

INVOICE PROCESS FOR RECEIVABLES IN AN IT COMPANY

AUTHORS: RAJALAKSHMI.N

HARSHNI.R

ARTICLE ID: ICBAI-044

ABSTRACT

The project is titled as the invoice process for accounts receivables. The aim of this research is to analyse the invoice process method of the company for accounts receivables using various financial tools and techniques to assess the profitability and financial position of the company. The paper describes how the company raises an invoice to its customers. The online invoice process integrates multiple systems and it also helps the companies that send recurring bills to its customers month on month. The pattern describes the various components involved in the process such as creation, validation of invoice, the payment process. It will help the organization to improve the utilization of resources. The company can maintain the records through online portals without redundant entries. The application of invoice process helps the company to manage and send professional invoices to the customers and track the status of payment. The project showcases the analysis for good invoice management by using various tools like debtor's turnover ratio, creditors turnover ratio, average collection period etc. The study is limited to a few numbers of years and employees. The project shows the ways in which the company provides a better service to the clients.

INTRODUCTION:

Invoice processing is a business function which involves a series of steps for managing the vendor or the supplier's invoices from receipt to payment. This is recorded in the general ledger. Invoice processing is often performed with software and this is often known as automated invoice processing. The invoice processing flow chart is a guide containing the steps involved in the process of vendor invoices. Invoice processing includes the complete cycle of receiving a supplier invoice, approving it, establishing a remittance date, paying the invoice and recording it in the ledger. When the vendor does not pay on time, it can interrupt the

incoming stream of services, supplies, raw materials. One or two late or missed payments could be excused but continuous defaults will affect the organization business.

The advancements in technology have made the invoice process easier. The suppliers know that most of the companies use an automated system to receive and record the invoice transactions. When the supplier does not receive the payments on time, he would take severe actions to secure the financial position of the organizations.

The process involves when a company has made a sale but is yet to collect the payment from the purchaser, the supplier raises a bill for the work that has been completed. The business operates by enabling the client to buy the goods or service on credit. This transaction is called as accounts receivable. Were the service is completed but the payment is yet to be received. Accounts receivables are an asset to the company where the cost of sales on credit is called AR. The amount of money owed to the company by the buyer for the goods or services rendered by the supplier.

OBJECTIVES OF RESEARCH

Primary objective:

- To analyse the invoice processing method for accounts receivables in IT sector.
- To identify the cause for any delay in receipts.

Secondary objective:

- To understand the accounts receivables procedure.
- To analyse the efficiency of receivables management in an organization.
- To study about the invoices if it is useful to gather information of the customer.
- A proper invoice is an agreement between the buyer and seller for a pre-set price.

NEED:

- The most basic purpose of an invoice is to offer a record of sale so a business can get paid by its clients.
- Streamline and standardize the accounts payable process.
- Your sales invoices provide documentation that helps to confirm the information you list on your tax filings each year.
- Records of your invoices can help you develop strategies for marketing your business.

- Invoices also help businesses track their sales and manage their finances.
- Invoices provide valuable data regarding how your sales change over time and can help you create accurate business forecasts.

SCOPE:

This process should begin with receipt of the vendor invoice and end with the payment released from the financier's Office.

1. Address required and recommended information to be entered for payment (E.g., invoice number, date, description, etc.)
2. Address accessibility and retention of invoices.
3. Address needed for or possible elimination of errors.
4. Address when and which committee should approve invoices including standard format to be used.

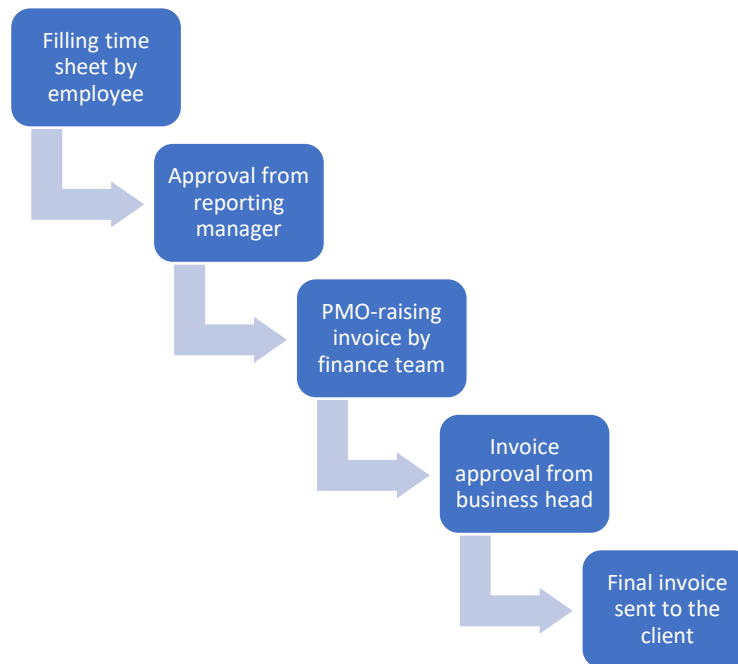
RESEARCH METHODOLOGY

In order to reach the objectives of the study, an analysis was done with the secondary data that was available in the organization. The data was collected from the invoice processing person in the organization.

Statistical tools used:

- T-test
- Debtor's turnover ratio
- Creditors turnover ratio
- Average collection period
- Average payment period

INVOICING PROCEDURE



ANALYSIS AND INTERPRETATION

Hypothesis

The collection periods impact on Debtor's turnover ratio. An Average collection period of 75 days is given to the client.

H0 = The collection period impacts the debtor's turnover ratio.

H1 = The collection period does not impact the debtor's turnover ratio.

Level of significance = 5%

Degrees of freedom = n-1

$$= 5-1$$

Table value for t (0.05,4) = 2.776

The calculated value = 5.33

Result:

Since the calculated value 5.33 is greater than the table value 2.776 we reject null hypothesis Ho and accept null hypothesis H1

Ratios

1. The debtor's turnover ratio's average for 5 years is 3.6 times and the creditor's turnover ratio's average for 5 years is 2.6 times.
2. The collection periods average for 5 years is 100 days and the payment periods average for 5 years is 143 days.

FINDINGS

- The invoice process works on regular basis to collect the receivables on time.
- The norms of the company are precise which avoids the violation of norms by the client.
- The calculation of ratios has helped to find the financial strength of the company
- The average debtor's turnover ratio is approximately 3. Which means that the
- company is recovering its debts 3 times a year
- The company pays the financial obligations twice a year approximately. This situation helps the company to cut down the liabilities at a positive rate.
- The revenue of the company is positive, which means the company is generating level of profits and the financial position of the company is strong.

CONCLUSION

The invoice processing system when performed diligently can give powerful results to the organization. The technological advancements in the invoice processing system can remove bottlenecks with the accounts receivables process and improve the returns earned by the company. When an organization receives a greater number of projects it benefits the company and the.

The use of computers to generate invoice helps the companies to solve the problems that arises when the invoice is generated manually. This helps to increase the processing speed. The storage of data is easier which helps to retrieve data whenever required. It supports a basic administrative function which relates to the client information. Any breach in policy is addressed immediately and corresponding actions are taken Since the company is generating positive revenue, it shows that the receivables were maintained properly. The study has established that the debtor's turnover has a positive relationship with the returns of the company.

REFERENCES

