19BPU201

BUSINESS PROCESS SERVICES IN FINANCE AND ACCOUNTING

Semester – II

6H – 5C

Instruction Hours / week: L: 6 T: 0 P: 0

Marks: Internal: 40 External: 60 Total: 100

End Semester Exam: 3 Hour

COURSE OBJECTIVES:

To make the students

1. To Understand the finance and accounting concept and the need to outsource finance and accounting activities
2. To comprehend the standards pertaining to the accounting, compliances like SOX and internal audit framework like COSO.
3. To understand the mechanics of purchase, inventory control, accounts payables-receivables and General ledger in the F & A Technology.
4. To communicate orally and in written form the mechanics of purchase, inventory control, accounts payables-receivables and General ledger in the F & A Technology.
5. To gain a lifelong learning for applying the F&A Technology in BPS business.

COURSE OUTCOMES:

Learners should be able to

1. Understand the finance and accounting concept and the need to outsource finance and accounting activities
2. Comprehend the standards pertaining to the accounting, compliances like SOX and internal audit framework like COSO.
3. Understand the mechanics of purchase, inventory control, accounts payables-receivables and General ledger in the F & A Technology.
4. Communicate orally and in written form the mechanics of purchase, inventory control, accounts payables-receivables and General ledger in the F & A Technology.
5. Gain a lifelong learning for applying the F&A Technology in BPS business.

UNIT I Accounting Overview, Basics of Businesses Outsourcing Need and its current Trend

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 IIPurchase 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.,

UNIT III Accounts Payables and Accounts Receivable:

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.

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 an d support Activities - Customer Account Reconciliation - Latest Developments (Customer Portal, E-Invoicing, Tools etc.,) - Effective management of AR leads to working Capital improvement.

UNIT IV General Ledger & Emerging trend in F&A Technology

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).

Modules and usage of ERPs - Basic Screens required to be understood for F&A process - Report generation - XBRL, Platform, Counting, Data Privacy Law etc.

UNIT V Accounting Standard, Controls and Compliance Operating model of Business Process services

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: Distribution of marks –100 Percent Theory

SUGGESTED READINGS:

TCS BPS study material

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed to be University)
(Established under section 3 of UGC Act 1956)
Coimbatore-641021
Department of Commerce

Name : Dr. M.Usha **Department : Management**
Course Code : 19BPU201 **Semester: II** **Year : 2019-22 Batch**
Course : Business Process Services in Finance and Accounts

LESSON PLAN

UNIT I			
SI.No	**Lecture Hours**	**Contents**	**References**
1	1	Accounting Overview, Basics of Business Outsourcing Need and its Current Trend: Accounting , Meaning , Definition and Features	T: Pg.No.: 5-7
2	1	Basic Accounting Principles and Assumption Concepts and Conventions Accounting statements and systems of book keeping	T: Pg.No.: 7-8
3	1	Classification of accounts and bank accounting rules	T: Pg.No.: 9-10
4	1	Recording, Classifying and Summarizing of Transaction Preparation of final accounts, trading and profit and loss accounts	T: Pg.No.: 10-11
5	1	Types of Business Organizations Business Partnership	T: Pg.No.: 11-13
6	1	Importance of Business Process Outsourcing Facility management , legal services, BPS Types of Business Process Outsourcing	T: Pg.No.: 13-14
7	1	Merits and Demerits on various Business Process Outsourcing	T: Pg.No.: 15-17
8	1	Accounting Business Process Cycle Classification Business Process System	T: Pg.No.: 17-18
9	1	Evolving of Outsourcing	T: Pg.No.: 18-19
10	1	Need for Outsourcing Horizontal Services	T: Pg.No.: 19-20
11	1	Current Trend in Finance and Accounting Outsourcing	T: Pg.No.: 21-22
12	1	Recapitulation and discussion of important questions	
Total number of hours planned for Unit I			**12**

UNIT II			
SI.No	**Lecture Hours**	**Contents**	**References**
1	1	Purchase Management: Meaning and Importance of Purchase Management	T: Pg.No.: 25-27
2	1	Activities before Purchasing, Quotations, Negotiation	T: Pg.No.: 27-29
3	1	Costs associated with purchases etc.,	T: Pg.No.: 29-30
4	1	Purchase Order: Raise on Purchase order Types of Purchase order, Contracts	T: Pg.No.: 30-32
5	1	Warehouse receipt procedures and its Importance	T: Pg.No.: 32-35
6	1	Warehouse receipt returns and Issues	T: Pg.No.: 35
7	1	Various Documents maintained in warehouse department	T: Pg.No.: 35-36
8	1	Accounting Impact: Inventory Control	T: Pg.No.: 36-37
9	1	Types of discount offered by vendors Basics of distribution strategies Integration of strategic partnering	T: Pg.No.: 38-39
10	1	Outsourcing and Procurement Strategies	T: Pg.No.: 39
11	1	Freight Negotiation, FTL, Payments, Conditions etc.,	T: Pg.No.: 40-42
12	1	Recapitulation and discussion of important questions	
Total number of hours planned for Unit II			**12**

UNIT III			
SI.No	Lecture Hours	Contents	References
1	1	Accounts Payables and Accounts Receivable Various Activities in Accounts Payable and Accounting Impact	T: Pg.No.: 40-42
2	1	Types of Invoice Matching and Resolving issues Invoice Payment, Procedures and Mode of Payment	T: Pg.No.: 42-43
3	1	Employee Payment (T&E and various cards) Debit Balance, Write back, Discount adjustments and various actions, Help desk and support activities	T: Pg.No.: 43-44
4	1	Vendor Account Reconciliation Latest developments (Vendor Portal, EDI, E-Invoicing, Tools)	T: Pg.No.: 45-47
5	1	Effective Management of AP leads to working capital improvement	T: Pg.No.: 47-50
6	1	Various Activities in Accounts Receivable and Accounting Impact Background check for Customers (D&B Report, Credit Rating)	T: Pg.No.: 50-52
7	1	Credit Limit, Customer Contract/Order – Management, Mode of receiving Payment, Actions for non-receipt, Netting off, Revenue Recognition	T: Pg.No.: 52-53
8	1	Collection, Cash Applications, Adjustment of Discounts, Rebate, QPS discount, Write off etc.,	T: Pg.No.: 54-55
9	1	Disputes Handling Procedures Customer Help desk and Support Activities Customer Account Reconciliation	T: Pg.No.: 55-57
10	1	Last Developments (Customer Portal, E-Invoicing, Tools)	T: Pg.No.: 57-58
11	1	Effective management of AR leads to working capital improvement	T: Pg.No.: 59-60
12	1	Recapitulation and discussion of important questions	
Total number of hours planned for Unit III			**12**

UNIT IV			
SI.No	**Lecture Hours**	**Contents**	**References**
1	1	General Ledger and Emerging trend in Finance and Accounting Technology Activities in General Ledger	T: Pg.No.: 73-75
2	1	What is subsidiary and control accounts	T: Pg.No.: 75-78
3	1	Chart of Accounts and maintenance Cost centre, Profit centre	T: Pg.No.: 78-79
4	1	Adjustment Journals Cost Allocation etc.,	T: Pg.No.: 81-83
5	1	Bank Reconciliation Fixed Asset Maintenance Inter Company	T: Pg.No.: 83-85
6	1	Accounting and Reconciliation Tax Accounting	T: Pg.No.: 85
7	1	Transactional Element, Generation of Fixed Accounts	T: Pg.No.: 86-87
8	1	Various Reports (Statutory Reports, Schedules, Variance Analysis)	T: Pg.No.: 87-89
9	1	Modules and usage of ERPs Basic screens required to be understood for Finance and Accounting process	T: Pg.No.: 89-90
10	1	Report generation XBRL, Platform	T: Pg.No.: 90
11	1	Counting, Data Privacy Law	T: Pg.No.: 93-95
12	1	Recapitulation and discussion of important questions	
Total number of hours planned for Unit IV			**12**

UNIT V			
SI.No	**Lecture Hours**	**Contents**	**References**
1	1	Accounting Standard, Controls and Compliance Operating model of business Process services Basics of Accounting Standard	T: Pg.No.: 61-62
2	1	Difference between various GAAPs (US, UK, Indian and IFRS)	T: Pg.No.: 63-65
3	1	COSO, Internal Controls and Audit	T: Pg.No.: 65-66
4	1	ISO Standards (applicable to BPO)/CMMI Certification	T: Pg.No.: 66
5	1	PCI Data Security Standard/Security Audit/Data Privacy and Protection SOX, Compliance/SSAE 16/ISAE 3402, SOD, Access, Incident Management, BCP	T: Pg.No.: 67-68
6	1	Transaction flows BPO Terminologies, Importance of process documents service level measurements contractual elements	T: Pg.No.: 68-69
7	1	Government model, Internal Reporting Delivery excellence	T: Pg.No.: 69-70
8	1	Integration of support functions Future and Challenges	T: Pg.No.: 70-71
9	1	Recapitulation and discussion of important questions	
Total No. of Hours Planned for Unit – V			**9**
10	1	Discussion of previous ESE Question papers	
11	1	Discussion of previous ESE Question papers	
12	1	Discussion of previous ESE Question papers	**3**
Total No. of Hours Planned for Unit – V & Previous ESE Question Papers Discussion			**12**

SUGGESTED READINGS:

TEXT BOOK

T1: TCS BPS Study material

UNIT-I

SYLLABUS

Accounting Overview, Basics of Business Outsourcing Need and its current Trend:
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 OVERVIEW, BASICS OF BUSINESS OUTSOURCING NEED AND ITS CURRENT TREND:

MEANING OF ACCOUNTING:

The modern system of accounting is based what is known as the Double Entry Principle. Accounting is a science because it has some definite objects to be fulfilled and is an art as it prescribes the process through which the object can be achieved. Non- financial transactions cannot be recorded in accounting, i.e., only transactions of financial nature is the subject – matter of accounting.

MEANING OF BOOK – KEEPING:

Book keeping may be defined as the art and science of correctly and systematically recording in the books of account the business transactions of an individual or a concern in a way to show clearly the monetary effect of each such transactions.

STEPS IN ACCOUNTING:

i. Recording

ii. Classification

iii. Summarising and iv. Interpretation

ACCOUNTING CONCEPTS AND CONVENTIONS:

Accounting is the language of business and information about business is communicated to outsiders through accounting statements. In order to make these statements easily understandable and meaningful, it is necessary that accounting should be based on certain uniform scientifically laid down norms, which are called accounting principles. The accounting principles can be classified into two categories:

1. Accounting Concepts and

2. Accounting Conventions.

Meaning of Accounting Convention:

An accounting convention is a common practice which is universally followed in recording and presenting accounting information of business. They are like customs that are followed in a society. As a society develops its own customs for its day to day work, conventions are developed by business to facilitate its recording of business transactions in the books of accounts. The object is to make accounting data more useful. Following are the accounting conventions in the use:

1. Convention of Disclosure

2. Convention of Conservatism

3. Convention of Materiality

4. Convention of Consistency

Journal:

Journal is the day-by-day of the business, wherein both the aspects of all business transaction are recorded in chronological order i.e. date – wise. The journal is, thus, a Book of Prime Entry. It is otherwise known as the Book of Original Entry. These entries are then posted from the journal into the ledger.

RULES OF JOURNALS:

The act of recording the transaction in journal is called journalising. This recording is made according to certain rules and these rules are called rules of journalising. The business must enter into transactions with a number of persons or firms, possess some property, for e.g. cash, furniture, machinery etc., to carry on the business, pay certain expenses for e.g. rent, salaries, wages etc., and receive certain incomes , for example, interest, commission etc. The following accounts are required to be maintained. Rules for Debit and Credit are

i. Personal Accounts	**ii. Real Accounts**	**iii. Nominal Accounts**
Debit the Receiver	Debit what comes in	Debit all losses and expenses
Credit the Giver	Credit what goes out	Credit all gains and incomes

Ledger

The transactions relating to person, assets, expenses and income are journalized chronologically, i.e. date- wise. The source of information for the ledger is the journal. Thus, journal is subsidiary to the ledger and the ledger is the principal or main book of account. The method of writing from journal to the ledger is called posting or ledger posting.

An account is a summary of business transactions affecting a person or property or an income or an expense. An account has two sides- Debit and Credit. The left side is known as Debit and the right side is known as Credit. Double entry book-keeping, means recording of both the receiving and giving aspects of every transaction. When an account receives a benefit, the account is debited. When an account gives a benefit, the account is credited. These two aspects are denoted by the symbols Debtor Dr. and Creditor Cr. respectively.

SUBSIDIARY BOOKS:

Maintaining a single 'journal book' in which journal entries are written for each transaction and posting them to ledger is practicable in small business where a single accountant can maintain accounts or the owner himself can do the accounts work. The various subsidiary books are maintained are as follows:

1. Purchase Books
2. Purchase Returns Books
3. Sales Books
4. Sales Returns Books
5. Debit Note
6. Credit Note
7. Cash Book (Simple Cash Book, Cash Book with Discount and Cash Columns. Cash Book with Discount, Cash and Bank Columns. Analytical Petty Cash Book).
8. Journal Proper

TRIAL BALANCE:

Books of accounts of a firm are closed at the end of the year, but they may be closed at any time according to the requirements of the proprietor. When ever books are closed, balances are found out in various accounts and then, these balances are recorded in a statement which has four columns. viz Particulars, L.F, Debit Balances and Credit Balances and this statement is called Trial Balance. The only condition is the accounts must be balance in order to draw a Trial Balance.

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.

FINAL ACCOUNTS OF A SOLE TRADER:

A Trial Balance marks a definite stage in the preparation of accounts. It indicates that all the transaction for a particular period has been duly entered, posted and balanced. But this it self is not the end of book-keeping work. It's a means to an end, the end being a. to find out the profit or loss made by the business firm in given period and b. to understand the financial position of the business as on a given date. A business man can ascertain these by preparing the final accounts, which is prepared on the basis of the trial balance. The final account includes manufacturing account, trading accounts, profit and loss account and balance sheet. Even though the balance sheet is a statement, for all practical purposes, it is treated as part of final accounts.

Trading account:

Trading account is prepared mainly to know the profitability of goods bought or manufacture and sold by the business man. The difference between the selling price and cost price of the goods is the gross result. The term 'Goods' means the goods bought for resale. It does not include assets. If sale proceeds are more than the cost of goods sold, gross profit is made. If sale proceeds are less than the cost of the goods sold, gross loss is incurred.

Format:

Trading Account for the year ended on 31st December

Dr.

Cr.

Trading Account for the year ended on 31st December

To Opening Stock	-	By Sales less Return	-
To Purchases less Returns	-	By Closing Stock	-
To Wages	-		-
To Charges	-		-
To Freight	-		-
To Dock Charges	-		-
To Excise Duty	-		-
To Octopi	-		-
To Import duty	-		
-			
To Fuel, Power etc.	-		
-			
To Store Consumed	-		
-			
To Royalty Production Basis.	-		
-			
To Manufacturing expenses	-		
-To Gross Profit	-		
-			

MANUFACTURING ACCOUNT:

A business man purchases finished goods for resale where as a manufacturer buys raw materials, converts them in to finished goods, by incurring certain expenses, and then sells them. Thus, Trading Account is spitted into two-Manufacturing Account and Trading Account. Manufacturing account is the account to show the cost of manufacture or production. On the debit side, opening stock of raw materials, work-in-process, purchase of raw materials, carriage, manufacturing expenses and all other expenses relating to factory are entered. On the credit side, closing stock of raw materials, work-in-process, are shown and the balance, representing the cost of production of finished goods, is transferred to Trading Account. If one wants to know the cost of manufacturing, then as Manufacturing Account will have to be prepared.

PROFIT AND LOSS ACCOUNT:

By preparing the Trading Account, it's possible to find out the Gross Profit or Gross Loss made during the given period. The next step is the preparation of the Profit and Loss Account to ascertain net profit earned or net lost suffered during a given period of time. The balance of Trading Account is brought down to Profit and Loss Account.

Profit and Loss Account for the year ended on 31st December

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Gross Loss	-	By Gross Profit	-
To Management expenses :	-	By Interest Received	-
Office Salaries	-	By Discount Received	-
Rent of Office Building	-	By Commission	-
Office Lighting	-	By Income from Investment	-

Office, Rent and Taxes	-	By Apprenticeship Premium	-
Printing and Stationery	-	By Rent from tenants	-
Telephone Charges	-	By Reserve for Discount on Creditors	-
Postage	-	By Interest on Renewal of Bills	-
Legal Expenses	-	By Miscellaneous income	-
Audit Fees	-	By Net Loss	-
Insurance	-		-
General expenses etc	-		-
To Selling expenses:	-		-
Salesman Salaries	-		-
Traveling expenses	-		-
Advertising	-		-
Bad Debts	-		-
Selling Commission	-		-
Free Samples	-		-
Brokerage	-		-
To Distribution expenses :	-		-
Carriage out	-		-
Warehouse Rent	-		-

Warehouse Insurance	-		-
Delivery Van expenses	-		-
Packing expenses	-		-
To Depreciation:	-		-
Depreciation of Assets	-		-
Maintenance expenses	-		-
To Finance expenses	-		-
Discount Allowed	-		-
Interest on Loan	-		-
Interest on Capital	-		-
Discount on Bills	-		-
Loss by Fire	-		-
To Net Profit	-		-

BALANCE SHEET:

A Balance Sheet is a statement of the financial position at a given date. The given date is the date at which the final accounts are prepaid. Balance Sheet is also known as a Statement of Assets and Liabilities. Balance sheet is the last and the most important link in the chain of Final Accounts and Statements. It describes the financial position of a business in a systematic standard form. It is a mirror of a business. When the assets exceed the liabilities, one can conclude that the business is sound and solvent. The function of the Balance Sheet is to show the picture of the business on a particular date.

Balance Sheet as on 31st December.

Assets	Rs.	Liabilities	Rs.
Current liabilities	-	Liquid assets	-
Bills Payable	-	Cash in Hand	-
Sundry Creditors	-	Cash at Bank	-
Bank Overdraft	-	Cash in Transit	-
Long Term Liabilities	-	Floating Assets	-
Loan from Bank	-	Sundry Debtors	-
Deposits	-	Investments	-
	-	Bills Receivable	-
Fixed Liabilities	-	Stock in Trade	-
Capital	-	Prepaid expenses	-
	-	Fixed Assets	-
	-	Plant and Machinery	-
	-	Buildings	-
	-	Furniture & Fixtures	-
	-	Land	-
	-	Fictitious Assets	-
	-	Advertisement	-

	-	Miscellaneous expenses	-
	-	Profit & Loss	-
	-	Intangible Assets	-
	-	Goodwill	-
	-	Patents	-
	-	Patterns	-
	-	Copyright	-

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 organizations the opportunity to focus resources on core processes. Organizations 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 standardization 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

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.

Meaning and 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.

1. **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.
2. **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.
3. **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.

FACILITY MANAGEMENT:

According to International Facilitates Management, Facility management is defined as "Management of a vital asset , the organization facilities"

Legal services:

Legal services includes many a series and to name a few ,

- Providing legal advice,
- Provide various judgments
- Legal opinion, filling pleading and
- Defending law suits and
- Lack office services.

BPS:

- Banking and financial services
- Insurance
- Pharmaceutical
- Manufacturing
- Media and information services
- Retail and consumer packaged goods
- Telecom
- Travel and hospitality
- Environment resource utilities.

Horizontal services means, BPs services which cut across all verticals. Some of the horizontal services handled by BPS are,

-Finance and accounting

-Human resources

-Collections

-Customer interaction management

-Supply chain management

-Market research

TYPES OF BPS

1. Transaction processing
2. Data services
3. Voice services
4. Blend services
5. Comprehend

BPS INDUSTRY IN INDIA

Analysts believe that India remains a vital destination for outsourcing and expect its annual GDP to grow at 8–10% for the next decade. In addition, outsourcing efforts to India are held up as an effective remedy for concerns about both Chinese government policy and labour force issues, such as increasing costs and shortages.

The industry has been growing rapidly. It grew at a rate of 38% over 2005. For the FY06 financial year the projections is of US$7.2 billion worth of services provided by this industry. The base in terms of headcount being roughly 400,000 people directly employed in this Industry. The global BPO Industry is estimated to be worth 120–150 billion dollars, of this the offshore BPO is estimated to be some US$11.4 billion. India thus has some 5–6% share of the total Industry, but a commanding 63% share of the offshore component. The U.S $7.2 billion also represents some 20% of the IT and BPO Industry which is in total expected to have revenues worth US$36 billion for 2006. The headcount at 400,000 is some 40% of the approximate one million workers estimated to be directly employed in the IT and BPO Sector.

The related Industry dependent on this are Catering, BPO training and recruitment, transport vendors (home pick up and drops for night shifts being the norm in the industry), security agencies, facilities management companies.

POSSIBLE QUESTOINS

Part – B (2 marks)

1. Define accounting.
2. What are the types of accounting
3. What is meant by accounting concepts
4. List accounting assumption
5. Give the golden rules of accounting.
6. What is a captive BPO?
7. What is Business entity assumption?
8. What is Supply chain management?
9. Define Purchase order.
10. What do you mean by outsourcing?
11. Give the general format for final accounts
12. What is accounting business cycle?
13. What are the types of BPO?
14. Write short note on data services
15. What do you mean by third party business?

POSSIBLE QUESTIONS

Part – C (6 marks)

1. Define accounting. Explain its objectives.
2. Explain the concepts and conventions of accounting
3. Discuss the classification of BPS
4. Enumerate the accounting cycle.
5. What is voucher? Explain its features.
6. Narrate the types of organization
7. Narrate the importance of outsourcing.
8. Explain about facility management and e-logistics.
9. Discuss the types of services offered in BPS industry.
10. Narrate the future and challenges of BPS industry in India.

KARPAGAM ACADEMY OF HIGHER EDUCATION
DEPARTMENT OF COMMRCE
BUSINESS PROCESS SERVICES IN FINANCE AND ACCOUNTING -19BPU201
I B.COM BPS
UNIT I

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
____________ 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
Expand ITES	Information enabled services	Information Technology enabled services	Into new exchange services	Improving existing services	Information Technology enabled services
________________services means a combination of both data and voice services	comprehensive	data	Transaction	blend	blend
_________________includes all activities and processes that are required to supply a product to a final consumer.	retailing	logistics	supply chain	delivering	supply chain
Which of the following is not a participant in supply chain?	Sources of supplies	storage	Distribution channels	calling	calling
Supply chain____________calls for determining numbers and location of each participant	introduction	configuration	channel	process	configuration
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
____________can defined as an end user	customer	employer	wholesaler	retailer	customer
Customer order is the trigger for the ____________supply chain process	push	pull	tense	synchronous	pull
Demand forecast is the trigger for _____process	pull	push	synchronous	tense	push
Items used in production that do not become part of the product	raw material	anticipatory inv	WIP	MROs	MROs

____________inventory is stored to be sold when market price are high	hedge	anticipatory	MROs	Transportation	hedge
______________are items used to support general operations and maintenance	WIP	MROs	anticipatory inventory	raw material	MROs
This method uses cost determined before production begins	FIFO	LIFO	AVERAGE COST	STANDARD COST	STANDAR D COST
______________method helps in controlling inventory	ABC Inventory control	HEDGE	FIFO	LIFO	ABC Inventory control
____________is demand driven by the demand of another item	dependent	independent	actual	competitive	dependent
____________________ia s service industry which provides support to movement of stock at both input and output stages	BPS	Logistics	SCM	ASN	Logistics
Most of F&A services are _________________centric services	voice	data	transaction	function	data
_________________based BPS service covers F&A, HR, Payroll	Non-voice	voice	transaction	function	Non-voice
_________________based BPS services are usually involved in activities like call or contact centers or customer service help desks	Non-voice	voice	transaction	function	voice
Supply chain consists of____________phases to the flow of material	2	3	5	4	3
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
________________can be defined as an end user	supplier	manufacturer	wholesaler	customer	customer
_______________ has the biggest advantage of service speed when compared to other transportation modes	rail transportation	air transportatio	pipe lines	water transportation	air transportatio n
Orders strictly placed as per the requirement is called ________________	FOQ	POQ	EOQ	LOT- for LOT	LOT- for LOT

Planned order report contains order details to be released to the ___________________	supplier	manufacturer	wholesaler	customer	supplier
_______________ is the premier organization that represents the Indian service industry	COSO	NASSCOM	SEM	IFRS	NASSCOM
The newest items in stock are sold first in __________	FIFO	Fixed pricing	LIFO	Standard cost	LIFO
Trade discount is granted by a manufacturer to buyers in the ____________trade	different	distinct	same	competitive	same
____________________inventory are built up in expectation of future demand.	Fluctuation	Anticipation	Distribution	MRO	Anticipation
The oldest items in stock are sold first in __________	FIFO	Fixed pricing	LIFO	Standard cost	FIFO
ABC Inventory control helps in determining the __________of items	image	introduction	importance	instinct	importance
Trade discount is also known as______________discount	Quality	Quantity	cost	cash	Quantity
______________is the initiation of the purchase process.	PR	PO	AP	Place	PR
Demands are of __________types.	two	eight	six	five	two
The main role of MRP is to know when the material is _______________	Over	Available	required	Dispatched	required
__________________is a proof document sent by the supplier to buyer for the return of materials or defective goods delivered.	debit note	credit note	return note	accounts receipt	credit note
If the buyer returns the goods to the seller it is called__________	purchase return	sales return	purchase allowance	goods returned	purchase return
The liability of a sole-trading concern is___________	limited	long	unlimited	personal	unlimited
For any supplies, the purchase department will obtain at least __________________quotations.	Two	Four	Three	Five	Three
Once the rates are finalized a PO will be raised on the _______________	client	customer	company	vendor	vendor
Which of the following organizations is a non- profit organization?	FMCG	Partnership	Trade union	Limited Company	Trade union
BPS is contracting a specific business task to a ___________provider	Enterprise	individual	third party	agreed	third party

If the buyer agrees to keep the product with minor defects at a reduced price, it is called ____________	purchase return	purchase allowa	sales allowance	sales return	purchase allowance
_____________assumption assumes that all the transactions are recorded in terms of money.	Business entity	Monetary	Going concern	Periodic	Monetary
Services are awarded to a BPS entity in neighborhood countries in _______outsourcing.	Offshore	Near shore	Onshore	foreign	Near shore
Purchase returns and allowances are supported by a ____________note from the vendor	debit note	credit	invoice	return	credit
In ________convention trivial matters are to be disregarded so that the disclosure is not burdened with minute details.	Materiality	Conservatism	Consistency	Full disclosure	Materiality
The processing of a credit note is done only after verifying that the original ________has been processed	invoice	voucher	receipt	item	invoice
_____________is the proof of document sent by supplier to buyer for return of materials	credit note	debit note	invoice	return	credit note
Companies into manufacturing and trading are maintaining their stock transactions in a separate module are called __________	Stock Module	Inventory Modu	Storage Module	None of these	Inventory Module
Which of the following is an example of Liability accounts?	Bank Loan	Interest Expens	Salaries & Wages	Stock	Bank Loan
payment of utility bill is an example of _______________	AP	AR	GL	EFT	AP
________________is an integral part of procurement and AP control environment	customer master file	vendor master f	employee master file	credit control	vendor master file
_______________ is restricted to a few individuals of the department	Blocking	Unblocking	Authorization	Editing	Authorization
Vendor information will be sent ______________ by fax, email or work flow tool.	physically	virtually	electronically	identically	electronically
SRF refers to ____________	Supplier renewal form	Supplier restora	Supplier reform file	Supplier registration form	Supplier registration form
Suppliers are expected to constantly ______________their personal information.	edit	alter	change	update	update

Choice of______________is important as it can directly influence the level of customer service	manufacturer	supplier	channel	retail	channel
If the buyer returns the goods to the seller it is a__________ for the buyer.	purchase return	purchase	sales	sales return	purchase return

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.,

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. Voucher, or vouched, means that an invoice is approved for payment and has been recorded in the General Ledger or AP sub ledger 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 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 e-Payables) 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.

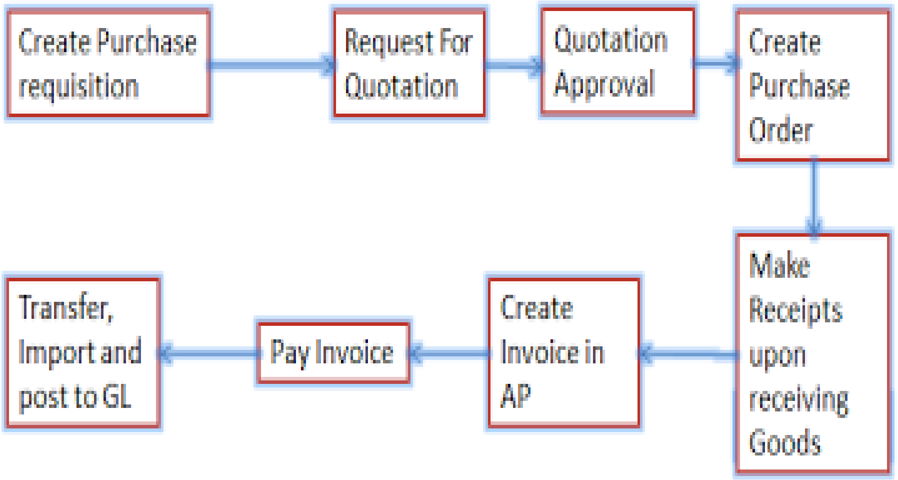
3-Way Match

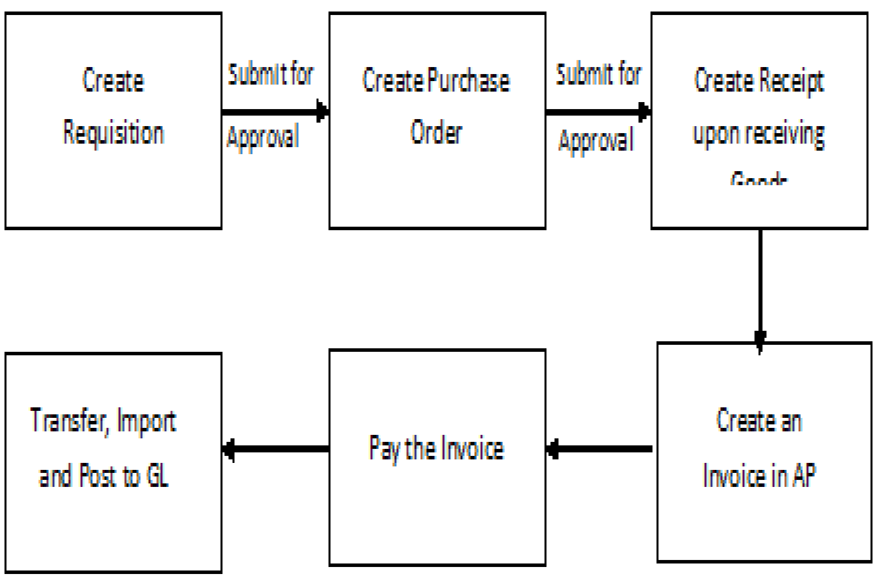
The accounts payable department receives the purchase order, invoice, and delivery documents such as goods received note and packing slips.

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.

OBJECTIVES OF PURCHASE DEPARTMENT

- To purchase the required material at minimum possible price by following the company policies.
- to keep department expenses low.
- Development of good & new vendors (suppliers).
- Development of good relation with the existing suppliers.
- training & development of personal employees in department.
- to maintain proper & up to date records of all transactions.
- Participating in development of new material and products.
- to contribute in product improvement.
- to take Economic "MAKE OR BUY" decisions.
- to avoid Stock- out situations.
- to develop policies & procedure.
- Towards Reducing the Inventory Cost
- to maintain of ROL
- To help the practiosioner

PURCHASING CYCLE :

1) Indent

2) purchase Requisition

3) Purchase Quotation

4) Purchase Order

5) Goods Receipt

6) Purchase Invoice

7) Payment out

8) Goods Issue

9) Approval to Management

PURCHASE CYCLE

- Get Requirement from User Department with Proper specification.
- Send the INQUIRY to the Vendors(Suppliers). (Request Quotation)
- Get the QUOTATIONS from Vendors.
- Make COMPARATIVE Statement.
- NEGOTIATE, Fix the Price and Terms & Conditions.
- Place the ORDER to the right Vendor.
- FOLLOW up with Vendor.

PURCHASE PROCESS

Purchasing Process includes as usual 8 main stages as follows:

1. Market survey
2. Requisitioning
3. Approving

4. Studying Market
5. Making Purchase Decision
6. Placing Orders
7. Receipting Goods and Services Received
8. Accounting Goods and Services
9. Receiving Invoices and Making Payment
10. Credit note in case of material defect

SAMPLE OF PURCHASE ORDER

Your Company Name
Your Company Slogan

Address
City, State ZIP
Phone 123.456.7890 Fax 123.456.7891

PURCHASE ORDER

The following number must appear on all related correspondence, shipping papers, and invoices:

P.O. NUMBER: 100

To:
Name
Company
Address
City, State ZIP
Phone

Ship To:
Name
Company
Address
City, State ZIP
Phone

P.O. DATE	REQUISITIONER	SHIPPED VIA	F.O.B. POINT	TERMS
				Due on receipt

QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	TOTAL
				$ -
				$ -
				$ -
				$ -
				$ -
				$ -
				$ -
				$ -
				$ -
			SUBTOTAL	$ -
			TAX RATE	8.60%
			SALES TAX	-
			SHIPPING & HANDLING	-
			OTHER	-
			TOTAL	**$ -**

1. Please send two copies of your invoice.
2. Enter this order in accordance with the prices, terms, delivery method, and specifications listed.
3. Please notify us immediately if you are unable to ship as specified.
4. **Send all correspondence to:**
   Name
   Address
   Phone: Fax:

AUTHORIZATION

Authorized by Date

PURCHASE REPORTING

Purchasing Reporting includes;

- comparing actual and estimated values
- calculating purchasing task and project statistics
- sorting, grouping or filtering tasks by attributes
- creating charts to visualize key statistics and KPIs

THE IMPACT OF PURCHASING MANAGEMENT

A large study based on 175 company surveys with a respond rate of 22% performed by Carr and Pearson (2002) shows that the factors strategic purchasing and Purchasing Management have a positive impact on the firm's financial performance in both small and large firms. Carr and Pearson (2002) also write that Purchasing Management and supplier involvement does affect the success of a new product introduction. This study also shows that a link exist between implementation of strategic Purchasing Management and achievements of a firm's comprehensive goals. It is also stated in the report by Carr and Pearson (2002) that it is believed that most firms recognize the importance of strategic purchasing, because they spend a large percentage of their sales on purchased inputs. Carr and Pearson (2002) also finish their study with the words "Based on this study, management should better understand the importance of Purchasing Management, supplier involvement, strategic purchasing and its relationships with firm's financial performance

QUOTATION PROCESS

In accordance with the MIoD's Procurement Policy, three written quotations are required for any purchases under Rs 100,000. Requests for quotations can be made verbally or in writing. Generally such purchases are characterized by simple specifications.

In seeking written quotations the supplier should be asked to submit details of price, time required for delivery, trade or early payment discounts, any other costs associated with delivery and carriage and, where appropriate, the cost of maintenance. Suppliers should be given a reasonable period to respond to enquiries. All quotation responses should be recorded on the MIoD Quotation Summary Form. If 3 quotes for the product or service required cannot be obtained, or it is impractical to do so, then approval must be given by the CEO to waive this and the waiver recorded on the Quotation Summary Form.2 In accordance with the MIoD's Procurement Policy, the Board or appropriate Board Committee must approve any expenditure over Rs 50,000andthis approval should be recorded on the MIoD Quotation Summary Form.

INVENTORY MANAGEMENT

A company's inventory is one of its most valuable assets. In retail, manufacturing, food service and other inventory-intensive sectors, a company's inputs and finished products are the core of its business, and a shortage of inventory when and where it's needed can be extremely detrimental. At the same time, inventory can be thought of as a liability (if not in an accounting sense). A large inventory carries the risk of spoilage, theft, damage, or shifts in demand. Inventory must be insured, and if it is not sold in time it may have to be disposed of at clearance prices – or simply destroyed.

Appropriate inventory management strategies vary depending on the industry. An oil depot is able to store large amounts of inventory for extended periods of time, allowing it to wait for demand to pick up. While storing oil is expensive and risky – a fire in the UK in 2005 led to millions of pounds in damage and fines – there is no risk that the inventory will spoil or go out of style. For businesses dealing in perishable goods or products for which demand is extremely time-sensitive – 2017 calendars or fast-fashion items, for example – sitting on inventory is not an option, and misjudging the timing or quantities of orders can be costly.

For companies with complex supply chains and manufacturing processes, balancing the risks of inventory gluts and shortages is especially difficult. To achieve these balances, firms have developed two major methods for inventory management: just-in-time and materials requirement planning.

JUST-IN-TIME

Just-in-time (JIT) manufacturing originated in Japan in the 1960s and 1970s; Toyota Motor Corp. (TM) contributed the most to its development. The method allows companies to save significant amounts of money and reduce waste by keeping only the inventory they need to produce and sell products. This approach reduces storage and insurance costs, as well as the cost of liquidating or discarding excess inventory.

JIT inventory management can be risky. If demand unexpectedly spikes, the manufacturer may not be able to source the inventory it needs to meet that demand, damaging its reputation with customers and driving business towards competitors. Even the smallest delays can be problematic; if a key input does not arrive "just in time," a bottleneck can result.

OBJECTIVES OF INVENTORY MANAGEMENT:

The main objective of inventory management is to maintain inventory at appropriate level to avoid excessive or shortage of inventory because both the cases are undesirable for business. Thus, management is faced with the following conflicting objectives:

1. To keep inventory at sufficiently high level to perform production and sales activities smoothly.
2. To minimize investment in inventory at minimum level to maximize profitability.

Other objectives of inventory management are explained as under:-

1. To ensure that the supply of raw material & finished goods will remain continuous so that production process is not halted and demands of customers are duly met.

2. To minimize carrying cost of inventory.

3. To keep investment in inventory at optimum level.

4. To reduce the losses of theft, obsolescence & wastage etc.

5. To make arrangement for sale of slow moving items.
6. To minimize inventory ordering costs.

TRANSPORTATION

Transportation plays a major role in the economy. It increases the production efficiency and it links to the logistics system. Vehicle should have some characteristics which are used for easy transport of goods and services.

Transportation is generally of two types. They are public transport and transport for non generic-use. Public transport is nothing but which is used for meeting the needs of all sectors of the people for transportation of goods and services. Transport non-generic will be for the plant operations here the transportation means may be by the non-transport enterprises.

Coming to the different types of transport which are usage generally are:

1. Rail:

Advantages:

- Ability of loading and unloading goods and services is more.
- Frequency of delivering the goods over long distances is more.
- Climatic conditions have no effect
- No traffic or congestion easy movement of the vehicle.

Disadvantages:

- Capital and initial investments are more.
- High material usage for the construction and even the fuel consumption
- The above are some of the advantages and disadvantages of using the rail.

2. Road:

Advantages:

- High flexibity and ability to move the vehicles fastly.
- Uses different routes to reach the destination quickly.
- Does door to door service
- High safety for the cargo.
- Chance to select the carrier which is suitable for carrying the goods.

Disadvantages:

- It mostly depends on climatic conditions.
- High cost for long distances.
- Productivity is low.
- Some of the advantages and disadvantages are discussed above.

3. Air:

Advantages:

- Highest speed
- Even delivers goods to remote places.
- High reliability

Disadvantages:

- Highest cost of transportation.
- Even adverse weather conditions effect the transportation.
- Material and fuel consumption is costly.

4.Water:

Advantages: It is economical mode for transporting heavy loads and even cargo.

- It is the safest mode which provides convenience to the people without accidents.
- Cost of construction and maintenance is very low.
- It even provides international transport

Disadvantages:

- It is highly affected by the weather conditions.
- It requires large initial investment
- It is a slow process.

MATERIALS REQUIREMENT PLANNING

The materials requirement planning (MRP) inventory management method is sales-forecast dependent, meaning that manufacturers must have accurate sales records to enable accurate planning of inventory needs and to communicate those needs with materials suppliers in a timely manner. For example, a ski manufacturer using an MRP inventory system might ensure that materials such as plastic, fiberglass, wood and aluminum are in stock based on forecasted orders. Inability to accurately forecast sales and plan inventory acquisitions results in a manufacturer's inability to fulfill orders.

Inputs to MRP

- Bills of materials
- Master Production schedule
- Outputs

We've outlined the 2 different ground freight options available and defined which one is best for your shipping needs.

LESS THAN TRUCKLOAD SHIPPING (LTL)

LTL is a type of ground freight transportation that combines shipments from multiple customers. Businesses choose this budget-friendly option when the consumer demand for their products is average or stable.

Less than truckload shipping is affordable for small business because you share the transportation costs with other companies, and use a third-party logistics (3PL) company. Each company takes up a portion of the truck for their goods and only pays according to the amount of product shipped and the length of travel.

LTL shipments often make several stops and unpack and re-pack goods. The shipment will take longer to reach the destination but you'll save on shipping costs. An experienced transportation logistics company will work hard to save you money by matching your shipments with regular scheduled shipments heading to the same destination.

ADVANTAGES OF LTL:

Cost effective freight transportation

Ideal for small businesses

FULL TRUCKLOAD SHIPPING (FTL)

Full truckload can mean 2 things; either you have enough products to fill a full truckload, or you have a partial load but you prefer a dedicated truck. Full truckload is often chosen when businesses have 10 pallets or more to ship, when they have high risk packages, or when time is an issue (FTL is faster).

Full truckload costs more than LTL, but it will get your shipment delivered faster—At JBT, we're proud to point out that our FTL pickup and delivery arrives on schedule 99% of the time!

ADVANTAGES OF FTL:

- Best way to transport large shipments
- Ideal for high risk or delicate freight shipments
- Shipment remains in the same truck from point A to point B
- Considerably faster than LTL; great for high consumer demand

WHEN SHOULD I CHOOSE FTL OR LTL

When selecting to ship a truckload or less than truckload you will, need to consider these things: the size of your shipment, your shipping budget, how fast you need it delivered, and how delicate your shipment is (is it easily damaged? Or is it temperature sensitive?) If the shipment is large, fragile, and it needs to reach a destination quickly, then FTL is the way to go.

What about the weight for your shipment? Shipments around 100 pounds to 10,000 pounds are usually shipped LTL. Shipments that exceed 10,000 often require a full truckload to ship out. Transportation companies can give you fast and accurate quotes when you have your wants, needs, and product specs defined.

PRIDE CATERING FTL TERMS & CONDITIONS

The following terms and conditions are established to assist you in arranging your function. These terms and conditions are intended to ensure the highest level of quality in your food & beverage services. Any addendums to these terms must be in writing and signed by all parties involved.

ATTENDANCE

Final Guest count for an event must be received 5 full working days prior to the event. This count becomes your guaranteed number and is not subject to reduction. If attendance is more than 10% above the guaranteed number, we will make every effort to accommodate your group. However, we cannot guarantee availability of additional items as specified in the original order and will be substituted and billed accordingly.

LATE BOOKINGS

We encourage you to reserve and book your date as soon as possible. Dates will not be held or reserved until contract is signed and the non-refundable deposit is made. We reserve the right to refuse events that are requested late or exceed our capacity to provide service. All bookings made within 72 hours prior to an event are subject to full payment due at the time an invoice is agreed upon.

PAYMENTS AND DEPOSIT FEE

Billing arrangements for all events must be made in accordance with policies, unless otherwise negotiated. A 50% estimated non-refundable deposit is due at time of booking. Per Florida Statutes, balance payment must be paid prior to service unless otherwise specified and arranged. We accept cash, checks, Visa, MasterCard and American Express, Zelle and Cash app. Credit cards are subject to an additional 3.5% processing fee and are required to have an authorization form filled out before processing. Checks are made payable to Pride Catering FTL. If we receive a payment for services via check and that payment clears as NSF, you will be responsible for a $45.00 NSF bank fee which will be added to your invoice

CANCELLATIONS

If the client cancels a contracted event, Pride Catering FTL will retain the deposit/retainer fee as liquidated damages. In some special circumstances, deposits for cancelled events may be held for up to 1 (one) year, to be put towards another catering event booked with Pride Catering FTL. Future events must be booked in the same manner, adhering to a newly signed catering contract.

Garbage

Garbage disposal is the responsibility of the party Host. Where the event is a home-based party, the owner of the home or Host of the party will maintain of and dispose of all garbage. Catering staff will gather and tie up all garbage bags. Where the venue requires garbage disposal, on site garbage bins must be present for the caterer to dispose of same. Where a homeowner, or hall/venue, does not provide garbage disposal or requires the caterer to remove off-site, garbage, a $125 disposal fee will be applied for arranging garbage pick-up and removal.

EQUIPMENT

We reserve the right to charge for missing or damaged equipment attributed to individuals attending a catered event. Final bill for any damaged or missing equipment will be sent to the organizer/contract holder within 14 days after the event. Payment is due upon receipt.

LOAD IN AND LOAD OUT

Load in for an event may only take place in the scheduled times, as provided by your Catering manager, and in relation to your venues specifications. Your Catering Manager will contact your suppliers to discuss these time restrictions. Suppliers arriving prior to the load in time will not be given entry unless the venue has accommodated an earlier timeframe. Where load out must occur on the same evening of the event, rental pick up and removal will have an increased charge.

Please ensure all timelines are matched with your appropriate venue. Pride Catering FTL is not responsible for items left behind at the conclusion of an event.

SERVICE STAFF

Where Service Staff are requested at the event, a 4-hour minimum guarantee will be quoted, is billed at a rate of $25.00 per hour/per staff member plus gratuity. We reserve the right to increase or decrease the number of staff if guaranteed guest count is 10% higher or lower than the number included in this contract. All Service Staff hours are provided on the catering work order at an estimated time (set up, service, clean up or tear down) depending on the catering needs. Where overtime is incurred, the actual hours worked by staff at the event will be reflected on the invoice one (1) day following the event. Payment is due upon receipt. Where staff is necessary for the overall success of the event, including presentation of the food and assistance to the catering team, staff will be non-negotiable for dinner parties greater than 8 people, cocktail parties greater than 20 people and where deemed necessary by the Catering Manager.

BARTENDER SERVICE

Bartender service is an additional charge and is billed at a rate of $25.00 per hour/per staff member plus gratuity. Bartenders must be booked for a minimum of 4 hours, and must be scheduled for entire service time, plus one hour for set up and half hour for cleanup where applicable. We use Smart Serve staff only. If you do not use our Smart Serve certified bartenders (decline bar service) for your function, we shall take no responsibility for the alcohol service or restocking of the bar, ice, cleaning glassware etc. at the event/function. This responsibility falls with the Host and their selected bartenders or bar service.

ALCOHOL

We reserve the right to request identification and/or to refuse service at any event. We reserve the right to close the bar service due to patron interactions. Pride Catering FTL will hold no liability to any damages to Guests or event location on or off premises. All Liquor permits and any additional insurance coverage are up to the event organizer and Host to purchase and organize and must be obtained and available for perusal at event location. Pride Catering FTL does not hold a liquor license at this time. Your catering manager can advise you on how much/which types of alcohol and mixers to provide. Pride Catering FTL does however provide a bar service – cups, ice, bar fruit, napkins, and straws for a nominal fee based on the event date/time/location/guest count, etc. We can provide the mixers for a nominal fee. We do not sell alcohol.

TASTINGS

The purpose of the tasting is to show how the menu items that have been chosen for the event will be presented and garnished and give the client an opportunity to provide feedback and request any changes. Tastings can be accommodated for 1 to 6 people. If the client has already contracted the event, there is no charge for the tasting and all menu items will reflect your chosen menu. For persons/groups still trying to decide on using our services, a charge of $30.00 per person for the tasting will apply (see “Payments and Deposit Fee”). The menu will be reflective of our capabilities. Upon booking with a signed contract and deposit, this fee is then deducted from your final invoice. We are always happy to provide references of past and current clients, to reach out to and discuss our services if needed. Please speak to us for more details.

TAXES

All applicable government taxes will be imposed and paid by the client at the rate set by the county in which the event takes place.

RENTALS

Rentals must be finalized 1 week prior to your event. Pride Catering FTL will make every effort to accommodate last minute changes, but this is not a guarantee. The dishes, glassware and flatware are checked before each rental and upon return. Items that are chipped are considered broken. A replacement fee will be charged for broken or missing items. Please treat these items as your own. They are expensive. Rental fees do not include heavy cleaning. In the event that tables, chairs, grills, tents & other large items that need to be delivered, it is understood that these items will not be picked up the same day as the event. Please refer to "Load In and Load Out" Section above for more details". Rentals may be picked up by the client at a no cost. Delivery of any rentals and/or setup of rentals will incur a fee.

CANCELLATION BY ACTS OF GOD AND/OR FAILURE TO PROVIDE SERVICE

Pride Catering FTL shall have no responsibility or liability for failure to supply any services when prevented from doing so by strikes, accidents, power failure, Acts of God (i.e. flood, fire, etc.), or any other cause beyond the Caterer's control.

EVENT LOCATION

The Client assumes all responsibility for any damages/theft to property rented to the client that may be caused by patrons, members, Guests, or invitees. Rental of location is the sole responsibility of the Client and it is recommended that Client confirm with location that all necessary equipment/rooms are included. A walk thru of the location is generally required for all social events. During the walk thru, your Catering Manager will discuss where items should be best located for your event. At this time, please inform us of any questions or details you may have so that all parties know what is expected and required PRIOR to arrival. Once Pride Catering FTL arrives to the venue, we will immediately get to work on what was planned during the walk thru.

PRICING GUARANTEE

Pride Catering FTL can only guarantee pricing for events for up to one year from date of signed contract. We reserve the right to substitute items that become available in the open market or that exceed reasonable market costs. We will contact the Client for approval if time allows.

PHOTOGRAPHY AND SOCIAL MEDIA EXPOSURE

Pride Catering FTL will take photos before, during, and after your event. The Client understands that it is Pride Catering FTL's intention that these images may be use on our website and/or any lawful social media and marketing platform.

POSSIBLE QUESTOINS

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?

6. What is supply chain?

7. What are the types of transportation?

8. Write short note on Purchase order.

9. Bring out the importance of inventory management.

10. What are the functions of materials storage department?

POSSIBLE QUESTIONS

Part – C (6 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.

6. Discuss the merits and demerits of modes of transportation.

7. Explain the contents of purchase order.

8. Narrate the life cycle of PO invoices and non-PO invoices.

9. Give the flow chart of vendor flow chart.

10. Explain the process involved in optical character reading.

KARPAGAM ACADEMY OF HIGHER EDUCATION
DEPARTMENT OF COMMRCE
BUSINESS PROCESS SERVICES IN FINANCE AND ACCOUNTING -19BPU201
I B.COM BPS
UNIT II

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
All the transactions related to P2P including creating, maintaining the Vender Master etc., are maintained in a separate module is called _______________	Accounts Payable	Accounts Receivable	Accounts Manageable	General ledger	Accounts Payable
____________ is raised to recover the dews from vendor.	invoice	credit note	debit note	voucher	debit note
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
______________have to be created to capture details of vendors.	Employee masters	Vendor Masters	Customer database	Worksheets	Vendor Masters
____________is an adaptive responsive tool used by a customer.	Vendor portal	Dormant portal	Employee register	Operative flow	Vendor portal
Merging of vendor records happens during ____________	acquisition	amalgamation	mid-term	shifts	acquisition
___________shows all parts of raw material required to make final assembly	bill of lading	bill of material	invoice	PO	bill of material
___________refers to the order details to be released to the supplier	planned order report	purchase order report	MRO Report	sales order	planned order report
PR is converted to PO post getting all the __________ by the planner	signature	authentication	approvals	assistance	approvals
_______________refers to the process of making the vendor code operative for future transactions	Blocking	Merging	Unblocking	Creation	Unblocking

After receipt of the PR the purchasing department will call for ___________	negotiation	quotation	application	approval	quotation
____________________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
______________are the purchased items which have not yet entered the production process.	raw materials	Finished goods	Hedge inventory	WIP	raw materials
Payables are also referred to as ___________	outstanding	creditors	debtors	investments	creditors
___________discount is offered by vendors for prompt/early settlement of their bills	cash	trade	cost	quality	cash
In the lifecycle of an invoice ___________analyst queries invoice in the imaging system.	AP	AR	MR	Scanning	AP
_____________vendors are those vendors with whom the business has not placed an order for a reasonable time	Operative	Dormant	Innovative	occupied	Dormant
In ______________system vendor invoices are no longer required	ERS	ERP	Credit	Cash	ERS
______________ payments made will increase the credit rating with D & B agencies.	Late	Early	Casual	Prompt	Prompt
Payment run is carried out based on the payment _____________ assigned to each supplier.	batch	line	priority	time	priority
Prior to sending the payments for approval a payment ____________ is printed for completing the payment approval process.	cheque	book	register	list	register
Expand CRR	cash registered to report	cash recorded to report	Cash requirement report	cash requirement to record	Cash requirement report
_____________indicates poor OCR accuracy.	1-2% incorrect	5% incorrect	6% incorrect	more than 10% incorrect	more than 10% incorrect
The word dormant vendor will also include the __________________of the company.	retailers	promoters	customers	employees	employees

_________will relate to the IT and BPS services offerings to various industries.	ITES	IAS	CSAT	GAAP	ITES
The normal activity in payment processing is to ________the invoices which are valid and due	pay	receive	sign	send	pay
If the Invoice, PO and GRN are not in sync the invoice is ____________	accepted	rejected	renewed	rewritten	rejected
Inventory which is stored to be sold when market prices are high	Hedge	Anticipatory	Fluctuation	Transportation	Hedge
Expand SCM	supply challenge management	supply chain maintenance	supply chain management	seller chain management	supply chain management
____________inventory are built up in expectation of future demand.	Fluctuation	Anticipation	Distribution	MRO	Anticipation
ABC Inventory control helps in determining the _________of items	image	introduction	importance	instinct	importance
Services are awarded to a BPS entity in neighborhood countries in _______outsourcing.	Offshore	Onshore	foreign	near shore	near shore
There are _____________types of company	2	3	4	5	2
The order may be amended by customers this is called order______________	rectification	modification	alteration	Editing	rectification
Huge organizations _____________their non-critical functions	sell	outsource	hire	give	outsource
______________is a permanent record that contains key information about a customer.	Vendor Master	Customer master	Employee master	register	Customer master
____________is an adaptive responsive tool used by a customer.	Vendor portal	Dormant portal	Employee register	Dormant portal	Vendor portal
The word dormant vendor will also include the _________________of the company.	promoters	employees	customers	employers	employees
_______discount is provided to a customer to encourage him to pay before the due date.	trade	quantity	cash	credit	cash

_____________is also known as supplier or creditor reconciliation	vendor reconciliation	reconciliation	customer reconciliation	employee reconciliation	vendor reconciliation
__________________Is the process of obtaining services, supplier and equipment in Conformance with corporate regulation	Logistics	Inventory turnover	Operations	Inventory turnover	Procurement
Process management, plant management, capacity planning - resource, super, schedule jobs/people, waiting like management, and process involvement project are all example ____________ Duties.	Retail	SCM	Operations	Retail management	Operations
__________________Is the process of obtaining services, supplier and equipment in Conformance with corporate regulation	Procurement	Logistics	Operations	Inventory turnover	Procurement
Process management, plant management, capacity planning - resource, super, schedule jobs/people, waiting like management, and process involvement project are all example ____________ Duties.	Logistics	Retail	Operations	SCM	Operations
Merging of vendor records happens during ____________	amalgamation	amalgamation	mid-term	shifts	acquisition
___________shows all parts of raw material required to make final assembly	material	bill of material	invoice	PO	bill of material
___________refers to the order details to be released to the supplier	purchases	purchase order report	MRO Report	sales order	planned order report
PR is converted to PO post getting all the __________ by the planner	Reference	authentication	approvals	assistance	approvals
_______________refers to the process of making the vendor code operative for future transactions	Acquisition	Merging	Unblocking	Creation	Unblocking
After receipt of the PR the purchasing department will call for __________	quotation	estimation	application	approval	quotation
____________________is the process of settling the vendor or supplier's who had provided goods or rendered services.	Accounts Payable	Accounts receivable	Recording	adjusting	Accounts Payable

______________are the purchased items which have not yet entered the production process.	Raw materials	Finished goods	Hedge inventory	WIP	raw materials
Payables are also referred to as ___________	sellers	creditors	debtors	investments	creditors
___________discount is offered by vendors for prompt/early settlement of their bills	trade	cash	cost	quality	cash
In the lifecycle of an invoice ___________analyst queries invoice in the imaging system.	AR	AP	MR	Scanning	AP
_____________vendors are those vendors with whom the business has not placed an order for a reasonable time	Dormant	active	Innovative	occupied	Dormant
In ______________system vendor invoices are no longer required	ERP	ERS	Credit	Cash	ERS
______________ Payments made will increase the credit rating with D & B agencies.	Early	later	Casual	Prompt	Prompt
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 separate module is called ________________	Accounts Receivable	General ledger	ERP	Accounts Payable	Accounts Payable
_____________ is raised to recover the dews from vendor.	credit note	voucher	bill	debit note	debit note

UNIT-III

SYLLABUS

Accounts Payable and Accounts Receivables:

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.

Various Activities in Accounts Receivables 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 Application- 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) e- Effective Management of are Leads to Working Capital Improvement

Accounts Payable:

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 payableliabilities, which are debts created by formal legal instrument documents.[1]

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 Ledger or AP sub ledger 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 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 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.

Internal controls

Accounts payable personnel must watch for fraudulent invoices. In the absence of a purchase order system, the first line of defense is the approving manager. However, AP staff should become familiar with a few common problems, such as "Yellow Pages" ripoffs in which fraudulent operators offer to place an advertisement. The walking-fingers logo has never been trademarked, and there are many different Yellow Pages-style directories, most of which have a small distribution. According to an article in the Winter 2000 American Payroll Association's *Employer Practices*, "Vendors may send documents that look like invoices but in small print they state "this is not a bill." These may be charges for directory listings or advertisements. Recently, some companies have begun sending what appears to be a rebate or refund check; in reality, it is a registration for services that is activated when the document is returned with a signature."

In accounts payable, a simple mistake can cause a large overpayment. A common example involves duplicate invoices. An invoice may be temporarily misplaced or still in the approval status when the vendors calls to inquire into its payment status. After the AP staff member looks it up and finds it has not been paid, the vendor sends a duplicate invoice; meanwhile the original invoice shows up and gets paid. Then the duplicate invoice arrives and inadvertently gets paid as well, perhaps under a slightly different invoice.

AUDIT OF ACCOUNTS PAYABLES

Auditors often focus on the existence of approved invoices, expense reports, and other supporting documentation to support cheques that were cut. The presence of a confirmation or statement from the supplier is reasonable proof of the existence of the account. It is not uncommon for some of this documentation to be lost or misfiled by the time the audit rolls around. An auditor may decide to expand the sample size in such situations.

Auditors typically prepare an aging structure of accounts payable for a better understanding of outstanding debts over certain periods (30, 60, 90 days, etc.). Such structures are helpful in the correct presentation of the balance sheet as of fiscal year end.[

Accounts payable automation

Accounts payable automation or AP automation is a term used to describe the ongoing effort of many companies to streamline the business process of their accounts payable departments. The accounts payable department's main responsibility is to process and review transactions between the company and its suppliers. In other words, it is the accounts payable department's job to make sure all outstanding invoices from their suppliers are approved, processed, and paid. Processing an invoice includes recording important data from the invoice and inputting it into the company’s financial, or bookkeeping, system. After this is accomplished, the invoices must go through the company’s respective business process in order to be paid.

4 key points on accounts payable workflow essentials:

- Invoice entry and sequential categorization
- Invoice routing dispatch and appropriate approval
- Invoice data capture and validation step
- Invoice accurate matching and verification procedure

This process is straightforward but can become very cumbersome, especially if the company has a very large number of invoices. This problem is compounded when invoices that require processing are on paper. This can lead to lost invoices,human error during data entry, and invoice duplicates. These and other problems lead to a high cost per invoice metric. The goal of automating the accounts payable department is to streamline this invoicing process, eliminate potential human error, and lower the cost per invoice[9]

Some of the most common AP automation solutions include E-invoicing, scanning and workflow, online tracking, reporting capabilities, electronic invoice user interfaces, supplier networks, payment services and spend analytics for all invoices.[10]

Electronic Invoicing can be a very useful tool for the AP department. Electronic invoicing allows vendors to submit invoices over the internet and have those invoices automatically routed and processed. Because invoice arrival and presentation is almost immediate invoices are paid sooner; therefore, the amount of time and money it takes to process these invoices is greatly reduced. (Financial Operations Networks, 2008) These solutions usually involve a third party company that provides and supports an application which allows a supplier to submit an electronic invoice to their customer for immediate routing, approval, and payment. These applications are tied to databases which archive transaction information between trading partners. (US Bank, Scott Hesse, 2010) The invoices may be submitted in a number of ways, including EDI, CSV, or XMLuploads. PDF files, or online invoice templates. Because E-invoicing includes so many different technologies and entry options, it is used as an umbrella term to describe any method by which an invoice is electronically presented to a customer for payment.[11]

Procure-to-pay(P2P) is a term used in the software industry to designate a specific subdivision of the procurement process.

The procure-to-pay systems enable the integration of the purchasing department with the accounts payable (AP) department. Some of the largest players of the software industry agree on a common definition of procure-to-pay, linking theprocurement process and financial department. The steps usually included are:

- Supply management
- Cart or requisition
- Purchase order
- Receiving
- Invoice reconciliation
- Accounts payable

Benefits of P2P:

Procure-to-pay systems are designed to provide organizations with control and visibility over the entire life-cycle of a transaction – from the way an item – providing full insight into cash-flow and financial commitments. Most of the companies using these systems look for a centralization of their procurement department, or to set up a shared services organization for the same purpose.[2]

According to the Aberdeen Group, despite the availability of technology which can dramatically reduce the mountains of paperwork and inefficiencies plaguing accounts payable, few companies have addressed AP transformation like other processes essential to the business.[3]

Vendor Master Creation and Maintenance:

The vendor master database contains information about the vendors that supply an enterprise. This information is stored in individual vendor master records. A vendor master record contains the vendor's name and address, as well as data such as:

- The currency used for ordering from the vendor
- Terms of payment
- Names of important contact persons (sales staff)

Since, to the accounts department, vendors are generally creditors (accounts payable), the vendor master record also contains accounting information, such as the relevant control account (reconciliation account) in the general ledger.

Therefore, the vendor master record is maintained by both ***Accounting*** and ***Purchasing***

FEATURES

Vendor master records contain important data on your vendors. You can also store data in the vendor master record that applies to certain specific organizational levels (e.g. company code, purchasing organization, plant) within your enterprise.

The vendor master record consists of three areas:

1. ***General data***
2. Data that applies equally to each company code within your enterprise (address, telephone number, language in which you communicate with your vendor, etc.).
3. ***Company code data***
4. Data kept at company code level (payment transaction data or number of control account, for example).
5. ***Purchasing data***

Data that is of importance with regard to your enterprise's purchasing activities and which is kept at purchasing organization level (such as contact person or terms of delivery).

The following Data Retention Levels of particular relevance to the wholesale/retail trade exist below the "purchasing organization" level:

- Vendor Sub-Range (VSR)
- Plant
- Vendor sub-range/plant

In addition to the data applicable to a specific purchasing organization, you can maintain purchasing data or partner roles for a certain plant or vendor sub-range that differ from that at the purchasing organization level. Data specific to sub-levels that varies from that stored for the higher-level purchasing organization in this way is referred to simply as ***different data***.

TRAVEL AND ENTERTAINMENT PROCESSING (T&E)

The role of internal controls to account for travel and expense (T&E) processing of a company under Sarbanes-Oxley Act. To have an effective policy with the appropriate controls, the first requirement is that the policy be written down, endorsed by management, and then distributed to all affected employees. Management needs to make it clear to all employees that it stands behind the policy and will back accounts payable in enforcing the policy. Finding violations to the T&E policy can be very easy if one of the electronic T&E systems is used. Whether just checking for mathematical accuracy and receipts or for policy compliance, the issue of just how much checking is required needs to be addressed. Some companies check every detail on every report, while others check only a few randomly. Many companies outsource the reporting because T&E definitely falls under the noncore functions.

Vendor reconciliation:

Vendor payments account for the largest cash outflow in most organizations. One of the best ways for accounts payable managers to sleep easily at night is reconciliation of vendor statements. While the benefits are numerous and discussed below, this task is often overlooked as it can be time consuming and tedious. An effective process for reconciling vendors must therefore be used.

Vendor Statements And Reconciliation Reports

A vendor statement is a document from the vendor's accounting system listing all unpaid invoices at a certain date. It can also contain other un cleared items such as credit notes and payments. Reconciliation of this vendor statement requires matching the invoices and other lines to documents from your own system. Unmatched documents are discrepancies and comprise the vendor statement reconciliation report. All of the possible issues with your vendor account are represented on this single report.

Invoice processing

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 (no purchase order).

Most organizations have clear instructions regarding processing incoming invoices. Different sets of instructions are commonly found in most organizations regarding the handling of purchase order invoices or non-purchase order invoices. The main department that processes invoices is known as accounts payable department. The process involving a supplier invoice is also known as purchase-to-pay.

Vendor support

A dimension in the assessment of Technology Technical Condition in the Queensland Government. It measures the level of support offered by the supplier of the Technology and includes consideration of the type of support (onsite/personal problem logging/general problem logging), hours of coverage, and the responsiveness of the vendor (in terms of agreed timeframes and clearly defined escalation procedures).

Optical Character Reading / Recognition (OCR)

Optical character recognition (also optical character reader, OCR) is the mechanical or electronic conversion of images of typed, handwritten or printed text into machine-encoded text, whether from a scanned document, a photo of a document, a scene-photo (for example the text on signs and billboards in a landscape photo) or from subtitle text superimposed on an image (for example from a television broadcast).

Widely used as a form of information entry from printed paper data records – whether passport documents, invoices, bank statements, computerised receipts, business cards, mail, printouts of static-data, or any suitable documentation – it is a common method of digitizing printed texts so that they can be electronically edited, searched, stored more compactly, displayed on-line, and used in machine processes such as cognitive computing, machine translation, (extracted) text-to-speech, key data and text mining. OCR is a field of research in pattern recognition, artificial intelligence and computer vision.

Early versions needed to be trained with images of each character, and worked on one font at a time. Advanced systems capable of producing a high degree of recognition accuracy for most fonts are now common, and with support for a variety of digital image file format inputs.[2] Some systems are capable of reproducing formatted output that closely approximates the original page including images, columns, and other non-textual components.

RECEIVABLES MANAGEMENT:

Meaning

A sound managerial control requires proper management of liquid assets and inventory. These assets are a part of working capital of the business. An efficient use of financial resces is necessary to avoid financial distress. Receivables result from credit sales. A concern is required to allow credit sales in order to expand its sales volume. It is not always possible to sell goods on cash basis only. Sometimes, other concerns in that line might have established a practice of selling goods on credit basis. Under these circumstances, it is not possible to avoid credit sales without adversely affecting sales. The increase in sales is also essential to increase profitability. After a certain level of sales the increase in sales will not proportionately increase production costs. The increase in sales will bring in more profits.

Thus, receivables constitute a significant portion of current assets of a firm. But, for investment in receivables, a firm has to incur certain costs. Further, there is a risk of bad debts also. It is, therefore, very necessary to have a proper control and management of receivables.

Meaning of Receivables

Receivables represent amounts owed to the firm as a result of sale of goods or services in the ordinary cse of business. These are claims of the firm against its customers and form part of its current assets. Receivables are also known as accounts receivables, trade receivables, customer receivables or book debts. The receivables are carried for the customers. The period of credit and extent of receivables depends upon the credit policy followed by the firm. The purpose of maintaining or investing in receivables is to meet competition, and to increase the sales and profits.

COSTS OF MAINTAINING RECEIVABLES

The allowing of credit to customers means giving funds for the customer's use. The concern incurs the following cost on maintaining receivables:

(1) ***Cost of Financing Receivables*:**

When goods and services are provided on credit then concern's capital is allowed to be used by the customers. The receivables are financed from the funds supplied by shareholders for long term financing and through retained earnings. The concern incurs some cost for colleting funds which finance receivables.

(2) ***Cost of Collection***:

A proper collection of receivables is essential for receivables management. The customers who do not pay the money during a stipulated credit period are sent reminders for early payments. Some persons may have to be sent for collection these amounts. All these costs are known as collection costs which a concern is generally required to incur.

(3) ***Bad Debts*** :

Some customers may fail to pay the amounts due towards them. The amounts which the customers fail to pay are known as bad debts. Though a concern may be able to reduced bad debts through efficient collection machinery but one cannot altogether rule out this cost.

FACTORS INFLUENCING THE SIZE OF RECEIVABLES

Besides sales, a number of other factors also influence the size of receivables. The following factors directly and indirectly affect the size of receivables.

(1) Size of Credit Sales: The volume of credit sales is the first factor which increases or decreases the size of receivables. If a concern sells only on cash basis as in the case of Bata Shoe Company, then there will be no receivables. The higher the part of credit sales out of total sales, figures of receivables will also be more or vice versa.

(2) Credit Policies: A firm with conservative credit policy will have a low size of receivables while a firm with liberal credit policy will be increasing this figure. If collections are prompt then even if credit is liberally extended the size of receivables will remain under control. In case receivables remain outstanding for a longer period, there is always a possibility of bad debts.

(3) Terms of Trade: The size of receivables also depends upon the terms of trade. The period of credit allowed and rates of discount given are linked with receivables. If credit period allowed is more then receivables will also be more. Sometimes trade policies of competitors have to be followed otherwise it becomes difficult to expand the sales.

(4) Expansion Plans: When a concern wants to expand its activities, it will have to enter new markets. To attract customers, it will give incentives in the form of credit facilities. The period of credit can be reduced when the firm is able to get permanent customers. In the early stages of expansion more credit becomes essential and size of receivables will be more.

(5) Relation with Profits: The credit policy is followed with a view to increase sales. When sales increase beyond a certain level the additional costs incurred are less than the increase in revenues. It will be beneficial to increase sales beyond the point because it will bring more profits. The increase in profits will be followed by an increase in the size of receivables or vice-versa.

***(6) Credit Collection Efforts*:** The collection of credit should be streamlined. The customers should be sent periodical reminders if they fail to pay in time. On the other hand, if adequate attention is not paid towards credit collection then the concern can land itself in a serious financial problem. An efficient credit collection machinery will reduce the size of receivables.

***(7) Habits of Customers*:** The paying habits of customers also have bearing on the size of receivables. The customers may be in the habit of delaying payments even though they are financially sound. The concern should remain in touch with such customers and should make them realise the urgency of their needs.

OBJECTIVES OF RECEIVABLES MANAGEMENT

Receivables management is the process of making decisions relating to investment in trade debtors. We have already stated that certain investment in receivables is necessary to increase the sales and the profits of a firm. But at the same time investment in this asset involves cost considerations also. Further, there is always a risk of bad debts too. Thus, the objective of receivables management is to take a sound decision as regards investment in debtors. In the words of Bolton, S.E., the objectives of receivables management is "to promote sales and profits until that point is reached where the return on investment in further funding of receivables is less than the cost of funds raised to finance that additional credit."

Dimensions of Receivables Management

Receivables management involves the careful consideration of the following aspects:

1. Forming of credit policy.
2. Executing the credit policy.
3. Formulating and executing collection policy.

1. Forming of Credit Policy

For efficient management of receivables, a concern must adopt a credit policy. A credit policy is related to decisions such as credit standards, length of credit period, cash discount and discount period, etc.

(a) ***Quality of Trade Accounts of Credit Standards*****:** The volume of sales will be influenced by the credit policy of a concern. By liberalising credit policy the volume of sales can be increased resulting into increased profits. The increased volume of sales is associated with certain risks too. It will result in enhanced costs and risks of bad debts and delayed receipts. The increase in number of customers will increase the clerical wok of maintaining the additional accounts and collecting of information about the credit worthiness of customers. There may be more bad debt losses due to extension of credit to less worthy customers. These customers may also take more time than normally allowed in making the payments resulting into tying up of additional capital in receivables. On the other hand, extending credit to only credit worthy customers will save costs like bad debt losses, collection costs, investigation costs, etc. The restriction of credit to such customers only will certainly reduce sales volume, thus resulting in reduced profits.

A finance manager has to match the increased revenue with additional costs. The credit should be liberalised only to the level where incremental revenue matches the additional costs. The quality of trade accounts should be decided so that credit facilities are extended only upto that level. The optimum level of investment in receivables should be where there is a trade off between the costs and profitability. On the other hand, a tight credit policy increases the liquidity of the firm. On the other hand, a tight credit policy increases the liquidity of the firm. Thus, ***optimum level*** of investment in receivables is achieved at a point where there is a trade off between cost, profitability and liquidity as depicted below:

(b) ***Length of Credit Period*****:** Credit terms or length of credit period means the period allowed to the customers for making the payment. The customers paying well in time may also be allowed certain cash discount. A concern fixes its own terms of credit depending upon its customers and the volume of sales. The competitive pressure from other firms compels to follow similar credit terms, otherwise customers may feel inclined to purchase from a firm which allows more days for paying credit purchases. Sometimes more credit time is allowed to increase sales to existing customers and also to attract new customers. The length of credit period and quantum of discount allowed determine the magnitude of investment in receivables.

(c) ***Cash Discount*****:** Cash discount is allowed to expedite the collection of receivables. The concern will be able to use the additional funds received from expedited collections due to cash discount. The discount allowed involves cost. The discount should be allowed only if its cost is less than the earnings from additional funds. If the funds cannot be profitably employed then discount should not be allowed.

(d) ***Discount Period*****:** The collection of receivables is influenced by the period allowed for availing the discount. The additional period allowed for this facility may prompt some more customers to avail discount and make payments. This will mean additional funds released from receivables which may be alternatively used. At the same time the extending of discount period will result in late collection of funds because those who were getting discount and making payments as per earlier schedule will also delay their payments.

2. Executing Credit Policy

After formulating the credit policy, its proper execution is very important. The evaluation of credit applications and finding out the credit worthiness of customers should be undertaken.

***(a) Collecting Credit information*:** The first step in implementing credit policy will be to gather credit information about the customers. This information should be adequate enough so that proper analysis about the financial position of the customers is possible. This type of investigation can be undertaken only upto a certain limit because it will involve cost.

The sces from which credit information will be available should be ascertained. The information may be available from financial statements, credit rating agencies, reports from banks, firm's records etc. Financial reports of the customer for a number of years will be helpful in determining the financial position and profitability position. The balance sheet will help in finding out the short term and long term position of the concern. The income statements will show the profitability position of concern. The liquidity position and current assets movement will help in finding out the current financial position. A proper analysis of financial statements will be helpful in determining the credit worthiness of customers. There are credit rating agencies which can supply information about various concerns. These agencies regularly collect information about business units from various sees and keep this information up to date. The information is kept in confidence and may be used when required.

Credit information may be available with banks too. The banks have their credit departments to analyse the financial position of a customer.

In case of old customers, business own records may help to know their credit worthiness. The frequency of payments, cash discounts availed, interest paid on over due payments etc. may help to form an opinion about the quality of credit.

***(b) Credit Analysis*:** After gathering the required information, the finance manager should analyse it to find out the credit worthiness of potential customers and also to see whether they satisfy the standards of the concern or not. The credit analysis will determine the degree of risk associated with the account, the capacity of the customer borrow and his ability and willingness to pay.

***(c) Credit Decision*:** After analysing the credit worthiness of the customer, the finance manager has to take a decision whether the credit is to be extended and if yes then upto what level. He will match the creditworthiness of the customer with the credit standards of the company. If customer's creditworthiness is above the credit standards then there is no problem in taking a decision. It is only in the marginal case that such decisions are difficult to be made. In such cases the benefit of extending the credit should be compared to the likely bad debt losses and then decision should be taken. In case the customers are below the company credit standards then they should not be outrightly refused. Rather they should be offered some alternative facilities. A customer may be offered to pay on delivery of goods, invoices may be sent through bank. Such a cse help in retaining the customers at present and their dealings may help in reviewing their requests at a later date.

***(d) Financing Investments in Receivables and Factoring*:** Accounts receivables block a part of working capital. Efforts should be made that funds are not tied up in receivables for longer periods. The finance manager should make efforts to get receivables financed so that working capital needs are met in time. The quality of receivables will determine the amount of loan. The banks will accept receivable of dependable parties only. Another method of getting funds against receivables is their outright sale to the bank. The bank will credit the amount to the party after deducting discount and will collect the money from the customers later. Here too, the bank will insist on quality receivables only. Besides banks, there may be other agencies which can buy receivables and pay cash for them. This facility is known as ***factoring*.** The factoring may be with or without reuse. It is without recuse then any bad debt loss is taken up by the factor but if it is with reuse then bad debts losses will be recovered from the seller.

Factoring is collection and finance service designed to improve he cash flow position of the sellers by converting sales invoices into ready cash. The procedure of factoring can be explained as follows:

1. Under an agreement between the selling firm and factor firm, the latter makes an appraisal of the credit worthiness of potential customers and may also set the credit limit and term of credit for different customers.
2. The sales documents will contain the instructions to make payment directly to factor who is responsible for collection.
3. When the payment is received by the factor on the due date the factor shall deduct its fees, charges etc and credit the balance to the firm's accounts.
4. In some cases, if agreed the factor firm may also provide advance finance to selling firm for which it may charge from selling firm. In a way this tantamount to bill discounting by the factor firm. However factoring is something more than mere bill discounting, as the former includes analysis of the credit worthiness of the customer also. The factor may pay whole or a substantial portion of sales vale to the selling firm immediately on sales being effected. The balance if any, may be paid on normal due date.

Benefits and Cost of Factoring

A firm availing factoring services may have the following benefits:

- Better Cash Flows
- Better Assets Management
- Better Working Capital Management
- Better Administration
- Better Evaluation
- Better Risk Management

However, the factoring involves some monetary and non-monetary costs as follows:

Monetary Costs

a) The factor firm charges substantial fees and commission for collection of receivables. These charges sometimes may be too much in view of amount involved.

b) The advance fiancé provided by factor firm would be available at a higher interest costs than usual rate of interest.

Non-Monetary Costs

a) The factor firm doing the evaluation of credit worthiness of the customer will be primarily concerned with the minimization of risk of delays and defaults. In the process it may over look sales growth aspect.

b) A factor is in fact a third party to the customer who may not feel comfortable while dealing with it.

c) The factoring of receivables may be considered as a symptom of financial weakness.

Factoring in India is of recent origin. In order to study the feasibility of factoring services in India, the Reserve Bank of India constituted a study group for examining the introduction of factoring services, which submitted its report in 1988.On the basis of the recommendations of this study group the RBI has come out with specific guidelines permitting a banks to start factoring in India through their subsidiaries. For this country has been divided into f zones. In India the factoring is still not very common. The first factor i.e. The SBI Factor and Commercial Services Limited started working in April 1991. The guidelines for regulation of a factoring are as follows:

(1) A factor firm requires an approval from Reserve Bank of India.

(2) A factor firm may undertake factoring business or other incidental activities.

(3) A factor firm shall not engage in financing of other firms or firms engaged in factoring.

3. Formulating and Executing Collection Policy

The collection o f amounts due to the customers is very important. The collection policy the termed as strict and lenient. A strict policy of collection will involve more efforts on collection. Such a policy has both positive and negative effects. This policy will enable early collection of dues and will reduce bad debt losses. The money collected will be used for other purposes and the profits of the concern will go up. On the other hand a rigorous collection policy will involve increased collection costs. It may also reduce the volume of sales. A lenient policy may increase the debt collection period and more bad debt losses. A customer not clearing the dues for long may not repeat his order because he will have to pay earlier dues first, thus causing.

The objective is to collect the dues and not to annoy the customer. The steps should be like (i) sending a reminder for payments (ii) Personal request through telephone etc. (iii) Personal visits to the customers (iv) Taking help of collecting agencies and lastly (v) Taking legal action. The last step should be taken only after exhausting all other means because it will have a bad impact on relations with customers.

Creation of Sales Order:

Sales Order' is a contract between a Customer and a Sales organization for supply of specified goods and/services over a specified time period. All relevant information from Customer master record and Material master record is copied to the sales order. The sales order may be created with reference to a 'preceding document' such as an inquiry /quotation. In such case, all the initial data from the preceding document is copied to the sales order. T-code -VA01.

Step 1)

1. Enter T-code VA01 in command field.
2. Enter order type OR for Standard order.
3. Enter Sales organization / Distribution Channel / Division in Organizational Data block.
4. Click on create with reference button, for create sales order from Inquiry / Quotation.

Step 2)

1. Enter quotation number in quotation tab.
2. Select copy button.

Step 3)

1. Enter Ship-To-Party / PO number / PO date.
2. Enter Req. delivery date.
3. We can change order quantity.
4. Click on save button.

Step 4)

A Message "Standard Order 2000958 has been saved " is displayed. 

Booking sales order (Order management)

Order management touches so many pieces of the end-to-end supply chain and order to cash processes that no company can afford to treat it as a separate endeavor. Sub-optimal scing and demand planning, or inefficient order entry, will affect delivery and ultimately drive up the cost per order, as well as negatively impact the customer experience.

Orders can be received from businesses, consumers, or a mix of both, depending on the products. Offers and pricing may be done via catalogs, websites, or [broadcast network] advertisements.

An integrated order management system may encompass these modules:

- Product information (descriptions, attributes, locations, quantities)
- Inventory available to promise (ATP) and scing
- Vendors, purchasing, and receiving
- Marketing (catalogs, promotions, pricing)

- Customers and prospects
- Order entry and customer service (including returns and refunds)
- Financial processing (credit cards, billing, payment on account)
- Order processing (selection, printing, picking, packing, shipping)

There are several business domains which use OMS for different purposes but the core reasons remain the same:

1. Telecom – To keep track of customers, accounts, credit verification, product delivery, billing, etc.
2. Retail – Large retail companies use OMS to keep track of orders from customers, stock level maintenance, packaging and shipping and to synchronize orders across various channels such as e.g. if customer order online and pick up in stores
3. Pharmaceuticals and healthcare
4. Automotive – to keep track of parts sced through OEMs
5. Financial services

Order Management requires multiple steps in a sequential process like Capture, Validation, Fraud Check, Payment Authorization, Scing, Backorder management, Pick, pack, ship and associated customer communications. Order management systems usually have workflow capabilities to manage this process.[2]

The **sales order**, sometimes abbreviated as **SO**, is an order issued by a business or sole trader to a customer. A sales order may be for products and/or services. Given the wide variety of businesses, this means that the orders can be fulfilled in several ways. Broadly, the fulfillment modes, based on the relationship between the order receipt and production, are as follows:

- **Digital copy** – Where products are digital and inventory is maintained with a single digital master. Copies are made on demand in real time and instantly delivered to customers.
- **Build to stock** – Where products are built and stocked in anticipation of demand. Most products for the consumer would fall into this category

- **Build to order** – Where products are built based on orders received. This is most prevalent for custom parts where the designs are known beforehand.
- **Configure-to-order** – Where products are configured or assembled to meet unique customer requirements, e.g. computers
- **Engineer to order** – Where some amount of product design work is done after receiving the order

Pre billing closing reconciliations:

It would be ideal if all the amounts on bank statement matched invoices exactly, but so would be winning the lottery or world peace. But don't be stressed if the numbers don't match up. This could be for a number of reasons, but never fear - all have solutions just waiting to be chosen.

Typically, there are five major reasons for invoice mismatches:
1. Maybe you've given a discount for early payment.
2. There could be bank charges, like for currency exchanges or international payment fees.
3. Or perhaps the remaining balance will be paid later?
4. There could be an invoice or expense note missing in the system
5. Lastly (and unfortunately), you realize the invoice will never be completely paid so the unpaid part needs to go as a loss in P&L statement.
There is a number 6...
6. A client has paid too much for an invoice and it can go as extra profit in P&L.

Debt Collection System

Debt collection process involves pursuing payments of debts that have been owed by individuals or businesses. Debt collection has been prevalent since the early days of banking as it is the chief source of income for banks.

This is an important part of the loan industry and organizations that specialize in debt collection are known as Debt collectors or Collection Agencies. Most collection agencies operate as agents of creditors and collect debts for a fee or percentage of the total amount owed.

Traditional Collection Methods

Loan collection is usually a process which is highly regulated. As the creditor wants to get back the loan with its interest, they usually offer the loan with either a mortgage or a guarantor to back the debtor. The debtor enters into a legal agreement with the lender to repay the loan by a particular time and date.

This is monitored by both the creditor and the rating agencies to track how prompt a debtor is in repaying the loan. This is used to calculate the credit score of a debtor for future loans.

Generally, the method to collect a loan follows the steps given below:

- Collect the money coinciding with the arrival of the debtor's income cycle
- Maintain a systematic follow-up on how the customer can handle the repayment
- If the customer shows discrepancies in one or two installments, reach out to the customer to find out the cause.
- If the customer is prompt, preserve goodwill and promote more offers to him.

When it comes to collecting back the loan, banks usually two methods of collection. As loans are paid back to EMIs, the banks do not intervene or disturb a customer if the payment is prompt and on time. They maintain a cordial relation with the debtor and accord them with further credit proposals if the client exhibits discipline in the repayment process.

However, not all debtors can pay back on time. Owing to various reasons, they may default on the payment of their owed capital. Such defaulters are usually provided with several opportunities to pay back their owed sum.

Following methods are usually undertaken to ensure that the debtor is legally requested to fulfill his commitment:

- The bank will send a 'letter of demand' to the debtor on its letterhead, demanding that the debt is paid by a particular date or legal action may be taken.
- Secondly, they may issue a 'final' letter of demand

- Several banks also contact their clients via phone to get them on record to find out the reason for their potential defaulting.

Collection Agencies

When none of the aforementioned steps bear fruit, the bank usually writes off a loan and tries to adopt one of two steps to recoup whatever it can on the defaulted payment. While mortgaged properties may be auctioned off, on loans that do not have a collateral, the banks usually enlist the services of acollection agency.

After this, the bank usually hands over the responsibility of collecting the debt to either the First-Party Agency or a Third-Party Agency.

First – Party Collection Agency:

For the first six months of delinquency, debtors deal with a First-Party collection agency. This is usually the creditor's internal collector. The debtor, in this case, is the second party. This may be an ideal time for the debtor to settle your debt as no middlemen are involved, and the credit scores of the borrower will remain good.

Third – Party Collection Agency:

When the first step does not bear fruit, the lender may usually assign the debt to a third-party agency. This is usually a specialized loan collection agency. At this point, the debt is still owned by, and owed to, the original creditor.

If the third-party agency is successful in recovering all or part of the debt, they will earn a commission from the creditor, usually a fee, or a percentage of the total amount owed. They are separate companies contracted by the creditors to collect debts on their behalf for a fee.

Problems in Traditional Collection Process

- Debt collection process is increasingly focused upon by regulators and is heavily scrutinized by regulatory bodies who have laid down several stipulations for traders to follow.

- Since the current debt collection systems involve several legally mandated processes and involve multiple layers of handling, they involve a huge amount of manpower to maintain records and involve several repetitive functions with very little integration between them.
- Debt collection agencies do not segment the customers efficiently. As these processes have been handed down for decades, the processes do not account for the change in the mindset of creditors and their earning patterns.
- Segmentation of customers based on their income bracket is still inefficient. Collection agencies do not dedicate resources to analyze a customer and his income bucket. They have a broad category where they tend to bring all defaulters under the same umbrella.
- Some defaulters are capable of paying back their loans if they are motivated appropriately and offered extended assistance. Since collectors are not provided with appropriate tools to accurately analyze borrowers, they are unable to provide flexible payment arrangements.
- Collectors currently do not have right tools at their disposal to maintain borrowers as customers.
- There has been a lack of a consolidated borrower-centric approach, and the system makes it increasingly difficult for debtors to get out of the interest trap. The current system does not allow collectors to recover piecemeal segments of the owed money from customers.

You May Also Like: Is P2P lending really a threat to NBFCs?

Issues faced by NBFCs and MFIs

When it comes to loan collections and recovery, NBFCs (Non-Banking Financial Companies) and MFIs (Micro Financing Institutions) face far greater hurdles than banks themselves.

- Impoverished customer base:
  Given the fact that both these organizations operate in the unorganized labour sector where they cater to low income and BoP class of borrowers such as farmers and daily-wage labourers, the likelihood of their customers defaulting on payment is far higher than in the organized sector.
- Increasing burden of regulations:

As these organizations increasingly come under the purview of regulatory authorities, the process of collection comes under scrutiny and they face issues with respect to following the tough guidelines that have been imposed on by central banks.

- Less flexibility in the collection process:

  Most of the customers who avail loans from these institutions are not tech-savvy and do not have access to well functioning bank accounts. Hence, most of their transaction has not been made digital and they do not get the flexibility of paying through small installments.

Modern Collection Process

Where traditional collection processes have faltered, the techniques and practices adopted as a part of the modern collection management systems have gone a long way to address several pain points that were encountered in the earlier systems.

The modern collection process follows several guidelines that aimed at streamlining the operations and offer benefits to both collectors and their debtors. Augmenting the robustness of the internet networks and a centralized financial system, the following aspects of the modern collection management software go a long way in the ease of business:

- Auto-generation of Customer Statements: Customer statements and payment notifications are sent to customers via a comfortable mediums such as SMS and emails. This is usually coupled with an UPI payment option where customers get the luxury of paying their debt using their credit or debit cards and thereby circumvent a trip to the bank or the loan agency.
- Digitized Collection Strategies: By using analytics, software can now automatically flag and score delinquencies based on factors such as amount due, aging, percentage outstanding and credit limit. This can help with a more well-rounded and efficient segregation of customers.
- Managing Collection Activities: Once the segregation of customers is done, the database can be used to personalize the collection strategy for each customer or a category. This can be followed up with relevant course of actions such as friendly reminders, phone calls, periodic dunning, etc. All of this is now tracked on a dashboard where each customer gets a separate folder and all interactions with the customer are maintained with transparency.

- Managing Settlements: The modern collection system also allows initiation of disputes on behalf of the customer for review and helps receive approval within and across departments. It streamlines the process of grievance redressal and improves customer goodwill.
- Optimize Collection Efficiency: The modern collection management softwares optimize the collection activity by ensuring that specialized retrieval offers are assigned to cases that require their expertise. They can also monitor outstanding receivables.
- Analyzing the collection team: Softwares allow senior officers to manage collection team assignment based on performance metrics and key performance indicators (KPIs). The softwares are also programmed to automatically assign new account delinquencies to agents.

Advantages of Modern Collection Process

- The modern collection processes aim to address the entire loan collection process at its core issues by bringing automation and digitization to the fore and streamlining the process.
- The effectiveness of a system, or "Collection Performance", is a by-product of the quality and accuracy of information provided by the collection management software.
- By digitizing the entire process, the need for a manual system to keep loan balances, payment due dates, notes and other relevant information is greatly diminished and reduces the inefficiency in the process.

How can technology redefines the traditional process

Technology has a crucial role to play in weeding out the inefficiencies in loan collection process that is not just beneficial for the lender, but also for the client.

- Reduced processing time by optimising work distribution
- Automatic identification of bottlenecks and deviation in a short time frame
- Better recovery through automated allotment of clients
- Garnering maximum information on a customer and identifying the most comfortable way to retrieve the loan.
- Reduction in errors through minimized manual entries
- Better compliance with regulatory requirements

- Reduced turnaround and processing times
- More flexibility in payment options

Technology has changed several industries and brought efficiencies to the existing processes. The field of loan collection badly requires innovations in order to improve collection efficiency and recover bad loans. Leveraging the power of technology, credit lending institutions look to adopt methodologies that are effective in helping them offer better deals to the debtors and help them recover loans without any hassle and maintain goodwill with the customer.

Principles of Collection

Certain principles have been found especially useful in the field of collection and may be grouped into the following areas:

- collect the money
- maintain a systematic follow-up
- get the customer to discuss the account
- and, preserve goodwill

1. ***Collect the money***

The primary job of the person responsible for collections is to collect the money as close to the terms of the obligation as possible. There should never be any doubt as to why the individual is engaged in this particular task. The debtor has an obligation to pay within the terms of the agreement. It is the job of the collection person to make sure that this obligation is met. The tone may be indulgent at first, but should be intensified and accelerated as much as necessary to ensure payment by a debtor.

2. ***Systematic follow-up***

After the initial contact with the delinquent customer, it is important to keep additional contacts on a strict schedule. If the collector, for example, is told that a check will be mailed in a few days, it should be noted. If the check is not received at the promised time, a follow-up is essential, otherwise the collection effort will become ineffective.

Systematic follow-up of accounts, even those which can not pay immediately, reinforces the serious nature of the outstanding debt and emphasizes the importance attached to it by the creditor. That in itself is an important collection advantage.

3. ***Discussing the account***

Once the collector gets the customer to talk about the delinquent account, the collector is well on the way to receiving payment. That is why emphasis is placed on inviting the debtor to talk. The object of the discussion is to get the debtor's explanation of the delinquency. It may be a question of a dispute; it may be due to a temporary shortage of funds; or the customer may intend to hold off payment so the creditor's money can be used in its own business.

During the discussion, the collector may begin to see the debtor's situation more clearly. If the slow payment is the result of a tempory cash flow problem, tolerence of slower payments may be accepted, but it should be emphasized to the customer that the new schedule of payments must be completed.

4. Preserve goodwill

Even though the customer may be experiencing some difficulty in meeting payments, it does not preclude them from becoming a good customer in the future. Therefore, it is important to preserve goodwill while pressing for collection. This requires not only tact, but knowledge of the customer and industry. One of the advantages claimed by specialized collection personnel is that they can develop these techniques to their fullest. On the other hand, the team concept presents the opportunity for credit and customer service personnel to better understand the relationship of the customer to the industry and overall marketing objectives of the company.

METHODS FOR IMPROVING COLLECTIONS

Awareness is the first step in collections--awareness of what is happening in the economy, in your industry, in your own company, and with your customer. The same investigative and analytical techniques which are used for credit approval are valid for the collection process. Unless you have some idea of what your customer's problems may be and WHY they are paying you slowly (or not paying at all), you may not take the correct first crucial step in collection.

The collection process begins in your own department, and then with other departments in your company, such as shipping, billing, sales, and service. Before contacting the customer, make sure you clear up any internal problems such as:

- unapplied checks
- unresolved billing or merchandise disputes
- unused credits for returns or adjustments
- any verbal "special terms" given by sales reps

POSSIBLE QUESTOINS

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?

6. What do you mean by account receivables?

7. Write short note on credit management.

8.What are the methods of collections?

9. What do you mean by lock box processing services?

10.What are the different modes of payment?

11.What is meant by customer reconciliation?

12. What is chart of accounts?

13. What are the contents of general ledger?

POSSIBLE QUESTIONS

Part – C (6 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?
6. Explain the process in credit management.
7. Discuss the methods of collection process.
8. Explain the different modes of payment.
9. How would you reconcile outstanding customer balances?
10. Explain the procedure to maintain general ledger accounts
11. Disscuss about chart of accounts.
12. Explain about intercompany accounting and reconciliation.
13. What are statutory reports? Explain its contents.

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UNIT III

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
________discount is provided to the customer to encourage him to pay before the due date	cash	quality	quantity	Ledger	cash
______is a plan to control or improve one's credit with the assistance of a professional service provider	cash management	debit management	risk management	Credit management	credit management
_______ an internal document of the company which would give input for production department to produce goods	raw material register	purchase order	voucher	Sales order	sales order
_________refers to managing sales orders received from the buyer.	credit management	cash management	Order management	Voucher management	order management
Once marketing signs the contracts ______team receives orders and contracts	customer	AR	billing	Counting	billing
_________includes sending a bill/invoice to the customer via mail, electronically or EDI	Intimating	informing	transferring	Billing process	Billing process
Based on information in the Sales order a billing________________would generate an invoice	officer	clerk	assistant	supportive	clerk
Revenue as a result of the ______________will be rendered in the books of accounts	sales	billing	process	Purchases	sales
Collections are largely classified under ____________heads	4	5	2	6	2
A telephone operator calling an individual for an unpaid mobile bill is an example of _____________collection	B2C	Both B2B & B2C	Special collection	Ordinary collection	B2C

Most non-payments result from____________	lack of funds	disputes	not being valid	valid	lack of funds
____________is a form of demand notice issued to a debtor	credit memo	collection letter	due letter	Dunning letter	dunning letter
Dunning letters are issued based on the ______________legal procedures of the country	local	permanent	consistent	seller	local
Suppliers after a period would hire _________agency to recover the money owed by the customer	international	captive	2nd party	3rd party	3rd party
_____________indicates the number of days it takes to collect revenue	Ageing	DBO	DSO	PO	DSO
________________is a process of applying cash received from the customer against the open invoice	crediting	allocating	credit management	cash application	cash application
_________________is a post office box set by banksfor receiving payments from customers	lock box	account	Bill	check	lock box
Lock boxes should be set nearest to ________________	company	suppliers	banks	customers	customers
A ______________is a payment instrument used to make payment for business outstanding or dues	bill	invoice	credit card	cheque	cheque
Fedwire in USA is equivalent to _____________in India	NEFT	EFT	RTGS	EDI	RTGS
All the transactions related O2C processing all customer involves , Revenue Recognition are maintained in __________	Accounts Receivable	both AP&AR	Both A & B	None of these	Accounts Receivable
_____________accelerates the cash conversion period.	Lock box	payment process	AP	AR	Lock box
Which of this is not form part of subsidiary ledger	Accounts payable	Balance sheet	Accounts payable	payroll	Balance sheet
Credit rating agencies play a __________role by providing financial stability of an entity.	major	supportive	intentional	major	supportive
There are ___________major types of accounts	1	2	3	4	2
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

The general ledger maintenance starts with the creation of records and lasts till______	receiving	reporting	reconciling	registering	reporting
____________is the money owed by the customer to the business resulting from credit sales or service.	Accounts receivable	Accounts Payable	Remains	advance	Accounts receivable
Lock boxes can be established in _______________ of several cities	local office	courier office	post office	collector office	post office
____________means a unit which generates income.	Line item	profit center	sales center	cost center	profit center
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
To do credit sales any business would involve getting into a ______between the seller and buyer.	MSA	SOP	SLA	Contract	MSA
When using a lockbox the payments are accelerated on an average of_________days	2to5	3to4	5to10	1to2	3to4
The devices or persons involved in transferring entries from Sub-ledgers to General ledger are called	Feeders	individuals	third parties	providers	Feeders
All receipts uploaded in the lockbox system gets matched with the _____invoice in the ERP application	unreceived	unmatched	open	closed	open
_____________refers to managing sales orders received from the buyer.	Order management	credit management	risk management	ASN	Order management
Receiving and applying payments is the role of which team under Accounts receivable?	cash application	cash management	credit control	vendor master team	cash application
____________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
To set up a customer in supplier's system, ___________would be asked to fill up some application.	customer	seller	vendor	authority	customer
_______________is a form of demand notice issued to a debtor for non-settlement of dues	dunning letter	legal notice	DD	private memo	dunning letter

A telephone operator calling an individual to pay an unpaid mobile bill is an example of__	B2B	B2C	O2C	P2P	B2C
The collection team will approach the _____________for payment a few days in advance	supplier	customer	bank	agency	customer
All transactions relating to accounts payable and vendor master processing are included in ________module	Accounts receivable	Accounts Payable	Inventory	fixed assets	Accounts Payable
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
Based on the information in the sales order a ________would generate an invoice.	Manager	billing clerk	accountant	cashier	billing clerk
Accounts receivable collection plays a major part in the ___________of a business	cash application	cash management	working capital management	reserves	working capital management
Requests or approvals for write off could be______	debit notes	key notes	emails	accounts receipt	emails
Based on the information in the ___________a billing clerk would generate an invoice.	PO	SO	invoice	voucher	SO
______________is a process to apply cash received from the customer on an open invoice.	cash application	remittance	crediting	mailing	cash application
_____________is a software module integrating each department/module/functions of an enterprise.	SAP	ERP	JAVA	ORACLE	ERP
Expand YTD	Year-to-date	Yes –to-delivery	Year-end-Deliver	It cannot be expanded	Year-to-date
Which of this does not form part of subsidiary ledger	Payroll	Customer account	Vendor account	Balance sheet	Balance sheet
The _________of a collection process is measured through the ageing of customer accounts	status	health	type	stage	health

When the financial statements are consolidated the balances in the inter company account are ______________	eliminated	adjusted	amended	added	eliminated
________________is a permanent record that contains key information about a customer.	Vendor Master	Customer master	Employee master	register	Customer master
____________is a daily process.	Risk evaluation	payment	cash application	demand notice	cash application
Changing master records is called customer master ________________	modification	rectification	alteration	editing	modification
The _________of customer updated by the customer master team will be used for future analysis and reporting.	ddetails	type	address	ID	type
Daily routine transactions are recorded in ___________	General ledger	Control Accounts	Sub ledgers	personal ledgers	Sub ledgers
Account ____________is a procedure for ensuring the reliability of accounting records by comparing balances and addressing discrepancies	restoration	receivables	reconciliation	recording	reconciliation

UNIT-IV

SYLLABUS

General Ledger & Emerging trend in F & A Technology : 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- Intercompany – Accounting and Reconciliation – Tax Accounting – Transactional Element – Generation of Final Accounts – Various Reports (Statutory Reports, Schedules, Variance Analysis)

Modules and usage of ERPs - Basic Screens required to be understood for F&A process - Report generation - XBRL, Platform, Counting, Data Privacy Law etc.

GENERAL LEDGER ACCOUNTING

A general ledger represents the formal ledger for a company's financial statements with debit and credit account records validated by a trial balance. The ledger provides a complete record of financial transactions over the life of the company. The ledger holds account information that is needed to prepare financial statements and includes accounts for assets, liabilities, owners' equity, revenues and expenses.

Using a general ledger is part of a system used by accountants to create the firm's financial statements. Transactions are posted to the general ledger accounts, and the accountant generates a trial balance, a report listing all the accounts and each account's balance. The trial balance is adjusted by posting additional entries, and the adjusted trial balance is used to generate the financial statements.

A general ledger contains all the accounts for recording transactions relating to a company's assets, liabilities, owners' equity, revenue, and expenses. In modern accounting software or ERP, the general ledger works as a central repository for accounting data transferred from all sub ledgers or modules like accounts payable, accounts receivable, cash management, fixed assets, purchasing and projects. The general ledger is the backbone of any accounting system which holds financial and non-financial data for an organization. The collection of all accounts is known as the general ledger. Each account is known as a ledger account. In a manual or non-computerized system this may be a large book.

The statement of financial position and the statement of income and comprehensive income are both derived from the general ledger. Each account in the general ledger consists of one or more pages. The general ledger is where posting to the accounts occurs. Posting is the process of recording amounts as credits, and amounts as debits (left side), in the pages of the general ledger. Additional columns to the right hold a running activity total (similar to a cheque book). The listing of the account names is called the chart of accounts. The extraction of account balances is called a trial balance. The purpose of the trial balance is, at a preliminary stage of the financial statement preparation process, to ensure the equality of the total debits and credits.

The general ledger should include the date, description and balance or total amount for each account. It is usually divided into at least seven main categories. These categories generally include assets, liabilities, owner's equity, revenue, expenses, gains and losses. The main categories of the general ledger may be further subdivided into sub ledgers to include additional details of such accounts as cash, accounts receivable, accounts payable, etc. Because each bookkeeping entry debits one account and credits another account in an equal amount, the double-entry bookkeeping system helps ensure that the general ledger is always in balance, thus maintaining the accounting equation: The accounting equation is the mathematical structure of the balance sheet. Although a general ledger appears to be fairly simple, in large or complex organizations or organizations with various subsidiaries, the general ledger can grow to be quite large and take several hours or days to audit or balance

Chart of Accounts (COA)

A chart of accounts is a listing of the names of the accounts that a company has identified and made available for recording transactions in its general ledger. A company has the flexibility to tailor its chart of accounts to best suit its needs, including adding accounts as needed. The chart of accounts is a listing of all accounts used in the general ledger of an organization.

The chart is used by the accounting software to aggregate information into an entity's financial statements. The chart is usually sorted in order by account number, to ease the task of locating specific accounts.

A **chart of accounts** (**COA**) is a created list of the accounts used by an organization to define each class of items for which money or the equivalent is spent or received. It is used to organize the finances of the entity and to segregate expenditures, revenue, assets and liabilities in order to give interested parties a better understanding of the financial health of the entity.

Accounts are typically defined by an identifier (account number) and a caption or header and are coded by account type. In computerized accounting systems with computable quantity accounting, the accounts can have a quantity measure definition.

TYPES OF ACCOUNTS

1. **Asset accounts** represent the different types of economic resources owned or controlled by an entity. Common examples of asset accounts are cash in hand, cash in bank, real estate, inventory, prepaid expenses, goodwill, and accounts receivable.
2. **Liability accounts** represent the different types of economic obligations of an entity, such as accounts payable, bank loans, bonds payable, and accrued expenses.
3. **Equity accounts** represent the residual equity of an entity (the value of assets after deducting the value of all liabilities). Equity accounts include common stock, paid-in capital, and retained earnings. The type and captions used for equity accounts are dependent on the type of entity.
4. **Revenue** or **income accounts** represent the company's earnings and common examples include sales, service revenue and interest income.
5. **Expense accounts** represent the company's expenditures. Common examples are utilities, rents, depreciation, interest, and insurance.
6. **Contra-accounts** are accounts with negative balances that offset other balance sheet accounts. Examples area accumulated depreciation (offset against fixed assets), and the allowance for bad debts (offset against accounts receivable).

SIMPLE EXAMPLE CHART OF ACCOUNTS

Balance Sheet Accounts

Asset Accounts

- 101 Bank/Cash at Bank
- 102 Cash

- 108 Deferred Expense
- 110 Other A52312
- 112 Accounts Receivable
- 116 Supplies
- 130 Prepaid Insurance
- 157 Equipment
- 158 Accumulated Depreciation Equipment

Liability Accounts

- 200 Notes Payable
- 201 Accounts Payable
- 209 Unearned Service Revenue
- 230 Interest Payable
- 231 Deferred Gross profit

Statutory reporting

According to Companies Act 2013, a report is prepared by the board of directors of every public limited company and forward the same to its every shareholder, called statutory report, at least 21 days before the day on which the statutory meeting is to be held. A copy of statutory report should be submitted before the Registrar of Joint Stock Companies.

Examples of Statutory Reports

The followings are the examples of statutory report.

1. Statutory Report submitted at the statutory meeting of the company.

2. Directors' Report to the Annual General Meeting.

3. Annual Returns.

4. Auditors' Report.

5. Reports by Inspectors appointed to investigate the affairs of the company.

Contents of Statutory report

The statutory report contains the following information.

1. Total number of shares allotted whether fully paid up or partly paid up.

2. Total cash received for shares allotment.

3. An abstract of cash receipts and payments.

4. The name, address, occupation of the directors of the company.

5. Material information of a contract.

Statutory audits in India

In India, statutory audits are conducted for each fiscal year (April 1 to March 31) and not the calendar year. The two most common types of statutory audits in India are:

- Tax Audits; and,
- Company Audits.

1. Tax Audits

Tax audits are required under Section 44AB of India's Income Tax Act 1961. This section mandates that every person whose business turnover exceeds INR1 crore and every person working in a profession with gross receipts exceeding INR25 lakh must have their accounts audited by an independent chartered accountant.

It should be noted that the provision of tax audits are applicable to everyone, be it an individual, a partnership firm, a company or any other entity. The tax audit report is to be obtained by

September 30 after the end of the previous fiscal year. Non-compliance with the tax audit provisions may attract a penalty of 0.5 percent of turnover or INR1 lakh, whichever is lower. There are no specific rules regarding the appointment or removal of a tax auditor.

2. Company Audits

The provisions for a company audit are contained in the Companies Act, 1956. Every company, irrespective of its nature of business or turnover, must have its annual accounts audited each financial year. For this purpose, the company and its directors have to first appoint an auditor at the outset. Thereafter, at each annual general meeting (AGM), an auditor is appointed by the shareholders of the company who will hold the position from one AGM to the conclusion of the next AGM.

Audit reporting

Audits are conducted to express a true and fair view of a company's financial statements. Therefore, the auditor's opinion expressed in the ultimate report is based on the information reviewed and analyzed during the verification of financial statements. Upon completing the report, the auditor may express one of the following four opinions:

- Unqualified Opinion;
- Qualified Opinion;
- Disclaimer of Opinion; and, Adverse Opinion.

Unqualified Opinion

An unqualified opinion is expressed when the auditor concludes that the financial statements give a true and fair view in accordance with the financial reporting framework used for the preparation and presentation of the financial statements. It indicates that:

- Generally accepted accounting principles are consistently applied in the preparation of financial statements;
- Financial statements comply with the relevant statutory requirements and regulations; and,
- There is adequate disclosure of all material matters relevant to the proper presentation of financial information (subject to statutory requirements).

1. ***Qualified Opinion:*** A qualified opinion is expressed when the auditor concludes that an unqualified opinion cannot be expressed, but that the effect of any disagreement with management is not so material and pervasive as to require an adverse opinion, or the limitation of scope is not so material and pervasive as to require a disclaimer of opinion. A qualified opinion should be expressed as being "subject to'" or "except for" the effects of the matter to which the qualification relates.
2. ***Disclaimer of Opinion:*** A disclaimer of opinion is expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and is, therefore, unable to express an opinion on the financial statements.
3. ***Adverse Opinion:*** An adverse opinion is expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

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 – Go live 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

ADVANTAGES

- 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

ERP software

ERP software has its roots in the Nineties manufacturing industry, where earlier forms of the applications were used for manufacturing resource planning (MRP) and computer integrated manufacturing (CIM).However, ERP has grown to cover all core functions of a business, regardless of its industry sector. As a result, both private and public sector organizations now use ERP systems in some form or other.

ERP applications tend to be modular in nature, sharing vital business information which is held on a central database repository, or repositories.

FUNCTIONS OF ERP SOFTWARE

ERP systems typically carry out financial and business planning functions, which might formerly have been carried out by many smaller standalone applications. Examples of ERP system modules include: product lifecycle management, supply chain management (for example purchasing, manufacturing and distribution), warehouse management, customer relationship management (CRM), sales order processing, online sales, financials, human resources, and decision support system.

BENEFITS OF ERP SOFTWARE:

- One major benefit of having a single modular ERP system is that it can unite and link together multiple processes and parts of the business, making the business run more efficiently.
- By automating various functions, you can also benefit from having, for example, good order tracking, from acceptance through to fulfillment. In terms of the revenue cycle, you can track invoices through to cash receipts.
- ERP systems also centralize the data in one place, which can eliminate the problem of synchronizing changes between multiple systems, and allows business managers to get a more accurate.

- Having a single data repository can also lower the risk of losing sensitive data, if you use appropriate data security and authorization.

DRAWBACKS OF ERP SYSTEMS

- ERP systems can prove to be complex and difficult to customise, keeping in mind the actual complexities and idiosyncrasies of each individual business itself.
- Many firms fail to adequately invest in ongoing training for the involved IT personnel, and there is often a lack of corporate policy to protect the integrity of the data in the ERP systems and the ways in which it is used.
- Business processes frequently have to be re-engineered to fit the new ERP system, and this can lead to problems with processes and staff.
- Also, ERP systems can be very expensive. This has led to a newer breed of simpler ERP systems for smaller enterprises which carry a lower cost, and many established ERP vendors now offer managed ERP services, offered over the web.Finally, the fact that ERP systems centralize the data in one place can increase the risk of loss of sensitive information in the event of a security breach.

POPULAR ERP VENDORS

- **Microsoft Dynamics**

  The Microsoft Dynamics ERP suite includes Microsoft Dynamics AX, an accounting and finance, HR and CRM tool; Microsoft Dynamics GP, a mid-market accounting suite; and Microsoft Dynamics NAV and Microsoft Dynamics SL, both SME ERP platform.

- **Oracle e-Business**

  A modular ERP platform, the Oracle e-Business Suite has many elements including Oracle CRM, Oracle Financials, Oracle Logistics, Oracle Order Management and Oracle Warehouse Management Systems. The software makes use of the Oracle database.

- **SAGE**

  Sage Line 500 and Sage 1000 are the cornerstone ERP solutions for thousands of UK businesses. Developed for the UK mid-market from day one, the Sage Line 500 and Sage 1000 Suites offer customers a broad range of capabilities including CRM, HR, Payroll and Business Intelligence.

- **SAP Business**

  Aimed at SMEs, SAP Business One contains over a dozen core modules, such as Financials, Sales Opportunities, Purchasing Banking, Human Resources, E-commerce and WebCRM.

- **Infor Global Solutions**

  Infor is a large business software provider which has several ERP suites, such as Infor ERP LN, Infor ERP SyteLine, Infor ERP VISUAL, Infor ERP Adage and Infor ERP LX. They are built on an open, flexible, service-oriented architecture (SOA) with web-based user interfaces.

- **Net ERP from Net Suite:** Net Suite supplies on-demand, integrated business management software suites aimed at mid-market enterprises and divisions of large companies. It offers hosted accounting, CRM, ERP, e-commerce and web site development software.

- **Lawson Software**

  Lawson merged with business software firm Intentia International in 2006, to offer mid-market business an alternative to larger ERP vendors. The vendor's ERP packages are Lawson S3 (broadly for service firms) and Lawson M3 (broadly for manufacturers and distributors.

XBRL

XBRL is the open international standard for digital business reporting, managed by a global not for profit consortium, XBRL International. We are committed to improving reporting in the public interest. XBRL is used around the world, in more than 50 countries. Millions of XBRL documents are created every year, replacing older, paper-based reports with more useful, more effective and more accurate digital versions.

In a nutshell, XBRL provides a language in which reporting terms can be authoritatively defined. Those terms can then be used to uniquely represent the contents of financial statements or other kinds of compliance, performance and business reports. XBRL lets reporting information move between organisations rapidly, accurately and digitally.

The change from paper, PDF and HTML based reports to XBRL ones is a little bit like the change from film photography to digital photography, or from paper maps to digital maps. The new format allows you to do all the things that used to be possible, but also opens up a range of new capabilities because the information is clearly defined, platform-independent, testable and digital. Just like digital maps, digital business reports, in XBRL format, simplify the way that people can use, share, analyse and add value to the data.

XBRL (**eXtensible Business Reporting Language**) is a freely available and global framework for exchanging business information. XBRL allows the expression of semantic meaning commonly required inbusiness reporting. The language is XML-based and uses the XML syntax and related XML technologies such as XML Schema, XLink,XPath, and Namespaces. One use of XBRL is to define and exchange financial information, such as a financial statement. The XBRL Specification is developed and published by XBRL International, Inc. (XII).

XBRL is a standards-based way to communicate and exchange business information between business systems. These communications are defined by metadata set out in taxonomies, which capture the definition of individual reporting concepts as well as the relationships between concepts and other semantic meaning. Information being communicated or exchanged is provided within an XBRL instance.

Often termed “bar codes for reporting”, XBRL makes reporting more accurate and more efficient. It allows unique tags to be associated with reported facts, allowing:

People publishing reports to do so with confidence that the information contained in them can be consumed and analysed accurately people consuming reports to test them against a set of business and logical rules, in order to capture and avoid mistakes at their source eople using the information to do so in the way that best suits their needs, including by using different languages, alternative currencies and in their preferred style people consuming the information to do so confident that the data provided to them conforms to a set of sophisticated pre-defined definitions

COMPREHENSIVE DEFINITIONS AND ACCURATE DATA TAGS ALLOW THE:

- Preparation
- Validation
- Publication
- Exchange
- Consumption; and analysis

Information in reports prepared using the XBRL standard is interchangeable between different information systems in entirely different organisations. This allows for the exchange of business information across a reporting chain. People that want to report information, share information, publish performance information and allow straight through information processing all rely on XBRL.

In addition to allowing the exchange of summary business reports, like financial statements, and risk and performance reports, XBRL has the capability to allow the tagging of transactions that can themselves be aggregated into XBRL reports. These transactional capabilities allow system-independent exchange and analysis of significant quantities of supporting data and can be the key to transforming reporting supply chains.

USERS

The international XBRL consortium is supported by more than 600 member organisations, from both the private and public sectors. The standard has been developed and refined over more than a decade and supports almost every kind of conceivable reporting, while providing a wide range of features that enhance the quality and consistency of reports, as well as their usability. XBRL is used in many different ways, for many different purposes, including by:

REGULATORS

Financial regulators that need significant amounts of complex performance and risk information about the institutions that they regulate.

Securities regulators and stock exchanges that need to analyse the performance and compliance of listed companies and securities, and need to ensure that this information is available to markets to consume and analyse.

Business registrars that need to receive and make publicly available a range of corporate data about private and public companies, including annual financial statements.

Tax authorities that need financial statements and other compliance information from companies in order to process and review their corporate tax affairs.

Statistical and monetary policy authorities that need financial performance information from many different organisations.

COMPANIES

Companies that need to provide information to one or more of the regulators mentioned above.

Enterprises that need to accurately move information around within a complex group.

Supply chains that need to exchange information to help manage risk and measure activity.

GOVERNMENTS

Government agencies that are simplifying the process of businesses reporting to government and reducing red tape, by either harmonising data definitions or consolidating reporting obligations (or both).

Government agencies that are improving government reporting by standardising the way that consolidated or transactional reports are prepared and used within government agencies and/or published into the public domain.

DATA PROVIDERS

Specialist data providers that use performance and risk information published into the market place and create comparisons, ratings and other value-added information products for other market participants.

ANALYSTS AND INVESTORS

Analysts that need to understand relative risk and performance.

Investors that need to compare potential investments and understand the underlying performance of existing investments.

ACCOUNTANTS

Accountants use XBRL in support of clients reporting requirements and are often involved in the preparation of XBRL reports.

MOST IMPORTANT FEATURES OF XBRL

CLEAR DEFINITIONS

XBRL allows the creation of reusable, authoritative definitions, called taxonomies, that capture the meaning contained in all of the reporting terms used in a business report, as well as the relationships between all of the terms. Taxonomies are developed by regulators, accounting standards setters, government agencies and other groups that need to clearly define information that needs to be reported upon. XBRL doesn’t limit what kind of information is defined: it’s a language that can be used and extended as needed.

TESTABLE BUSINESS RULES

XBRL allows the creation of business rules that constrain what can be reported. Business rules can be logical or mathematical, or both and can be used, for example, to . These business rules can be used to:

Stop poor quality information being sent to a regulator or third party, by being run by the preparer while the report is in draft.

Stop poor quality information being accepted by a regulator or third party, by being run at the point that the information is being received. Business reports that fail critical rules can be bounced back to the preparer for review and resubmission.

Flagging or highlighting questionable information, allowing prompt follow up, correction or explanation.

Create ratios, aggregations and other kinds of value-added information, based on the fundamental data provided.

MULTI-LINGUAL SUPPORT

XBRL allows concept definitions to be prepared in as many languages as necessary. Translations of definitions can also be added by third parties. This means that it’s possible to display a range of reports in a different language to the one that they were prepared in, without any additional work. The XBRL community makes extensive use of this capability as it can automatically open up reports to different communities.

STRONG SOFTWARE SUPPORT

XBRL is supported by a very wide range of software from vendors large and small, allowing a very wide range of stakeholders to work with the standard.

ADVANTAGES OF XBRL

The advantages of XBRL data over conventional forms of data are given below:

Standard - XBRL is a standard that has been accepted and adopted the world over thus reducing inconsistencies in terminologies and data formatting.

Accuracy - XBRL provides highly accurate data as the data can be both calculated and verified.

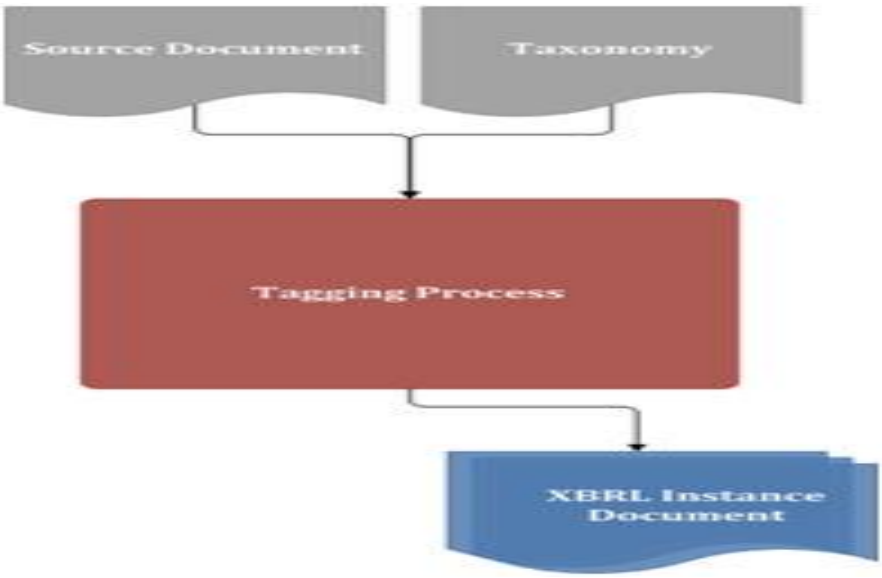
Speed - XBRL allows much faster and real-time preparation of reports and at the same time allows efficient, accurate and relevant ways to search data

Reusable - XBRL data once entered can be reused to represent the same data in multiple ways and multiple formats.

Platform Independent - XBRL is an open standard and hence platform independent, this allows the data to be exchanged and transferred with ease.

Region Independent - XBRL allows the presentation and exchange of data in many different languages.

XBRL – WORKING MECHANISM



An XBRL document can be viewed as a system of barcodes. These barcodes not only contain the information but also attributes that describe the information. The XBRL process can be understood better with the help of the diagram to the left:

The source document is the annual report of the company that is to be converted to XBRL. The taxonomy of XBRL is in literal terms a dictionary of elements that are reported. The taxonomy provides the tags (barcodes) for all the elements appearing in the annual report. The creation of XBRL documents involves the process of tagging the document. Tagging is the process of assigning barcodes to all the elements appearing in the annual report. Once all the elements appearing in the annual report have been tagged the XBRL Instance document is generated and the process is complete.

The XBRL instance document contains all the facts that are reported in the annual report along with the descriptive attributes about the data that is reported. The instance document is platform independent and can be reused to represent and transfer data as per the requirements of the user.

The XBRL US Data Analysis Toolkit allows users to obtain an application programming interface key to access all public company XBRL data available in the XBRL US database. The content is updated on an as-reported basis every 15 minutes through an RSS feed from the SEC's EDGAR database. Users then can query the data, pull data into a spreadsheet, and build a data store in their own environment. Users could, for example, obtain a breakdown of pension assets held by various pension plans. This feature gives users an idea of where pension assets are being held and where they are concentrated, which is useful for pension plan managers or those selling asset management services to the pension sector.

As Scott Bauguess, SEC deputy chief economist and deputy director, points out, to take advantage of artificial intelligence (AI) and other advanced analytical tools, users need high-quality, digital, machine-readable data and metadata.3 Acknowledging the importance of increasingly open-source, AI algorithms, and the right people to use them, Bauguess emphasizes the critical role machine-readable data plays. The massive EDGAR database serves up 1.5 billion copies of documents filed by public companies with the SEC each year; currently, 85% of the downloads each day are made by bots, not humans (as shown by the EDGAR log files). According to Bauguess, the "SEC is fundamentally committed to ensuring that all investors and market participants can access the information necessary to make informed financial decisions." Not surprisingly, an increasing number of participants want to use advanced technology like AI to help them make those decisions; the "bot" downloads are indicative of that trend.

To address this trend, the SEC is looking to ensure that humans and machines can read these reports equally well, and, through a proposed rule, is seeking to use Inline XBRL to ensure that this happens. Bauguess points out that "[t]his proposed rule, if adopted, would combine the two requirements and create a single document designed to be read equally well by humans and machines."

Data Quality Issues

Although the Financial Statement and Notes Data Sets may be the largest repository of US public company financial statement data, data quality issues do exist. Examples include scaling errors, incorrect use of negative values, incorrect fiscal years, inappropriate use of extensions or "custom tags," and incorrect or inconsistent tagging.

To address issues such as the incorrect use of negative values and scaling errors, CFA Institute urges filers to adopt the validation rules put forward by the XBRL US Data Quality Committee (DQC) of which CFA Institute is a member. Furthermore, CFA Institute believes that cross-referencing Financial Accounting Standards Board (FASB) codification to each element will reduce incorrect and inconsistent tagging—both within companies over time and across companies.

In the United States, however, the biggest problem seems to be that of extensions or company-specific tags that are not within the taxonomy or dictionary of tags. Indeed, some users report that approximately 80% of data elements can be mapped directly onto the US GAAP taxonomy, but that the remaining 20% are extensions. Such excessive use of extensions results in the need for manual intervention by users: analysis of extensions must be executed by hand, whereas analysis of a taxonomy element can be automated across companies.

The extensive use of custom tags is a key limitation with respect to the SEC data (Figure 1). Two steps can be taken to address this problem. First, CFA Institute believes that it is necessary to allow for the use of company-specific extensions within a framework that restricts their use to rare circumstances. In eXtensible Business Reporting Language: A Guide for Investors, CFA Institute maintains,

Individual extensions should be limited to those rare situations in which an item unique to that firm exists and the information about it does not fit into any of the concepts within the standard taxonomy or extension. We strongly encourage reporting companies to look first for the appropriate tag within the existing taxonomy before turning to a custom extension. If such a tag does not exist, we believe an extension should be allowed but within a well-defined framework so that no extension corrupts other financial statement relationships. Simply put, the automated relationships required by the computer remain: When a custom tag is inserted, the relationships remain intact and the numbers continue to sum up correctly.4

Second, companies should be required to "anchor" all extensions to the base taxonomy by providing an explicit relationship. In 2020, ESMA will require all such extensions to be anchored. CFA Institute contends that the SEC should make this a requirement as well.

Data Providers

Data providers are building increasingly advanced consumption tools. Data providers have explained how they pull the SEC's XBRL data, normalize and clean it for the aforementioned errors, and present it to users in a manner that allows easy access and immediate analysis as well as the ability to export it into an Excel spreadsheet. Providers leverage the XBRL data to be able to trace the data point on the provider's platform back to the source document.

A great deal of information in the textual component of an SEC filing also can be presented in a structured manner and more easily consumed by investors. Providers build upon the XBRL technology to further tag and improve the readability and usability of financial documents, for example by tagging non-GAAP information, items such as product warranty accruals; the management discussion and analysis (MD&A); earnings releases; SEC comment letters; and environmental, social, and governance data. This information overlays the XBRL data from the SEC.

Data providers build these tools to meet user demand for greater tagging of information. Tagging the earnings release, for example, allows users to export data from the earnings release directly into documents or into an Excel-based financial model. Users then can perform side-by-side comparisons of preliminary income statements against previously reported numbers, without having to manually input the data. This simplifies the process for financial analysts and reduces errors and the time spent pulling information manually for multiple companies. Analysts, for example, can more easily compare EBITDA and non-GAAP EBITDA; see whether similar companies have received SEC comment letters and how to avoid the same pitfalls; review the MD&A of a given company (e.g., Facebook to identify the number of active users); apply machine learning to block-tagged text to identify early adopters of the new revenue recognition standard; and search text by topic on SEC comment letters, MD&A, and annual and quarterly financial statements.

Indeed, in some jurisdictions, regulators are mandating that structuring be extended. Recently, The Netherlands has required companies to file XBRL-based annual reports with an accompanying electronically signed XBRL-formatted auditor's opinion. The reports must be submitted to the Dutch Chamber of Commerce within the Netherlands Standard Business Reporting (SBR) framework in XBRL. The new mandate applies to all midsize businesses—those large enough to have their accounts audited while not being listed.

Because XBRL data cannot be consumed in a vacuum, some providers also incorporate nonfinancial data from the Federal Reserve, the US Food and Drug Administration, stock prices, forecasts, and the Federal Deposit Insurance Corporation call reports on their platforms. This additional information provides context for the XBRL data. For example, analysts gain context for the financial data from proxy statements given that the proxy often provides insights into corporate governance, and whether the leadership has compensation tied to long-term success.

Furthermore, to improve data quality, some providers have built in the validation rules of the EDGAR filings manual checks and the DQC, as well as variance threshold checks to identify anomalies. This validation process allows preparers to run their filings using the provider's portal and check for errors before submitting the filing to the SEC. Of course, preparers also use these tools to analyze trends and benchmark multiple companies. Within a few clicks, users can compare—in a visual format—quarterly sales revenues from 2014 to 2017, or the time-series data of cash and cash equivalents for, say, Pfizer Inc., Johnson & Johnson, Merck & Co., Inc., and Bristol-Myers Squibb. As well, providers are getting ready to incorporate the data that will be available from ESMA in 2020.

In sum, XBRL is useful because it provides analysts with a fully searchable database of line-item details from SEC filings. Previously hard-to-find facts are no longer hard to find. The detailed segment breakouts, schedules, and roll forwards are available for searching, analyzing, and comparing over time and across companies. Users can examine company tax footnotes side by side; search geographic segment revenue for companies that report revenue in, for example, China; or drill into a footnote and then extract a concept from that same footnote, while asking who else might be reporting that concept and in what specific dollar amount.

POSSIBLE QUESTOINS

Part – B (2 marks)

1. What is capital budgeting?

2. What are the techniques in capital budgeting?

3. Define ERP.

4. List the two types of internal controls.

5. Write short note on Ratios.

6. List solvency ratios

7. What are activity ratios?

8. What do mean by financial statement analysis?

9. Give the importance of ERP.

10. Bring out the list of ERP software companies.

11.What are the features of SAP?

12. Define XBRL

13.Who are the users of XBRL?

POSSIBLE QUESTIONS

Part – C (6 marks)

1. Discuss the objectives and functions of budgetary control

2. Explain the advantages or benefits of installing an ERP system.

3. Discuss the various types of ratio analysis with illustration.

4. Narrate the techniques in capital budgeting.

5. How can internal control be practiced in an organization

6. Discuss the merits and demerits of modern accounting standards.

7. Explain about ERP software companies and its features.

8. Explain the benefits and challenges in implementation of ERP.

9. Explain the advantages and limitations of traditional accounting standards.

10. Write the functions and feature of SAP.

KARPAGAM ACADEMY OF HIGHER EDUCATION
DEPARTMENT OF COMMRCE
BUSINESS PROCESS SERVICES IN FINANCE AND ACCOUNTING -19BPU201
I B.COM BPS
UNIT IV

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
The two key elements of _________control are internal check and internal audit	external	automated	internal	defective	internal
COSO is the coming together of 5 key private sector bodies in _________	US	UK	India	Europe	US
___________risk is the risk of loss resulting from incorrect or ineffective operation of a process.	inherent	operational	current	sudden	operational
___________requirement is very less in manual accounting	investment	corruption	audit	checking	investment
_____________of records in computer using accounting software is called computerized accounting system	realization	updation	editing	altering	updation
With ________the business processes will be quick, accurate and saves huge time.	ERP	SIPOC	KNANO	SOP	ERP
Which of the following is an internal user of XBRL?	Regulators	Banks and Financial institutions	Credit agencies	Investor relations	Investor relations
Which of the following is an external user of XBRL?	Operations	internal audit	Investor relations	Credit agencies	Credit agencies
Expand FASB	Fast Accounting Standards Board	First Advancement Board	Financial Accounting Standards Board	Financial Standards board	Financial Accounting Standards Board

COSO is the coming together of _ key private sector bodies in US	3	2	5	4	5
IFRS are principles -based standards, interpretations and the framework adopted by the _____________	IASB	ASB	GAAP	SAC	IASB
The purpose of XBRL is to convert the _______data into meaningful comparable information	relevant	important	financial	monetary	financial
____________must be appropriately designed and operated	ICoFR	IAS	SIPOC	IFRS	ICoFR
During the mandatory leave policy the functions of an employee is performed by__________	another employee	authority	automation	officers	another employee
A particular country's accounting body working jointly with IAS to develop high quality standards over time is called	adoption	convergence	control plan	control	convergence
The well controlled company make more ________than a poorly controlled one	time	money	success	changes	money
_______audit is recurring and focuses on operating effectiveness	Type I	Type II	Type III	Type IV	Type II
______________is a process of identifying waste, eliminating waste and maximizing flow	lean	six sigma	BCP	flow	lean
_______________is a technique used to document and analyse processes	process mapping	progress mapping	value mapping	tracking	process mapping
Kaizen is a Japanese word for____________	improvement	involvement	innovation	initiation	improvement
Critical activities identification is a technique used for identification of __________activities required for producing a product or service	maximum	minimum	medium	minor	minimum
________________is a method to improve the quality of a process by identifying the causes for variation	lean	Six sigma	BCP	flow	Six sigma
Lower the ________rate, higher is the sigma level	defect	model	variation	variable	defect

In six sigma Y is the ________of the process	input	causes	output	effect	output
X in six sigma denotes the ___________	effects	input	causes	output	causes
In DMAIC methodology I indicates	Improve performance	increase performance	innovate	initiate	Improve performance
_______________uses DMAIC methodology	lean	six sigma	BCP	flow	Six sigma
Effort-benefit matrix is a tool to assess the solutions on efforts involved as against the __________	results	awards	achievements	benefits	benefits
Brain writing is a technique for ______________	process mapping	Prioritize	Solution identification	optimizing	Solution identification
_________________is much sought after in the BPS industry	improvement	involvement	innovation	initiation	innovation
_______________is a method used to understand if the process is able to meet customer specification	SPC	SIPOC	SOP	SLA	SPC
___________plan is required to detect the change in any process	control	action	active	emergency	control
___________is a comprehensive e-sourcing suite designed for emerging markets to improve savings	SPC	SIPOC	SOP	SPoC	SPoC
What is SaaS?	Software as a Service	Software as a Source	Service as a Source	Source as a Service	Software as a Service
What is S2C?	Service 2 Contract	Source 2 contract	Statement 2 contract	style 2 contract	Source 2 contract
The foremost document that talks about the outsourcing activities is called ________	Statement of contract	Statement of work	Scope of work	Source of work	Statement of work
Information ____________awareness should be spread to ensure adequate reach within the organization	spread	security	social	sign	security
By restricting logical access to the information source information is secured against ___________access	authorized	unauthorised	frequent	official	unauthorised

The CSIRT handles ___________security incident management	control	computer	credit	cash	computer
From clients prospective it is the responsibility of the _________provider to ensure BCP	business	remedy	service	control	service
Every organisation deals with multiplicity of __________generated from various sources	facts	information	emails	features	information
Security guards are placed at the entry points to ensure authorized access into the premises. This is an example of__________	physical security	data security	information security	identity	physical security
Expand XBRL	Extensible business reporting language	Expandable business reporting language	Expandable business reforming language	Excess business reforming language	Extensible business reporting language
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
_____________policy should be used to set data not required to be destroyed periodically	clean desk	data security	data retention	Recovery	data retention
_____________is used to ensure a proper plan to continue business activities during disaster	BCP	SPC	SIPOC	SOP	BCP
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
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
The purpose with which a particular control is deployed is called_______________	control	control aim	control plan	control objective	control objective
A control objective is set with respect to the risk we need to_____________	input	improve	increase	mitigate	mitigate

Control objectives are framed around the ________themes	ICoFR	IFRS	GAAP	IAS	ICoFR
Control objectives and control activity are designed to address and mitigate the _________observed	faults	risk	accuracy	promptness	risk
______________risk in a process is always classified as high	residual	technical	inherent	operational	inherent
Where controls operate as designed the residual risk is classified as _________	high	low	medium	more	low
____________way checks are performed to validate the quantity billed in the invoice with the PO and GRN	1	2	3	5	3
Type I engagements report on the ________of controls	design	operating effectiveness	source	None of the above	design
Type II engagements report on the ________of controls	design	operating effectiveness	source	None of the above	operating effectiveness
The auditor engaged by the service organisation to report on its_________contols is called service auditor	external	internal	major	minor	internal
SSAE______provides guidance to service auditors	70	16	34	20	16
________engagement is performed in the first year of operation	Type I	Type II	Type III	Type IV	Type I

UNIT-V

SYLLABUS

Accounting Standard, Control and Compliance Operating Model of Business Process Services: 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.

ACCOUNTING STANDARD, CONTROL AND COMPLIANCE OPERATING MODEL OF BUSINESS PROCESS SERVICES:

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

International Financial Reporting Standards, usually called **IFRS**, are standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB) to provide a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. They are a consequence of growing international shareholding and trade and are particularly important for companies that have dealings in several countries. They are progressively replacing the many different national accounting standards.

The following are the general features in IFRS:

- **Fair presentation and compliance with IFRS**: Fair presentation requires the faithful representation of the effects of the transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework of IFRS.
- **Going concern**: Financial statements are present on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so
- **Accrual basis of accounting**: An entity shall recognise items as assets, liabilities, equity, income and expenses when they satisfy the definition and recognition criteria for those elements in the Framework of IFRS.
- **Materiality and aggregation**: Every material class of similar items has to be presented separately. Items that are of a dissimilar nature or function shall be presented separately unless they are immaterial.
- **Offsetting**: Offsetting is generally forbidden in IFRS.[9] However certain standards require offsetting when specific conditions are satisfied (such as in case of the accounting for defined benefit liabilities in IAS 19 and the net presentation of deferred tax liabilities and deferred tax assets in IAS 12.

- **Frequency of reporting**: IFRS requires that at least annually a complete set of financial statements is presented. However listed companies generally also publish interim financial statements (for which the accounting is fully IFRS compliant)for which the presentation is in accordance with IAS 34
- **Comparative information**: IFRS requires entities to present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. In addition comparative information shall also be provided for narrative and descriptive information if it is relevant to understanding the current period's financial statements.[13] The standard IAS 1 also requires an additional statement of financial position (also called a third balance sheet) when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. This for example occurred with the adoption of the revised standard IAS 19 (as of 1 January 2013) or when the new consolidation standards IFRS 10-11-12 were adopted (as of 1 January 2013 or 2014 for companies in the European Union).
- **Consistency of presentation**: IFRS requires that the presentation and classification of items in the financial statements is retained from one period to the next unless:
  1. it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS 8; or
  2. an IFRS standard requires a change.

FUNDAMENTAL QUALITATIVE CHARACTERISTICS OF FINANCIAL INFORMATION INCLUDE:

- Relevance
- Faithful representation

Enhancing qualitative characteristics include:

- Comparability
- Verifiability
- Timeliness
- Understandability

Elements of financial statements

The elements directly related to the measurement of the **statement of financial position** include:

- **Asset**: An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.
- **Liability**: A liability is a present obligation of the entity arising from the past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits, i.e. assets.
- **Equity**: Nominal equity is the nominal residual interest in the nominal assets of the entity after deducting all its liabilities in nominal value.

Cash flow statement

- **Operating cash flows**: the principal revenue-producing activities of the entity and are generally calculated by applying the indirect method, whereby profit or loss is adjusted for the effects of transaction of a non-cash nature, any deferrals or accruals of past or future cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

- **Investing cash flows**: the acquisition and disposal of long-term assets and other investments not included in cash equivalents. These represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.
- **Financing cash flows**: activities that result in changes in the size and composition of the contributed equity and borrowings of the entity. These are important because they are useful in predicting claims on future cash flows by providers of capital to the entity.

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.

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.

1. **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.

2. **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 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 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

1.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

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

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

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

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

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

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

7.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.

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.

1. 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!

2. 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.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 and monitor 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.

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 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.

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.

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 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. 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.

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.

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. **Measuremen**t: 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 and technology

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). 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.

POSSIBLE QUESTOINS
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.
6. What is the scope of accounting standards?
7. Give any two Indian accounting standards.
8. What are the types of internal control?
9. What is internal audit?
10. What is incident management?
11. Give the importance of metrics.
12. Expand SOW and SLA

POSSIBLE QUESTIONS

Part – C (6 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.
6. Explain the procedure for issuing accounting standards.
7. Disucss the advantages of IFRS.
8. Explain the structure of IFRS.
9. Discuss about SOX act.
10. Explain the benefits of incident management.
11. Narrate the service areas in BPS industry.

KARPAGAM ACADEMY OF HIGHER EDUCATION
DEPARTMENT OF COMMRCE
BUSINESS PROCESS SERVICES IN FINANCE AND ACCOUNTING -19BPU201
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UNIT V

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
SMART Metrics includes__________________	Specific, Measurable, Actionable, Relevant, Timely	Smart, Measurable, Active, Real, Type	Specific, Medium, Actionable, Resting, Time	Specific, Measurable, Applicable, Relevant, Timely	Specific, Measurable, Actionable, Relevant, Timely
The essence of Sarbanes Oxley Act is contained in _________provisions.	2	3	4	5	2
In this phase, actual operations of a BPS will take place with Proper business unit Setup.	Documentation	Work Shadow	Pilot	Delivery	Delivery
___________is a proactive methodology to ensure that the business activities should not get disturbed at any point of time.	RPO	RTO	BCP	BPO	BCP
Till date Sept.2013 there are ___________standards that have been issued by IFRS	20	13	12	11	13
The US government enacted the SOX Act on __________	30th July 2002	13th May 2003	5th April 2007	20th Jun 2000	30th July 2002
Expand DCFC	Daily Control Functional Chart	Daily Chart Functional Control	Date Control Functional Chart	Daily Check Function Chart	Daily Control Functional Chart
SOW contains __________________	Statement of Work	scope of services	scope of work	style of work	Statement of Work
________________is the time taken to complete a process or activity.	TAT	CSAT	SLA	MSA	TAT

____________are practiced through SOPs	Internal checks	Internal Audits	External audit	Internal Controls	Internal Controls
___________is the point in time to which data can be recovered.	RPO	RTO	BCP	BPO	RPO
SOW refers to__________	Statement of Work	Scope of Work	System of Work	Scale of work	Statement of Work
In _____________the modifications are carried out in the production environment after they are tested	incident management	change management	credit management	cash management	incident management
________________are stronger than manual controls.	Internal check	Internal controls	defective controls	Automated controls	Automated controls
A BPS _________defines a standard method of measuring certain attributes of the process or the transaction or the service.	Service	Metrics	Company	Mode	Metrics
Most of the customers outsource their process primarily for achieving ____________benefits	cost	service	cash	process	cost
IFRS is being recommended in order to bring _____________in presentation of financial reports	clarity	uniformity	acceptability	anonymity	uniformity
__________of duties are an important component of a properly functioning internal control environment.	aggregation	Segregation	Performing	Listing	Segregation
____________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
____________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

_______________risk is the risk of loss resulting from incorrect or ineffective operation of a process.	inherent	current	sudden	operational	operational
_______________controls are practiced post facto.	Internal check	Internal controls	defective controls	Automated controls	defective controls
All the transactions related to capitalization 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
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
Accounts for amalgamation is dealt with in ________	AS 19	AS 16	AS 14	AS12	AS 14
The provisions regarding first time adoption of IFRSs are contained in _______	IFRS 1	IFRS 2	Neither of the above	IFRS	Neither of the above
what are the key terms used in SSAE16/ISAE3402?	service organization	service auditor	user organization	all the above	all the above
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

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
The two key elements of Internal controls are	Identifying the controls	internal check	internal audit	B&C	B&C
"Operating effectiveness" refers to	Satisfactory Operation of Controls	Strengthen the control mechanism	Measuring the Productiveness in operation	None of the above	
The term COSO refers to	The Committee of Service Organisations	The committee of Supplier Organization's	The Committee of Sponcers Organizations	none of the above	The Committee of Sponcers Organisations
What are called COSO Components?	Control Entertainment	Risk Assignment	Information and Communication	Control Activities and Monitoring	All the above
3 way match performed in invoice processing function in an example of	Control Objectives	Control Activity	Risk Description	Inherent Risk	Control Activity
Accounting Standard ___________covers Valuation of Inventories	2	3	12	14	2
There are _____key elements of internal control	3	2	4	5	2
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
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 Excel	Oracle Applications & SAP

Expand SAP	Systems Applications and Products	System Analysis and Products	System Applications and Production	system assemble program	Systems Applications and Products
____________and operating effectiveness are two very key words used in the context of internal control	control	design	Segregation	audit	design
The SAP Controlling (CO) Module's Components are	cost element Accounting	Cost Controlling	Cost Centre Accounting	All of the Above	All of the Above
________________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
______________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
______________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
___________is the time taken to complete a process or activity.	TAT	CSAT	SLA	MSA	TAT
An unplanned interruption to an IT service or reduction in the quality of an IT service	incident	action	execution	process	incident
_______________may result from internal sources as well as external events	Operational risk	external risks	inherent risks	damage	Operational risk
_____________would take into consideration the volume, latency and efficiency as key parameters	SLA	resource estimation	MSA	QCP	resource estimation
Quality role can be classified into _________major sections	2	3	4	5	3
_____________is a risk mitigation process to identify failure modes in each step	FMEA	FEMA	FIRMI	FEEM	FMEA
_____________is used to quantify risk	RPO	RPN	RPS	MRP	RPN

Plan to do dedicated quality checkers has to be a part of___________	SLA	resource estimation	MSA	QCP	QCP
__________________is the problem resolution on all transactional errors	RCA	RPO	RPN	RPS	RCA
_______________framework has been created with the objective of creating value to customers	Fish bone	lean	six sigma	quality improvement	quality improvement
_________is used for productivity improvement	Fish bone	lean	six sigma	quality improvement	lean
Filtering of root causes can be done based on ____________of causes	voting	sharing	identifying	eliminating	voting
Six sigma was originally developed by___________	Micromax	Motorola	apple	IBM	Motorola
______________is a six sigma tool used to understand customer requirement in a four quadrant	KNANO	KANO	NANO	KONO	KANO
Expand DPMO	Defects per million opportunities	Defaults per million opportunities	Defaults per major opportunity	Defects per million orders	Defects per million opportunities
KANO is a six sigma tool used to understand customer requirement in a ___________ quadrant	3	2	4	1	4