

## What is vendor payments?

The process of paying vendors is one of the final steps in the Purchase to Pay cycle. Briefly, when a company orders goods from a supplier it raises a Purchase Order (PO), when the goods or services arrive they will receive an invoice from the supplier. If the goods or service matches the PO the details of the invoice are entered into the Account Payable system.

## The Accounts Payable function

The accounts payable process or function is immensely important since it involves nearly all of a company's payments outside of payroll. The accounts payable process might be carried out by an accounts payable department in a large corporation, by a small staff in a medium-sized company, or by a bookkeeper or perhaps the owner in a small business

For large companies with international subsidiaries, possibly each having its own accounts payable department, the process of making payments becomes quite complicated and costly.

## Payment centralisation

Centralising the process of making the payments has a number of advantages from a corporate perspective. There are advantages of course to having subsidiaries keeping control of their funding and payments process. Indeed, control of payments and supplier relationships may well be best handled locally. The Coprocess Vendor Payment module or payment factory centralises the payments process and improves controls for the group, while keeping key aspects of the subsidiary payment process.

## Service organisation

The Vendor Payment module could be operated by Treasury in conjunction with a Shared Service Centre (SSC) or Organisation (SSO) for example. This offers a clear advantage in terms of making all payments through a single operating entity, standardising processes, taking advantage of process efficiencies and reducing costs.

As can be seen with centralisation of intercompany netting, making a centre of expertise increases service quality, control and can reduce risk. An SSC makes further sense as it standardises interfaces, to Enterprise Resource Planning (ERP) systems and banking and consolidation systems for example.

## Integration with other Cash Management structures and tools

The Vendor Payments module may be combined with a centralised bank account pooling structure and/or an In-house bank structure (IHB), the IHB acts as a bank to the parent and subsidiaries.

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The Vendor Payment module builds on the controls and benefits of an SSC and possibly includes some benefits of the IHB. Indeed it can and does live alongside the IHB giving both command and control aspects and transparency and funding benefits.