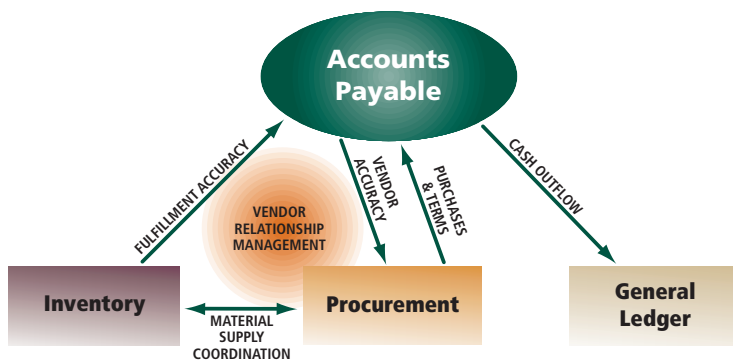




# ACCOUNTS PAYABLE ANALYSIS WITH COGNOS® PERFORMANCE APPLICATIONS

SPEND SMARTLY

Accounts payable maintains that crucial balance between strong supplier relationships and tight cash outflow management. This function must ensure that accounts are current and credit obligations are met, by paying on time but no earlier than necessary.



The accounts payable function operates in close conjunction with many other core functions in an organization to ensure effective vendor relationships, cash flow, goods receipt, and invoice validation.

Cognos Performance Applications quickly turn your corporate data into an information asset to answer your key business questions. By packaging best-practices business requirements, Cognos Performance Applications create a rich, business analysis environment for all levels in your organization.

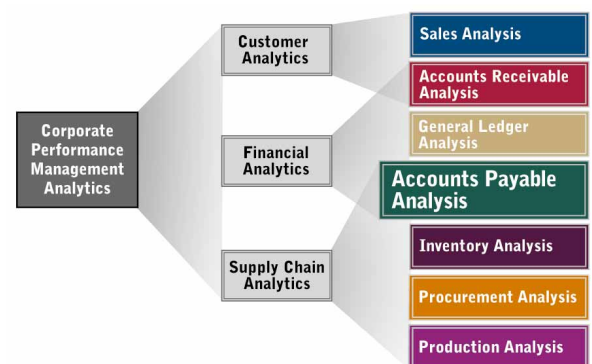
## CONFIDENT ACCOUNTS PAYABLE MANAGEMENT

Cognos Accounts Payable Analysis gives you actionable information about payment related activity and trends. You can quickly see how much is due to vendors and when, the value of overdue accounts, and how well your organization is making use of discounts. You can profile vendors using such metrics as transaction volume, discounts offered, cost to pay, prices, and terms of payment. Forecast cash outflow for each account based on various discount-taking scenarios. Find out how any measurement is trending over time.

The four key areas of analysis answer 700-plus critical

business questions, using more than 60 key performance indicators (KPIs) and over 30 reports. Real-time interaction with the reports and the 12 dimensions lets you manipulate the information and drive deeper analysis. You gain an in-depth understanding of your accounts payable that lets you:

- Evaluate and improve vendor relationships from an A/P perspective.
- Keep tight control over cash outflow while maintaining strong vendor relationships.
- Enable projections for use in cash flow planning.
- Assess payables analyst performance.
- Evaluate functional transaction volumes and the impact on A/P performance.
- Monitor, manage, and improve the A/P process and performance of existing resources.



Accounts Payable Analysis is part of Cognos Performance Applications CPM Foundation—which tears down information silos and lets you see across all core business functions.

# Answers to the Im

This is just a sample of the many questions related to accounts payable yo

## Accounts Pay

### ACCOUNTS PAYABLE PERFORMANCE ANALYSIS

*Ensure that the organization is paying what is due to its vendors when it is due, and address any deviations from this expectation by understanding the ongoing status of payables.*

#### Sample Questions

- What money is owed this period? What Percentage of it is past due?
- How quickly is the organization paying? How does this relate to particular A/P analysts?
- What Percentage of accounts is not meeting terms? What is the value of overdue accounts?

### ACCOUNTS PAYABLE VENDOR ACCOUNT ANALYSIS

*Provide vendor payment history to the supplier scorecard in conjunction with procurement and inventory. This information serves as a basis for cash outflow forecasting and vendor relationship management.*

#### Sample Questions

- What is the current balance for a vendor account? What are the transactions that define the current balance, including invoices, payments, and adjustments?
- Does the vendor offer the company discounts? What Percentage of discounts offered are taken? What is the value?
- What is the cost to pay vendors, including errors, method of payment, and adjustments?
- Which vendors are problematic and why?

### ACCOUNTS PAYABLE CASH OUTFLOW ANALYSIS

*Assist in cash flow planning by providing the treasury department with cash outflow forecast information based on existing invoices, their related terms of payment, and trends reflecting discounts taken.*

#### Sample Questions

- What is the expected cash outflow based on the assumption that no accounts take advantage of discount payment terms?
- What is the expected cash outflow based on the assumption that all accounts take advantage of discount payment terms?

### ACCOUNTS PAYABLE ORGANIZATIONAL EFFECTIVENESS ANALYSIS

*Identify and eliminate inefficiencies in the A/P process and understand how A/P resources are performing to achieve functional objectives. Decide how best to use the cash available to pay the important bills first.*

#### Sample Questions

- How has account distribution across analysts changed as business has increased? How does the total number of accounts and total value managed compare?
- On average, how long does it take for a decision to be made on an invoice submitted for approval and payment?
- What was the total cost/savings for being in variance as related to payment terms?
- What is the average/weighted average days past due?

Cognos Performance Applications enable a thorough analysis of the accounts payable function well beyond the questions shown here. Multidimensional analysis lets you expand on any single question in any direction you choose, deepening the knowledge you gain from your ERP data.

# Important Questions

You can answer in four vital areas using Cognos Accounts Payable Analysis.

## Accounts Payable Analysis

- How has the A/P function evolved over time in its ability to pay on time and make use of available discounts?
- What is the average number of transactions processed by the A/P department within a period? How has this changed over time? How many adjustments took place?

### Sample KPIs

- Average days to pay
- Aging schedule
- Average days past due
- Total value, Percentage past due
- Percentage payments on time versus past due
- Adjustment counts and value

- What is the profile of the vendor base?
- How does the vendor rank against others in terms of trading volume, discounts offered, adjustments, prices and fluctuations associated, and cost to pay?
- What is the trend of the terms the vendor is offering based on purchase volume and history?
- Which vendor has the highest number of inaccurate invoices, consuming more than the average time to be paid?

### Sample KPIs

- Vendor aging schedule
- Vendor average days to pay
- Percentage and total of transactions and value past due
- Vendor A/P profiles

- What is the expected cash outflow based on the expected days to pay for each account based on an analysis of their discount-taking patterns to date?

### Sample KPIs

- Payables value and item counts due into the future by day
- Three scenario evaluation: no discounts, all discounts, average days to pay
- Open invoice count and value
- Discount taken count and value

- What is the average A/P payment period for a vendor? How does this compare across vendors? How has this changed over time?
- What proportion of cash value of open A/P items in a period is attributed to the cash value of new transactions? How has this changed over time?
- How has the total number of transactions processed by the A/P department changed over time? Do increases in processed transaction per employee impact A/P KPIs?

### Sample KPIs

- New to open transaction counts, values, and ratio
- Average time to pay open items
- Number and value of duplicate payments
- Number of transactions processed by employee
- Invoice processing days count
- Adjustment amount and count
- Percentage of invoices paid on time
- On-time versus late payments by employee (count, amount, days)

(... continued from page 1)

## STRENGTHEN ENTERPRISE MANAGEMENT

Using Cognos Accounts Payable Analysis, you can analyze operational effectiveness to ensure that the accounts payable function is contributing to overall corporate performance and stakeholder value. You can evaluate current processes, policy, and strategy, and identify trends and opportunities for improvements.

Of course, no function operates in isolation. An enterprise-wide implementation of Cognos Performance Applications lets you see causes and effects across functions. You can investigate payment patterns and volume with procurement, perform vendor analyses with inventory and procurement, and collaborate with accounts receivable to provide finance with cash flow insights. This strategic enterprise-wide analysis lets your organization manage with confidence.

## ACCOUNTS PAYABLE SCENARIO: TAKING MORE DISCOUNTS

Suppose that part of your corporate strategic plan is to reduce costs. The A/P organization sees an opportunity to take advantage of more payment discounts and is using Cognos Accounts Payable Analysis to determine how.

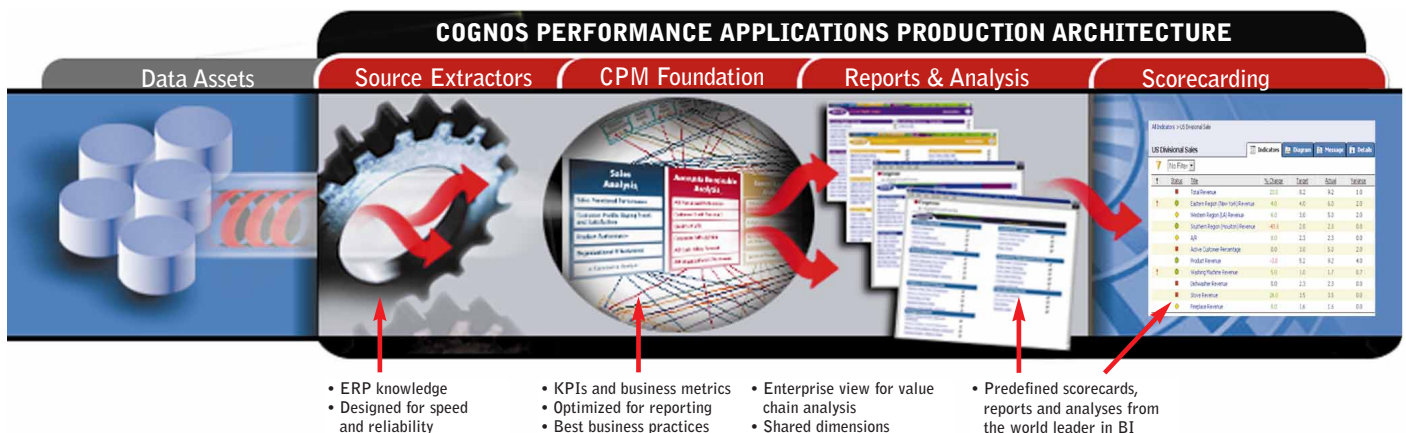
Your average days to pay have been increasing over the past six months. Paying later and later has affected the number and value of discounts you have taken. In the last six months, five per cent of total transactions took advantage of discounts, compared to 17 per cent in the previous six months. The difference in potential discount value comes to 10 per cent of your total payables.

A cash outflow analysis reveals that outflow is approaching the “no discounts taken” scenario instead of the best-case “all discounts taken” scenario. Focusing on your top vendors ranked by payable value reveals that the value of discounts taken is relatively low among high-impact vendors. Looking at the terms offered by high-impact vendors, you see that payment deadlines are unusually short for the second-ranked vendor. It’s clear that you can reduce costs through a combination of paying top vendors earlier and negotiating better terms, especially with your second-ranked vendor.

Cognos Performance Applications let you forecast the value that will result from taking the new discounts. And you can compare A/P cash outflow forecasts with A/R Analytic Application cash inflow data to find out how cash flow will be affected by new terms.

## FULL SOLUTION—ONE VENDOR

To build Accounts Payable Analysis, Cognos has drawn on years of expertise as the market-leading provider of fully integrated business intelligence solutions. Cognos is the only vendor in the market to offer an end-to-end solution that gives everyone from executives to production managers fast, insightful, appropriate answers to critical business questions. The global coverage and world-class professional services, support, and training offered through Cognos give you a single point of contact focused on your success. When you combine these advantages with the rich business content of Cognos Performance Applications, you get a powerful business solution designed to give you that competitive edge.



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