

Accounts Receivable Management for Manufacturers and Suppliers

*Going Beyond the Basic Receivable Programs
Found in Traditional Accounting Systems*

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Introduction

ERP and large scale accounting systems developed for manufacturers have gained a very strong foothold with the two dominant providers owning a fair share of the manufacturing market. The purpose of this white paper is to look at a small but important subset of these ERP and large scale accounting suites and ask the question – is there a better way to manage accounts receivable when revolving credit terms are needed?

ERP and large scale accounting systems are designed to support manufacturing supply chain processes very well; but one of their weakest areas is in managing the receivables component of the business. To date, ERP and large scale accounting systems are not optimized to support the complexity and variety of credit programs offered by their customers. Consequently, manufacturers and suppliers are turning to specialty software providers to run “subsystems” that interface with their ERP and large scale accounting solutions.

Many of the large third party products sell themselves as the “best” at what they do. However, many are single focused applications that may not be right for all companies. In evaluating these packages organizations should ask whether these programs are flexible enough for their needs? Do these products offer the control the company needs? Can they handle the types of credit programs required to stay competitive? Will they support revolving credit programs?

With more pervasive government regulations impacting the financial side of business, having systems in place that can accurately administer accounts receivable programs and credit terms will be even more critical than it was just a year ago. Can the company’s current accounts receivable system change rapidly to accommodate new regulations?

When CoreCard Software created a new approach to receivable management, we asked ourselves a fundamental question that is at the heart of why our products differ from other technology solutions: **What is common across all the applications used in managing accounts receivable?**

This simple question allowed CoreCard to view application development with a fresh perspective. All financial service applications boil down to three basic elements:

- Accounts
- Transactions that are posted to those accounts
- Rules by which those transactions are processed

Accounts, transactions, and rules: basic elements and building blocks for any financial service application. The key difference from one application to another is how the data is defined: what type of account, what type of transactions, and what type of rules.

In this paper we will look at how CoreCard products can be leveraged to provide an accounts receivable system that is capable of meeting the challenges manufacturers face today.

Challenges Manufacturers Face Today

No one denies that the challenges that manufacturers face today are magnified by a global economy that does business 24 hours a day 7 days a week and the recent economic downturn. Bottom line – the competition for business goes beyond the production, delivery and sale of goods; it includes the terms and conditions for the sale of goods that a manufacturer offers its customers.

The Need to Offer More than Simple Payment Terms

The days of having a system that could bill simple net terms with a discount has long passed for most manufacturers. Customers are buying from companies that can offer them the most attractive payment terms, including extended periods with no interest, revolving credit terms, loans and leases. This means manufacturers' financial systems must be up to the challenge of supporting such complex programs.

Problems With Today's ERP Systems

ERP systems in use today were typically designed to simplify the supply chain cycle and reduce inventories on hand to support “just in time” manufacturing. Most of those systems do that job extremely well, even if the ROI takes longer to achieve than predicted. What these systems often lack are flexible accounting systems and billing programs. The major ERP providers have attempted to address these shortcomings but their efforts have not always provided the desired results.

The three typical approaches that ERP providers have employed to address the problem have inherent limitations:

1. Create a receivable solution from using parts of existing modules –
 - Customers end up buying expensive modules, only to use a small piece of the code to obtain needed functionality
 - The software becomes bloated with redundant lines of code that can create bugs when interacting with modules that they were not intended to be used with
2. Write new code to create new modules –
 - Work may reflect primarily a single customer's requirements which may or may not fit the rest of the market
 - Creates limited functionality that is not universally accepted
3. Acquire an established account receivable provider –
 - Critical product knowledge resources are lost in the merger
 - Duplicates much of the functionality in both products
 - Creates another point of integration that results in a cumbersome, less-than-seamless product solution

Accounts Receivable Management for Manufacturers and Suppliers

In the end, manufacturers are no closer to being able to offer innovative and creative finance programs and may turn to third parties to outsource management of their receivables. At CoreCard, we know there is a better way.

CoreISSUE Handles All Types of Financial Products

At the heart of CoreCard's accounts receivable management software is CoreISSUE, a robust application handling all aspects of creating, issuing, recording and managing receivables accounts and transactions.

CoreISSUE's key competency is expertise in processing Revolving Credit associated with many types of programs:

- Private Label Accounts Receivable
- Business to Business Receivables
- Business to Consumer (Retail Store Transactions)
- Bank Credit Cards (MasterCard, Visa, Discover, etc.)
- Fleet Cards
- Installment Loans

The Power of Revolving Credit Billing Logic

What makes Revolving Credit unique is that, by nature, it is more complicated than non-revolving credit that most accounting systems are built to handle. With the full functionality of Revolving Credit built right into the system, CoreISSUE handles with ease:

- Interest Calculations
- Regulatory Compliance
- Dispute Handling with Re-calculation of Interest Due

With CoreISSUE configured for Accounts Receivable Management, manufacturers can provide customers a wide variety of programs and services including:

- Inventory Financing
- Floor Plan Financing
- Discount Invoicing
- Extended Invoice Payment Terms
- "90" Days Same as Cash Programs
- Conditional Sales Contracts
- Nominal Option Leases (\$1.00 or Fixed Option)
- Purchase Money Loans
- Revolving Credit Accounts

Accounts Receivable Management for Manufacturers and Suppliers

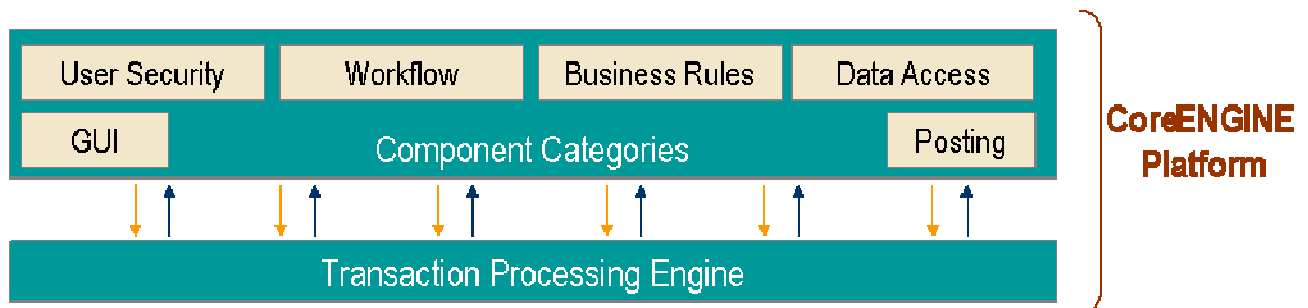
- Line of Credit
- Rental Financing
- Fixed Asset Financing
- Real Estate Financing
- Working Capital Loans

CoreISSUE as the System of Record for Receivables

With CoreISSUE installed as a subsystem to an existing ERP or accounting system, companies can setup and manage the types of programs their customers are looking for. Making CoreISSUE the “system of record” for receivables creates the flexibility to offer new programs.

CoreENGINE Provides the Power of Shared Components

CoreCard’s products are built to sit on top of our CoreENGINE platform, enabling the power of the shared components embedded in this platform to be leveraged across all of our products. The CoreENGINE platform provides instant fault-tolerance, scalability, and ease of use.



Establishing an Accounts Receivable Management program only requires configuration of the easy to use parameters in CoreENGINE, CoreISSUE and any other components that may be needed to meet the requirements of the new programs and products.

APIs Simplify Connections Between Current Systems

CoreENGINE comes with a wide variety of standard Application Programming Interfaces (APIs) that allow companies to share data easily between CoreCard’s software and many accounting and ERP packages and other off-the-shelf software that companies may be using to run their business. New APIs can easily be added at any time for non-standard or new software packages.

CoreISSUE processes transactions in real-time which reduces the need for most nightly batch processes, giving companies a greater processing window to complete other nightly processing required by a legacy system.

CoreISSUE's Control Parameters and System Hierarchy

Being a parameter driven system creates many opportunities to link customers and accounts in a number of very important ways.

Customer's Accounts and Programs

Customer accounts in CoreISSUE are controlled by a variety of system-based parameters. These parameters control the many options that go into building and managing repayment programs, including:

- Interest Plans – Control fixed, variable, or tiered interest and other types of controls related to interest. Interest charges can be established for specific state requirements.
- Service Charge Plans – Control the various types of fees to be assessed such as late fees, insufficient funds fees, card fees, usage fees, and other transaction fees. Fees can be driven by specific state requirements, if required.
- Account Control Tables – Set the basic rules for payments, interest, and credit limits.
- Insurance Plans - Control insurance parameters established to cover specific state regulations.

Track and Manage Risk through Robust Customer Hierarchy

Using the customer hierarchy scheme available in CoreISSUE, tracking overall exposure from the smallest office location right up through the parent company becomes easier. This linkage ability facilitates managing multiple and distinct credit limits across customer entities. It also simplifies managing overall customer exposure and risk for credit departments. CoreISSUE can be used as the “system of record” for all accounts receivables.

CoreISSUE Enables Companies to Do Even More for Their Customers

Being locked into an inflexible accounting or ERP system can hold back an organization's growth. Manufacturers with limited credit programs may not rank in their customers' top tier of authorized providers.. With CoreISSUE, companies can do even more than offer additional finance programs.

Manage Dealer or Distributor Receivables for Them

With the flexible hierarchy built into CoreISSUE, companies can setup programs that allow them to manage and bill receivables for their dealers or distributors. This value added service has benefits for both parties, taking the burden off of the dealers while providing manufacturers additional control of those receivables.

Online Bill Presentment and Payment

With the CoreENGINE platform, companies can create or interface with an online web self-service portal making it easier for their customers to review their outstanding obligations. In addition, companies can add a variety of other self-service features including items such as change of address, request for a credit increase and request to place an order, resulting in increased operational efficiencies.

CoreCard's Products Provide Supplemental Functionality

CoreCard can provide an enhanced Accounts Receivable Management solution by adding one or more of our other products. Because of the complexity of managing revolving accounts and the disputes that may arise in the sales process, we support specific collection and sales functionality with two applications that can be added to CoreISSUE: CoreCOLLECT, which has features found in many of the custom collection programs, and CoreSALES, which tracks commissions paid to the sales force.

Some of the key features of each add-on module include:

CoreCOLLECT

- Champion/Challenger Recovery Strategies
- Case Management (automatic case presentment and case search facility)
- Collections Automation (letters, optional dialer interface, third party collectors)
- Case Management
- Dispute and Chargeback Management

CoreSALES

- Commission Calculations for Sales Representatives, Collectors and Distributors

Reduce Costs and Increase Revenue

At CoreCard we have priced our solutions very competitively, allowing companies to realize significant ROI quicker. Implementing our products can be less costly than building or enhancing current products with the solutions offered by the big accounting or ERP providers. And with the added flexibility of being able to offer new sales and marketing programs with ease, companies will significantly increase customer satisfaction.

About CoreCard Products

CoreISSUE

CoreISSUE[®] is CoreCard's browser-based solution for managing credit accounts and transaction processing for the card issuing (including prepaid cards) side of the credit business. CoreISSUE provides intuitive information organization, easy navigation, and the ultimate flexibility in cardholder management. CoreISSUE provides cardholder management in a client-server environment, creating working screens that have a familiar look and feel to users accustomed to accessing the Internet.

CoreCOLLECT

CoreCOLLECT[®] is CoreCard's browser-based solution for managing and working delinquent credit accounts. CoreCOLLECT is a rules-driven collections system that offers customizable workflows to handle and route accounts that are delinquent to the appropriate personnel within an internal or external collections department. CoreCOLLECT's case management capabilities and workflows automatically monitor the payment schedules. CoreCOLLECT enables collectors to set an individual Promise to Pay, or a series of recurring PTPs, on an account.

CoreACQUIRE

CoreACQUIRE[®] is CoreCard's merchant processing application, supporting authorization processing from an acquirer's perspective. CoreACQUIRE provides the ability to receive authorization requests from a network switch (or gateway) and routes authorization requests back to a switch (or gateway). The application also provides the ability to verify the merchant as part of an authorization request, to identify and process an authorization request for a merchant, cardholder, or for merchants and cardholders.

CoreDASHBOARD

CoreDASHBOARD[®] offers Operations staff members the ability to monitor and control all the servers where CoreCard applications such as CoreISSUE are running. Dashboard can be used to monitor individual computers and groups of computers, establish alarms that are generated if certain conditions arise in a single computer or a group of computers, send notifications via email when certain conditions and alarms are generated, run live queries against the database, and more.

CoreSALES

CoreSALES[®] is CoreCard's application for acquirers and issuers who want to pay commissions to sales agents. Interface output transactions and files are received from CoreISSUE, CoreACQUIRE and CoreCOLLECT for posting to CoreSALES. Activity from sales agents, sales managers, and related account activity is tracked, settled and reported accordingly. Commissions are settled at both the sales representative and sales manager level based on many types of activity, such as cardholder and merchant monetary activity. A commission notification (much like a cardholder statement) is available on the Internet.

About CoreCard Software, Inc.

CoreCard Software, Inc. (www.corecard.com) licenses transaction processing and account management software and offers boutique processing services as well. CoreCard's solutions provide easy to use parameter-driven controls, real-time transaction processing, built-in fault-tolerance, and a fully scalable architecture. CoreCard's software provides the market's most feature-rich platform for processing and managing accounts receivables and a full range of card products including prepaid/stored-value, fleet, credit, debit, commercial, government, healthcare and private-label cards.

CoreCard's server-based architecture provides the speed, flexibility and control to effectively manage electronic and card-based payment products. CoreCard's software is ideally suited for program managers to create and manage card programs, merchant acquiring and authorization.

As a custom processor, CoreCard processes card programs with a built-in option for the customer to license the software and become its own processor in the future. Headquartered in Norcross, GA, CoreCard is a subsidiary of Intelligent Systems Corporation [NYSE Alternext: INS].
For More Information – Call 770 564 8000

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