positive ROI from Six Sigma projects, it will survive.

Kaizen is a Japanese word for "Change for the better" or it is also referred to as "Continuous Improvement". So it is a journey and not a destination, it is a mindset as opposed to being a specific tool. It is a culture that needs to changed & adopted by the organizations. It uses personal creativity and ingenuity to identify problems and then develop and implement ideas to solve those problems. Kaizen philosophy says that everything can be improved and everything can perform better or more efficiently. It helps to identify 3 MU's – Muda (wastes), Mura (variation/ inconsistency) and Muri (strain/ burden on people & machines).

Kaizen is the practice of continuous improvement. Kaizen was originally introduced to the West by Masaaki Imai in his book Kaizen: The Key to Japan's Competitive Success in 1986. Today kaizen is recognized worldwide as an important pillar of an organization's long-term competitive strategy. Kaizen is continuous improvement that is based on certain guiding principles:

- Good processes bring good results
- Go see for yourself to grasp the current situation
- Speak with data, manage by facts
- Take action to contain and correct root causes of problems
- Work as a team
- Kaizen is everybody's business

- And much more!

One of the most notable features of kaizen is that big results come from many small changes accumulated over time. However this has been misunderstood to mean that kaizen equals small changes. In fact, kaizen means everyone involved in making improvements. While the majority of changes may be small, the greatest impact may be kaizens that are led by senior management as transformational projects, or by cross-functional teams as kaizen events.

LEAN AND SIX SIGMA DIFFERENCES

Comparing Six Sigma and Lean

Essentially, Six Sigma and Lean systems have the same goal. They both seek to eliminate waste and create the most efficient system possible, but they take different approaches toward how achieving this goal. In simplest terms, the main difference between Lean and Six Sigma is that they identify the root cause of waste differently.

Lean practitioners believe that waste comes from unnecessary steps in the production process that do not add value to the finished product, while Six Sigma proponents assert that waste results from variation within the process.

Of course, there is truth in both of these assessments, which is why both Lean and Six Sigma methodologies have been so successful in improving overall business performance in a variety of fields. In fact, these two disciplines have proven to be especially successful when working in tandem - hence the creation of Lean Six Sigma.

Essentially, Six Sigma and Lean systems have the same goal. They both seek to eliminate waste and create the most efficient system possible, but they take different approaches toward how achieving this goal. In simplest terms, the main difference between Lean and Six Sigma is that they identify the root cause of waste differently.Villanova University

Every business has areas that need improvement and sometimes it can be hard to know where to start. And as the debate over Lean vs Six Sigma continues in the business world you may not be sure if either method is right for your company.

Although many people compare Lean vs Six Sigma, they can often be more powerful when used together. This article will look more closely at the differences between Lean vs Six Sigma and the benefits of both.

Main differences in Lean vs Six Sigma is that lean is used primarily in production while Six Sigma can be used to reduce errors in production as well as nonproduction environments.

Six Sigma looks to reduce waste and it defines a defect as anything that doesn't meet the

Lean vs Six Sigma

Although we are comparing Lean vs Six Sigma, the truth is they both work toward the same ultimate goal: eliminating waste and creating efficient processes. They simply take different approaches on how to accomplish this.

Lean focuses on analyzing workflow to reduce cycle time and eliminate waste. Lean strives to maximize value to the customer while using a few resources as possible. Six Sigma strives for near perfect results that will reduce costs and achieve higher levels of customer satisfaction.

To summarize the main difference between Lean vs Six Sigma, lean looks at ways to increase flow while Six Sigma focuses on achieving consistent results.

One similarity between Lean vs Six Sigma is that both have demonstrated that it is possible to dramatically improve the quality of your products and customer experience by improving processes. And as this article points out, when most companies set out to improve inefficient processes they feel like must choose only one method going forward.

Ultimately, the issue may not be whether you should choose Lean vs Six Sigma but how you can take the elements you like from each and apply them to solve problems in your own business.

Conclusion

We often hear about the exciting transformations businesses have seen using with either Lean or Six Sigma. However, the reality is that most companies that adopt either will fail. 60 percent of all Six Sigma projects fail and 40-60 percent of lean projects fail to achieve the desired results. Whenever a new Lean or Six Sigma project is started there is always an initial wave of momentum and excitement. But over time, most businesses simply don’t have the ability to sustain the changes made from and often they revert back to the former inefficient processes they had when they started.

In the business process or in manufacturing and Lean focus on elimination of ‘wastes’in order to improve process speed and quality through reduction of process wastes

The most important fact however is that one is not better than the other - you need, can benefit from the use of, and should be using all. The bottom line is don’t waste lots of time and money trying to put ways of thinking and improving in place as these concepts/ tools are designed to save time and money. The ultimate goal will be Operational Excellence for Business Excellence and the spirit should be to improve, to change the paradigms, to change the culture, to change the current set of habits, etc.

One way to capture these different ideas and stimulate the team’s brainstorming on root causes is the cause and effect diagram, commonly called a fishbone. The fishbone will help to visually display the many potential causes for a specific problem or effect. It is particularly useful in a group setting and for situations in which little quantitative data is available for analysis.

FISHBONE DIAGRAM

Cause and Effect Analysis

A fishbone diagram is a tool that can help you perform a cause and effect analysis for a problem you are trying to solve. This type of analysis enables you to discover the root cause of a problem.

This tool is also called a cause and effect diagram or an Ishikawa diagram. These names can be used interchangeably.

Ishikawa Diagram Structure

The left side of the diagram is where the causes are listed. The causes are broken out into major cause categories. The causes you identify will be placed in the appropriate cause categories as you build the diagram.

The right side of the diagram lists the effect. The effect is written as the problem statement for which you are trying to identify the causes.

Ishikawa Fish Bone Diagram

The diagram looks like the skeleton of a fish, which is where the fishbone name comes from.

How to Create a Cause and Effect Diagram

A cause and effect diagram can be created in six steps...

1. Draw Problem Statement
2. Draw Major Cause Categories
3. Brainstorm Causes
4. Categorize Causes
5. Determine Deeper Causes
6. Identify Root Causes

Draw Problem Statement

The first step of any problem solving activity is to define the problem. You want to make sure that you define the problem correctly and that everyone agrees on the problem statement.

Once your problem statement is ready, write it in the box on the right hand side of the diagram.

Fishbone Diagram - Problem Statement

Draw Major Cause Categories

After the problem statement has been placed on the diagram, draw the major cause categories on the left hand side and connect them to the "backbone" of the fishbone chart.

In a manufacturing environment, the traditional categories are...

- Machines/Equipment
- Methods
- Materials
- People

In a service organization, the traditional categories are...

- Policies
- Procedures
- Plant
- People

You can start with those categories or use a different set that is more applicable for your problem. There isn't a perfect set or specified number of categories. Use what makes sense for your problem.

Cause and Effect Diagram - Major Cause Categories

Cause and Effect Diagram - Major Cause Categories

Brainstorm Causes

Brainstorming the causes of the problem is where most of the effort in creating your Ishikawa diagram takes place.

Some people prefer to generate a list of causes before the previous steps in order to allow ideas to flow without being constrained by the major cause categories.

However, sometimes the major cause categories can be used as catalysts to generate ideas. This is especially helpful when the flow of ideas starts to slow down.

Categorize Causes

Once your list of causes has been generated, you can start to place them in the appropriate category on the diagram.

Ideally, each cause should only be placed in one category. However, some of the "People" causes may belong in multiple categories. For example, Lack of Training may be a legitimate cause for incorrect usage of Machinery as well as ignorance about a specific Method.

Ishikawa Diagram - Categorize Causes

Determine Deeper Causes

Each cause on the chart is then analyzed further to determine if there is a more fundamental cause for that aspect. This can be done by asking the question, "Why does it happen?"

This step can also be done for the deeper causes that are identified. Generally, you can stop going deeper when a cause is controlled one level of management removed from your group. Use your judgment to decide when to stop.

- Identify Root Causes
- Identifying the root causes of the problem can be done in several ways...
- Look for causes that appear repeatedly
- Select using group consensus methods

- Select based on frequency of occurrence

Fishbone diagrams are an excellent way to explore and visually depict the causes of a problem. They enable the root causes of a problem to be determined. This will help you be more effective by focusing your actions on the true causes of a problem and not on its symptoms.

The Fishbone diagram is also known as the cause and effect diagram, the root cause analysis, and the Ishikawa diagram, named after its originator Kaoru Ishikawa, the Japanese quality pioneer. It is generally called the Fishbone diagram because the diagram resembles that of a fishbone. In simple terms, Fishbone is brainstorming in a structured format. The technique uses graphical means to relate the causes of a problem to the problem itself, in other words, to determine cause and effect. The diagram focuses on the causes rather than the effect. Because there may be a number of causes for a particular problem, this technique helps us to identify the root cause of the problem in a structured and uncomplicated manner. It also helps us to work on each cause prior to finding the root cause.

Fishbone diagram may be used in the following cases:

- To analyze and find the root cause of a complicated problem
- When there are many possible causes for a problem
- If the traditional way of approaching the problem (trial and error, trying all possible causes, and so on) is very time consuming
- The problem is very complicated and the project team cannot identify the root cause
- Here are the various tasks involved in constructing a Fishbone diagram:
- Define the problem
- Brainstorm
- Identify causes

Define the problem

The first step is fairly simple and straightforward. You have to define the problem for which the root cause has to be identified. Usually the project manager or technical architect--we will refer to this role as the leader throughout the rest of the article--decides which problem to brainstorm. He has to choose the problems that are critical, that need a permanent fix, and that are worth brainstorming with the team. The leader can moderate the whole process.

After the problem is identified, the leader can start constructing the Fishbone diagram. Using a sheet of paper, she defines the problem in a square box to the right side of page. She draws a straight line from the left to the problem box with an arrow pointing towards the box. The problem box now becomes the fish head and its bones are to be laid in further steps.

Brainstorm

People have difficulty understanding how to structure the thought process around a large problem domain. Sometimes it is useful to focus on logically related items of the problem domain and to represent them in the Fishbone diagram, which will convey the problem solving methodology. There are quite a few tools available that can help us in this regard, including:

Affinity Chart

Organizes facts, opinions, ideas, and issues into a natural grouping. This grouping is in turn used as an aid in diagnosing complex problems.

Brainstorming

Gathers ideas from people who are potential contributors. This process is discussed further in the following sections.

Check sheet

Acts as a simple data recording device that helps to delineate important items and characteristics to direct attention to them and verify that they are evaluated.

Flow charts

Organizes information about a process in a graphical manner and makes it clear who is impacted at every stage.

No single methodology is applicable to all problem domains. Based on experience and study, you can identify, thoroughly analyze, and maintain the methodology and the related problem domains. In the example given later in this article, we use brainstorming as the problem solving methodology.

Categorize

When you apply the Fishbone technique to business problems, the possible causes are usually classified into six categories:

1. Method
2. Man
3. Management
4. Measurement
5. Material
6. Machine

Though the above are a few important problem categories, during the brainstorming session, the team is encouraged to come up with all possible categories. The above categories give the team direction to help find the possible causes. Some of the categories listed above may or may not be applicable to software or to Domino in particular. Let's look briefly at each category.

Category: Description

1. Method: Methods are ways of doing things or the procedures followed to accomplish a task. A typical cause under the Method category is not following instructions or the instructions are wrong.

2. Man: People are responsible for the problem. The problem may have been caused by people who are inexperienced, who cannot answer prompted questions, and so on.

3. Management: Management refers to project management; poor management decisions, such as upgrading two components simultaneously rather than deploying changes serially may cause technical problems.

4. Measurement: Measurement refers to metrics that are derived from a project. Problems may occur if measurements are wrong or the measurement technique used is not relevant.

5. Material: Material basically refers to a physical thing. A bad diskette is one typical example. Software can't always handle errors caused by bad material, for instance a bad backup tape, so while material may be the least likely cause, it is a possible cause.

6. Machine: A machine in software usually refers to the hardware, and there are a lot of possibilities that a problem can be due to the machine, such as performance issues.

Other possible categories include policies, procedure, technology, and so on.

After identifying a problem, the leader initiates a discussion with the project team to gather information about the possible causes, finally arriving at the root cause. The team can either analyze each of the above categories for possible causes or look into other categories (not listed above).

Identify causes

While brainstorming, the team should strive toward identifying major causes (categories) first, which can be further discussed, and then secondary causes for each major cause can be identified and discussed. This helps the team to concentrate on one major cause at a time and to refine further for possible secondary causes.

After the major causes (usually four to six) are identified, you can connect them as fishbones in the Fishbone diagram. They are represented as slanted lines with the arrow pointing towards the backbone of the fish. See Figure 2 later in this article.

Sometimes it is difficult to arrive at a few major causes. The team may come up with a lot of causes, which makes brainstorming more difficult. In this case, the leader can assign 10 points to each team member for each possible cause, and let them assign the rating (from 1 to 10, 10 being most likely cause) to each cause. After everyone on the team has rated the causes, the project manager totals each of the causes and ranks them based on their ratings. From the list, the top four to six causes are identified as major causes and connected as bones in the diagram.

After the major causes of the problem are identified, each one of them is discussed in further detail with the team to find out the secondary causes. If needed, the secondary causes are further discussed to obtain the next level of possible causes. Each of the major causes is laid as a fishbone in the diagram and the secondary causes as "bonelets."

Register No.: ……………..

[16BPU301]

KARPAGAM UNIVERSITY
(Established Under Section 3 of UGC Act 1956)
COIMBATORE – 641021
(For the candidates admitted from 2016 onwards)
II B. Com (BPS)
II Internal Examination
BUSINESS PROCESS SERVICES IN FINANCE AND ACCOUNTING

Time: 2Hours **Maximum: 50 Marks**

Date:

PART – A (20*1 = 20 Marks)
Answer all the questions

1. _____________indicates poor OCR accuracy.
   a) 1-2% incorrectb) 5% incorrect c) 6% incorrectd) more than 10% incorrect
2. _____________is the money owed by the customer to the business resulting from credit sales or service.
   a)Accounts receivable b)Accounts Payable c)Remains d)advance
3. ________discount is provided to a customer to encourage him to pay before the due date.
   a) trade b)quantity c)cash d) credit
4. Evaluation of customer for credit worthiness is a stage in which process
   a) Customer Master set up b) Accounts receivable c) cash application d) Control
5. To do credit sales any business would involve getting into a ______between the seller and buyer.
   a)MSA b)SOP c)SLA d)contract
6. ______________refers to managing sales orders received from the buyer.
   a) Order management b) credit managementc) risk management d) ASN
7. The order may be amended by customers this is called order_______________
   a) rectification b) modification c) alteration d) Editing
8. Based on the information in the sales order a ________would generate an invoice.
   a)Manager b) billing clerk c)accountant d) cashier
9. A telephone operator calling an individual to pay an unpaid mobile bill is an example of__
   a)B2B b)B2C c)O2C d)P2P
10. The __________of a collection process is measured through the ageing of customer accounts
    a) status b)health c)type d)stage
11. _______________is a process to apply cash received from the customer on an open invoice.
    a)cash application b)remittance c)crediting d)mailing
12. ____________is a daily process.
    a)Risk evaluation b)payment c)cash application d)demand notice
13. ______________accelerates the cash conversion period.
    a)AP b) AR c) Lock box d) payment process

14. Requests or approvals for write off could be______

a) emails b)debit notes c)key notes d)accounts receipt

15.Expand YTD

a) Year-to-date b) Yes –to-delivery c) Year-end-Deliver d) It cannot be expanded

16. Daily routine transactions are recorded in ___________

a) General ledger b) Control Accounts c) Sub ledgers d) personal ledgers

17. The devices or persons involved in transferring entries from Sub-ledgers to General ledger are called

a) Feeders b) individuals c) third parties d) providers

18. All transactions relating to accounts payable and vendor master processing are included in ________module

a)Accounts receivable b)Accounts Payable c)Inventory d)fixed assets

19. _____________is a list containing a fixed structure in numeric or alphanumeric to denote a particular general ledger account

a)Chart of Accounts b)Control account c)Sub-ledger d)Line item

20. _____________means a unit which generates income.

a) profit center b)cost center c)sales center d)line item

PART B (3x2=6)

ANSWER ALL THE QUESTIONS

21. What do you mean by dunning letters?
22. Give two points denoting the benefits of maintaining chart of accounts.
23. What do you mean by Intercompany accounting?

PART C (3x8=24)

ANSWER ALL THE QUESTIONS

24a).Explain the customer master setup process.

Or

b). Give a summary of the activities involved in credit management.

25a). Explain the functioning of a lock box.

Or

b) What are the different methods used by companies during the collection process?

26a). Describe the activities involved in the Vendor payment process.

Or

b) Enumerate the O2C process under Accounts receivable ?

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[16BPU301]

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II B. Com (BPS)
III Internal Examination
FINANCE AND ACCOUNTING

Time: 2Hours **Maximum: 50 Marks**

PART – A (20*1 = 20 Marks)
Answer all the questions

1. A BPS __________defines a standard method of measuring certain attributes of the process or the transaction or the service.
a) Service b)**Metrics** c)Company d)Mode
2. _______________and operating effectiveness are two very key words used in the context of internal control
a)control b) audit c) **design** d) Segregation
3. _________________risk is the risk of loss resulting from incorrect or ineffective operation of a process.
a) inherent b) **operational**c) current d) sudden
4. _______________is a software module integrating each department/module/functions of an enterprise.

   a) SAP b) **ERP** c) JAVA d) Oracle
5. ______________are controls inbuilt in the process to ensure no person has end to end control over a transaction during its life cycle.

   a) **Internal check** b) Internal controls c) defective controls d) default control
6. _____________is the point in time to which data can be recovered.

   a) RTO b) **RPO** c) BPO d) BCP
7. ______________is a proactive methodology to ensure that the business activities should not get disturbed at any point of time.

   a) RTO b) RPO c) BPO d) **BCP**
8. The US government enacted the SOX Act on ___________
a)30th July 2002 b) 20th Jun 2000 c) 13th May 2003 d) 5th April 2007
9. ________________is the time taken to complete a process or activity.
a)TAT b) CSAT c) SLA d) MSA
10. ____________will relate to the IT and BPS services offerings to various industries.
a)ITES b) CSAT c) IAS d) GAAP
11. The normal activity in payment processing is to _________the invoices which are valid and due
a)receive b) **pay** c) sign d) send
12. Based on the information in the ____________a billing clerk would generate an invoice.

a) Purchase order b) **sales order** c) invoice d) voucher

13. Daily routine transactions are recorded in______________

    a) General ledger b) AP c) AR d) **Sub- ledgers**

14. _____________is the point in time to which data can be recovered.

    a. a) RTO b) **RPO** c) BPO d) BCP

15. SOW refers to___________

    a) **Statement of Work** b) Scope of Work c) System of Work d) Scale of work

16. In this phase, actual operations of a BPS will take place with Proper business unit Setup.

    a) Documentation b) **Delivery** c) Work Shadow d) Pilot

17. Accounting Standard ___________covers Valuation of Inventories

    a) 3 b)**2** c) 12 d)17

18. The essence of Sarbanes Oxley Act is contained in __________provisions.

    a) two b) three c) four d) five

19. Expand DCFC

    a) Daily Control Functional Chart

    b) Daily Chart Functional Control

    c) Date Control Functional Chart

    d) Daily Check Function Chart

20. ________________controls are practiced post facto.

    a) Internal checks b)**Defective** c)External audit d)Internal Controls

PART B **(3x2=6)**

ANSWER ALL THE QUESTIONS

21. What is incident management?

22. Define ERP.

23. What do you mean by BPS Metrics?

PART C **(3x8=24)**

ANSWER ALL THE QUESTIONS

24a). Enumerate the challenges in the implementation of ERP.

Or

b). Explain the importance of the internal control system.

25a). Discuss the importance of a Business Continuity Plan.

Or

b) Discuss the importance of Sarbanes Oxley Act.

26a). Explain the advantages or benefits of installing an ERP system.

Or

b) Explain the different stages of BCP.

Register No.: ……………..

[16BPU301]

KARPAGAM UNIVERSITY
(Established Under Section 3 of UGC Act 1956)
COIMBATORE – 641 021
(For the candidates admitted from 2016 onwards)
II B. Com (BPS)
I Internal Examination
FINANCE AND ACCOUNTING

Time: 2Hours **Maximum: 50 Marks**
Date:

PART – A **(20*1 = 20 Marks)**
Answer all the questions

1. ______________have to be created tocapture details of vendors.
   a) Employee masters b) Vendor Masters c) Customer database d)Worksheets
2. ____________is an adaptive responsive tool used by a customer.
   a)Vendor portal b) Dormant portal c) Employee register d) Operative flow
3. Merging of vendor records happens during ____________
   a) acquisition b) amalgamation c)mid-term d) shifts
4. _______________refers to the process of making the vendor code operative for future transactions
   a) Merging b) Blocking c) Unblocking d) Creation
5. ____________________is the process of settling the vendor or supplier's who had provided goods or rendered services.
   a)Accounts receivable b)Accounts Payable c)Recording d)adjusting
6. _____________are the purchased items which have not yet entered the production process.
   a) Finished goods b) raw materials c) Hedge inventory d) WIP
7. The newest items in stock are sold first in _________
   a) FIFO b) Fixed pricing c) LIFO d) Standard cost
8. __________________inventory are built up in expectation of future demand.
   a)Fluctuation b)Anticipation c)Distribution d)MRO
9. ABC Inventory control helps in determining the _________of items
   a)image b)introduction c)importance d)instinct
10. _____________is the initiation of the purchase process.
    a) PR b) PO c) AP d) Place
11. Demands are of _________types.
    a)two b)eight c)six d)five
12. ____________vendors are those vendors with whom the business has not placed an order for a reasonable time
    a)Operative b)Dormant c)Innovative d)occupied
13. In the lifecycle of an invoice __________analyst queries invoice in the imaging system.
    a) AP b) AR c) MR d) Scanning

14. _________________is a proof document sent by the supplier to buyer for the return of materials ordefective goods delivered.

a) credit note b)debit note c)return note d)accounts receipt

15. Which of the following organizations is a non- profit organization?

a) FMCG b) Partnership c) Trade union d) Limited Company

16. The liability of a sole-trading concern is__________

a) limited b) long c) unlimited d) personal

17. BPS is contracting a specific business task to a __________provider

a) Enterprise b) individual c) third party d) agreed

18. Services are awarded to a BPS entity in neighbourhood countries in _______outsourcing.

a) Offshore b)Near shore c) Onshore d) foriegn

19. _____________assumption assumes that all the transactions are recorded in terms of money.

a)Monetary b)Business entity c)Going concern d)Periodic

20. In ________convention trivial matters are to be disregarded so that the disclosure is not burdened with minute details.

a) Conservatism b)Materiality c)Consistency d)Full disclosure

PART B **(3x2=6)**

ANSWER ALL THE QUESTIONS

21. What do you mean by outsourcing?
22. Give two points denoting the importance of vendor master file.
23. What do you mean by Periodic reporting assumption?

PART C **(3x8=24)**

ANSWER ALL THE QUESTIONS

24a). Enumerate the general guidelines or conventions for preparing financial statements.

Or

b). Give a summary of the conditions or concepts upon which accounting transactions are recorded.

25a). Explain the two types of BPS along with their merits and demerits.

Or

b) What are the different services provided by BPS?

26a). Describe the activities involved in Vendor Master Creation and maintenance.

Or

b) What can impact invoice processing by the Accounts Payable Team?

BUSINESS PROCESS SERVICES IN FINANCE AND ACCOUNING

I INTERNAL

PART – A

1. **B**
2. **A**
3. **A**
4. **C**
5. **B**
6. **B**
7. **C**
8. **B**
9. **C**
10. **A**
11. **A**
12. **B**
13. **A**
14. **A**
15. **C**
16. **C**
17. **C**
18. **B**
19. **A**
20. **B**

PART – B

21. What do you mean by outsourcing?

Outsourcing is the rendering of services by a third party to an organisation in return for money. Non- core activities are usually outsourced.

22. . Give two points denoting the importance of vendor master file.

- Creation of vendor ID
- Updating vendor records

23. What do you mean by Periodic reporting assumption?

End of the year reporting. Eg:

- Financial year
- Calendar year

PART C

24a). Enumerate the general guidelines or conventions for preparing financial statements.

An accounting convention is a common practice used as a guideline when recording a business transaction. It is used when there is not a definitive guideline in the accounting standards that govern a specific situation. Thus, accounting conventions serve to fill in the gaps not yet addressed by accounting standards.

Following are the important accounting conventions in use:

1. Convention of Disclosure:

This convention requires that accounting statements should be honestly prepared and all significant information should be disclosed therein. That is, while making accountancy records, care should be taken to disclose all material information. Here the emphasis is only on material information and not on immaterial information. The purpose of this convention is to communicate all material and relevant facts of financial position and the results of operations, which have material interests to proprietor, creditors and investors. Sometimes, there may be time gap between the preparation of Balance Sheet and its publication and if there are material events — bad debts, destruction of plant or machinery etc., which occurred in the time gap, may also be known to users proprietors, creditors etc.

In short, full disclosure of all relevant facts in accounts is a necessity in order to make accounting record useful. Therefore, full disclosure is a very healthy convention, and is important.

2. Convention of Consistency:

Rules and practices of accounting should be continuously observed and applied. In order to enable the management to draw conclusions about the operation of a company over a number of years, it is essential that the practices and methods of accounting remain unchanged from one period to another. Comparisons are possible only if a consistent policy of accounting is followed.

If there are frequent changes in the treatment of accounts there is little or no scope for reliability. Comparison of accounting period with that in the past is possible only when the convention of consistency is adhered to.

This convention plays its role particularly when alternative accounting practice is equally acceptable. Moreover, consistency serves to eliminate personal bias. But if a change becomes desirable, the change and its effect should be clearly stated in the financial statements. Accounts should lend themselves easily to comparisons and contrasts.

This convention increases accuracy and comparability of accounting information for prediction or decision making. This convention does not prohibit changes. If there is any change, its effect should be clearly stated in the financial statements.

3. Convention of Conservatism:

"Anticipate no profit and provide for all possible losses" is the essence of this convention. Future is uncertain. Fluctuations and uncertainties are not uncommon. Conservatism refers to the policy of choosing the procedure that leads to understatement as against overstatement of resources and income.

The consequences of an error of understatement are likely to be less serious than that of an error of overstatement. For example, closing stock is valued at cost or market price whichever is lower. This is a convention of caution or playing safe and is adhered to while preparing financial statements. Showing a position better than what it is, is not permitted. Moreover, it is not proper to show a position substantially worse than what it is.

Following are the examples:

(a) The value of an asset should not be overestimated.

(b) The value of a liability should not be underestimated.

(c) The profit should not be overestimated.

(d) The loss should not be underestimated.

Such conservatism is generally accepted to present a true and fair value of business in the financial statements.

4. Convention of Materiality:

American Accounting Association defines the term materiality as "An item should be regarded as material if there is reason to believe that knowledge of it would influence the decision of informed investor." It refers to the relative importance of an item or event. Materiality of an item depends on its amount and its nature.

Theoretically, all items, large or small, should be treated alike. Materiality convention implies that the economic significance of an item will to some extent affect its accounting treatment. Materiality in its essence is of relative significance. In the sense, that some of the unimportant items are either left out or included with other items.

For instance, acquisition of items like fountain pen, stapler, pin cushion, punching machine etc., can be treated as part of assets, when considering their durability and span of life. But, it is not necessary to maintain separate ledgers. Such low cost items can be treated as expense for the period.

Therefore, unimportant items are either left out or merged with other items. The reason for this different treatment lies in the magnitude of their amount. The dividing line between material and immaterial varies according to the company, the circumstances of the transactions and economic significance. It should also be noted that an item considered to be material for one business firm, may be immaterial for another firm.

Similarly, an item of material in a year may not be material in the subsequent years. Similarly, most of the companies publish their financial statements in whole rupees round figures, by ignoring paise. Omission of paise is immaterial, i.e., insignificant when figures appear in lakhs. In short, all material information should be disclosed that is necessary to make the financial statements clear and understandable.

24. b) Give a summary of the conditions or concepts upon which accounting transactions are recorded.

1. **Entity Concept:**

For accounting purpose the "business" is treated as a separate entity from the proprietor(s). One can sell goods to himself,, but all the transactions are recorded in the book of the business. This concept helps in keeping private affairs of the proprietor away from the business affairs. E.g. If a proprietor invests Rs. 1,00,000/- in the business, it is deemed that the proprietor has given Rs. 1,00,000/- to the "business" and it is shown as a "liability" in the books of the business. Similarly, if the proprietor withdraws Rs. 10,000/- from the business, it is charged to them.

2. Dual Aspect Concept:

As per this concept, every business transaction has a dual affect. For example, if Ram starts business with cash Rs. 1,00,000/- there are two aspects of the transaction: “Asset Account” and “Capital Account”. The business gets asset (cash) of Rs. 1,00,000/- and on the other hand the business owes Rs. 1,00,000/- to Ram.

3. Going Business Concept (Continuity of Activity):

It is assumed that the business concern will continue for a fairly long time, unless and until has entered into a state of liquidation. It is as per this assumption, that the accountant does not take into account the forced sale values of assets while valuing them.

4. Money measurement concept:

As per this concept, in accounting everything is recorded in terms of money. Events or transactions which cannot be expressed in terms of money are not recorded in the books of accounts, even if they are very important or useful for the business. Purchase and sale of goods, payment of expenses and receipt of income are monetary transactions which are recorded in the accounting books however events like death of an executive, resignation of a manager are such events which cannot be expressed in money.

25. a. Explain the two types of BPS along with their merits and demerits.

Captive BPS

In captive business process outsourcing (BPO), also known as captive service, a company sends out its business, not to another company, but to an owned subsidiary. The subsidiary is wholly owned, and may be stationed domestically or in another region or country. Benefits companies see when using captive BPO is that, while the business is outsourced, they still have complete control over all the information and supply chain. At the same time, using captive BPO is more expensive than using a third-party vendor for outsourcing, but many companies would prefer control rather than a cheaper operating price. If a company is going bankrupt or is being sold, its captive service is normally sold as a separate unit.

With a captive BPO, the company outsources its work to a subsidiary business entirely owned by the main company. This means that, while the subsidiary needs access to information, the risk to security is much lower. The original company can directly control how products are made, how and when they are delivered, and all other aspects of the outsourced business process, because it never technically leaves the main company. Captive BPO units can be located either domestically or offshore. Most commonly, they are offshore so the company can save the most money while still maintaining control of the processes. If a company is being sold, either because it is bankrupt or the owner or owners do not want the company any longer, the captive service is normally sold separately.

Demerits of Captive BPS

Huge investments required in running a captive based outsourcing:

- Real estate purchase
- Assets as computers, telecommunications etc are required.
- Consulting help which again requires investment.
- Legal compliance for handling different country processes.
- Knowledge transfer Is a huge task as the captive clients has to play both the roles.
- HR requires to interfere for establishing the people needs as Hiring, Talent acquisition etc.
- Technology is a big constraint as they have to purchase ERP licenses available near consultants.

Third party BPS

It is the contracting of a specific business task, such as payroll, human resources (HR) or accounting, to a third-party service provider. This type of outsourcing is quite expensive. There is a risk of data insecurity in this type of outsourcing.

26. a. Vendor Master Maintenance

The process 'Vendor Master Data Set-up/Maintenance' includes activities of requesting a new vendor or vendor changes, processing the committed data and the SOX compliant approval of all changes. The final product - updated or new vendor master record - is used for procurement and Accounts Payable purposes. Technically the described process is implemented as an SAP Business Workflow started by a WEB Dynpro to enter the request data as an Employee Self Service Scenario. Attached documentation (vendor letters, legal/taxforms) are optical archived and linked to the vendor master.

1. The request for a vendor set-up is triggered by the local entity based on procurement needs. The requesting party could either be a centralized purchasing unit, which decided to purchase goods or services from the new vendor, or a decentralized unit within the organization responsible for specific procurement types (e.g. Consulting Department in special need for a 3rd Party Consultant on a customer project). Requesting a vendor change is also very commonly done by the Accounting Department within the Shared Service Center based on new information given on vendor invoices (e.g. new bank information, new address information). For this specific case the vendor change request step is integrated into the 'Invoice Processing' described in chapter 3.
   The requestor uses an electronic form to enter the vendor information. The online form validates already the entered information against the data base of the global vendor management system within the ERP system. Using this advanced search functionality multiple vendor masters are avoided. The company code depends on customizing of the workflow process and enables the fullfilling of local legal and tax requirements by setting fields as mandatory for input and adding company specific fields.
   The requestor is able to attach conducting information (e.g. signed vendor letter with bank information, global/regional master contract) as scanned documents or PDF. All attached documents are optically archived and therefore non-changeable to fullfill SOX requirements.
2. Once the request is saved, the Workflow is triggered sending a control and approval step to the Global Purchasing Organization (GPO) unit responsible for the new vendor. This GPO unit can either be located in the BSCE or within the local entity. GPO is responsible for analysing the request from a procurement and global purchasing strategy to either accept the company as a new vendor or to recommend an existing vendor. In case the request was triggered by the responsible GPO, the approval step is skipped automatically.

If the request is rejected in this step, the information including the rejection reason, is sent back to the requestor. The requestor can either delete or restart the request with additional information.

3. Approved by GPO the Workflow triggers an action item to the Vendor Master Data Team within the BSCE. Completed with data base search data evaluating equal or similar existing vendors the request data can be used to create a new vendor or to extend an existing vendor to a new company code. In addition, the BSCE controls the documentation requirements (e.g. original vendor letter) and completes the data from the accounting view. After saving the updated and approved information the vendor is created in the system, but blocked for posting and payment. At this point of time GPO can start to issue Purchase order. If the request is rejected in this step, the information including the rejection reason is sent back to the requestor. The requestor can either delete or restart the request with additional information.
4. After the vendor creation an additional 'SOX Approval' guarantees SOX compliance of the process. All saved information is compared with the request information and the original document delivered by the vendor. If the whole information can be verified, the approval unblocks the vendor account for posting or outgoing payments.
5. The vendor is activated for all accounting activities. Automatic mail information is sent out to the requestor including the vendor account number.

Processing of a vendor set-up or a vendor change are very similar due to the business critical information in the Vendor Master Data. Changes in SOX relevant data (e.g. bank information) are therefore also subject of the full approval process.

26. b. Invoice processing involves the handling of incoming invoices from arrival to post. Invoices have many variations and types. In general, invoices are grouped into two types: 1. Invoices associated with a request or purchase order 2. Invoices that do not have an associated request. A typical process involving paying a supplier invoice begins at the arrival of invoice at the door of the organization regardless of the methods of arrival such as via email, postal mail, facsimile, etc. Once the invoice arrives, the accounts payable clerk must ensure that the document is indeed an invoice. Then the clerk classifies and sorts the invoice into various categories. The definition of various categories is not always the same across different organizations but is normally defined by each organization.

Once its category defined, the invoice is forwarded to the responsible person for that particular invoice. This is normally the person who has placed that order. If there has been a purchase order involved when placing that order, the invoice must then be matched against the purchase order to ensure that the amount invoiced is correctly stated on the invoice. If the amount is right and the goods have arrived, the responsible person will have to approve the invoice by signing off on it. If the amount invoiced exceeds a certain amount that is limited by the organization, the superior of that person may have to approve the invoice as well. This, of course, differs from organization to organization.

Once the invoice has been approved and there have been no variances, the invoice is posted into the accounting system.

BUSINESS PROCESS SERVICES IN FINANCE AND ACCOUNING

II INTERNAL

PART – A

1. **D**
2. **A**
3. **C**
4. **A**
5. **A**
6. **A**
7. **A**
8. **B**
9. **B**
10. **B**
11. **A**
12. **C**
13. **C**
14. **A**
15. **A**
16. **C**
17. **A**
18. **B**
19. **A**
20. **A**

Part – B (TWO MARKS)

21. Dunning Letter
It is a letter sent by the vendor with the aim of collecting his money from the customer. It is to remind the customer about the payment to be made.

22. Chart of Accounts Benefits
- It is an inexpensive method of maintaining accounts
- Updating the records is easy as every account can be traced.

23. Intercompany accounting
Intercompany accounting is used to describe the activities conducted between two or more affiliates or business units of the same parent company.

Part – C

24. a. Customer Master Setup

The Customer Master Setup is maintained to store and update customer details. Based on strategic and normal customers customer accounts are maintained. Details like address, warehouse location, contact numbers and bank details are stored in the system.

Details of customers can be modified. This is called customer account modification. There are different types of customer accounts maintained like installation accounts, ship to accounts and bill to accounts.

24.b. Activities involved in credit management

- Tracking payment history
- Determining the credit limit
- Classifying customers as risky and good
- Determining the credit worthiness
- Getting the help of credit rating agencies like D&B, CRISIL, etc.

25. a**. Functioning of a lockbox**

The lockbox is a box kept by the bank in the post offices to collect cheques from customers. The lockbox is emptied everyday and the cheques are deposited directly into the bank. The lockbox minimises the cash conversion period. The supplier has to pay rent for the lockbox maintained by the bank. The cheques are deposited in the respective accounts by the bank within 2-3 business days.

25. b. Methods of collection

Collection process may be carried out by the supplier in the following forms

- Calls
- Sales persons
- Reminders
- Letters
- emails
- Legal notice

26. a. Activities in vendor Payment process

The vendor payment process is done in batches. The vendors are prioritised and payments are made based on priority. The primary and secondary approvals are got. The cash requirement register is used to determine the priority of payments. Payment is released after approval is got. The cheque may be printed or wire transfer may be made.

26.b. O to C Process

Order to Cash is the process which follows after the customer has placed an order. The order moves to payment of cash to the supplier finally. Steps involved.

- Placing the order
- Supplier’s ERP recognises the order
- Credit Worthiness is checked
- ASN is prepared
- The invoice is prepared
- Products are shipped and delivered
- Invoice verification- Three way match
- Payment is made

BUSINESS PROCESS SERVICES IN FINANCE AND ACCOUNING

III INTERNAL

PART – B

1. **Incident management**

   It is the managing of a situation after an incident occurs. There are two teams Incident response team and incident handling team responsible for bringing the situation back to normal after the incident.

2. ERP

   It is the single database used to maintain details of an organisation

   It is used to exchange information between organisations over the cloud.

3. BPS Metrics

   It is the standard used to measure the progress of a project. TAT and accuracy are examples of bps metrics.

PART – C

1. **a. CHALLENGES IN IMPLEMENTING ERP**

   ERP is the single database used to maintain details of an organisation. It is used to exchange information between organisations over the cloud.

   - It is an expensive task

     It takes a lot of time for its successful implementation
   - Proper training is required
   - Vendor walls

   b. Internal Control

   It is the managing of the books of accounts in an organisation without any discrepancies. Internal control includes internal check, segregation of duties, mandatory leave policy. The Internal control policies are framed based on the themes of IcoFR.

2. a. Importance of BCP

   Business Continuity Plan is essential for the continuity of business in times of natural disasters. It includes Relocating, Recovering and Restoration of Business.

   b. Importance of SOX

   SOX Act was introduced to prevent bankruptcy. It includes internal and financial control. It requires reporting of financial accounts.

3. a. Advantages or Benefits of ERP

   - It saves time

- It helps updating data
- It keeps track of payments
- Creation and editing of records become easier
- Transferring of information is possible

b. Stages of BCP

Business Continuity Plan is essential for the continuity of business in times of natural disasters. It includes Relocating, Recovering and Restoration of Business.

It includes the three stages :

Initial phase

During the disaster

After the disaster