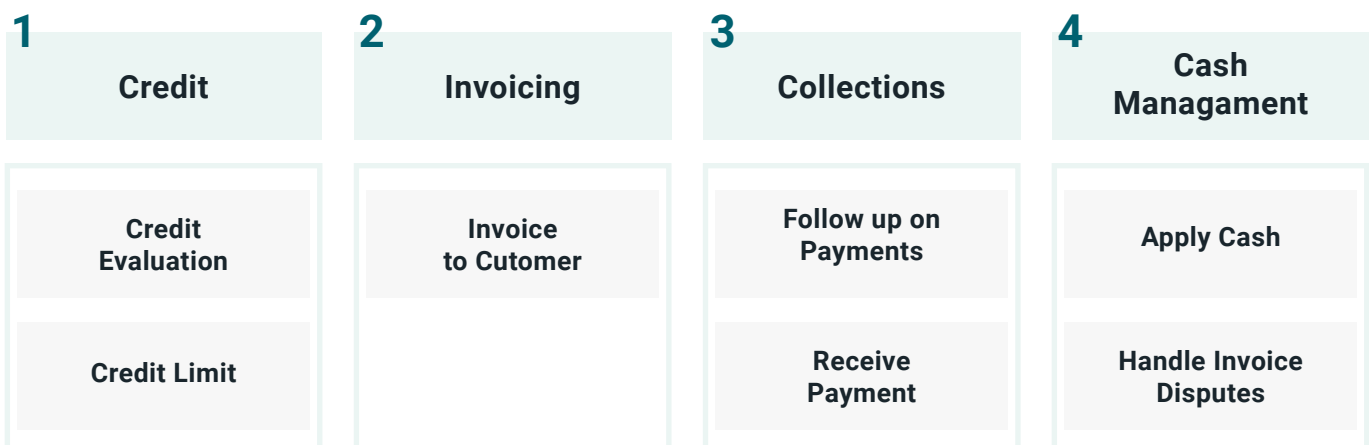**⏫ Redwood**

Order To Cash

Accounts Receivable

Order to cash, also known as O2C or OTC, refers to the entire set of business processes for receiving and processing customer sales orders for goods and services and their payment. It's really the heart of all businesses and must be managed efficiently and accurately. The accounts receivable path has many steps before an order turns into income. Typically it involves a lot of human effort at every step along the way. Redwood can make every step of the process simpler.

As Easy as 1-2-3-4

An accounts receivable process includes four main steps:

- Establish credit practices and create customer records

- Invoice customers

- Track accounts receivable (AR/payments received and payments due)

- Document accounts receivable (AR)

1 Credit	**2** Invoicing	**3** Collections	**4** Cash Managament
Credit Evaluation	Invoice to Cutomer	Follow up on Payments	Apply Cash
Credit Limit		Receive Payment	Handle Invoice Disputes

Step 1: Establish Credit Practices and Create Customer Records

The credit application process is usually a pre-determined and tightly governed process, which the credit management function must follow. It's also often labor-intensive and requires a series of both internal and external checks.

Automation relief – Fortunately, if these processes are well-established and defined, Redwood can help. We can perform the tasks, confirm conformity to rules and seek appropriate human approvals as defined by the credit policy and corporate governance best practices.

Step 2: Invoice Customers

The credit application process is usually a pre-determined and tightly governed process, which the credit management function must follow. It's also often labor-intensive and requires a series of both internal and external checks.

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Step 3: Track Accounts Receivable

Credit and collections are a key part of the finance function, the life blood of most organizations. It would be great if all customers paid promptly, but it's not always the case. Manual reporting and follow-ups are frequently required. Many of these activities are repetitive and rules-based and therefore ripe candidates for automation. Redwood's financial process automation is good at following rules and can increase consistency in numerous situations.

Order to Cash Accounts Receivable Journeys

Start

01 Credit check
Perform pre-defined checks
Connect to external agency (web based)

02 Send approval notice
Create customer record

03 Create collection list
Create overdue list & reminders

04 Create & post cash
Allocate cash (pre-defined rules)

05 Create bad debt provision & approvals, Post appropriate journals, Reconcile un-billed revenue, Create & post appropriate journals

06 Close AR

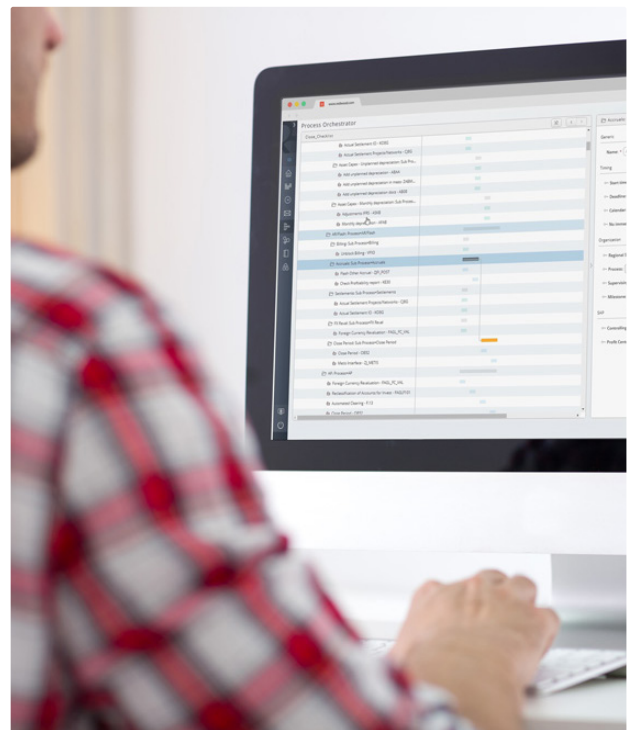**07** Prepare many AR reports

Finish

Automation relief −

- Cash recording: Automatically transfer payments from the bank into the correct customer accounts in your ERP.

- Cash allocation: ERP matching routines often leave a large amount of cash unallocated, resulting in inaccurate debt position and DSO (days sales outstanding), a key metric for most organizations. An automated allocation routine can provide additional matching criteria, providing more accurate cash allocation.

- Collection list: Automated process create, distribute and pursue collection managers with overdue items.

Step 4: Document Accounts Receivable

Unbilled revenue can represent a substantial portion of your assets. If left unaccounted for, it can have a detrimental impact on your P&L. There may be legitimate reasons that goods and services are delivered but not yet billed, but it is important to properly document the amounts outstanding. If there is no obligation on the customer to pay the amount consumed or delivered on the day the books are closed, then accountants must calculate, validate and, subject to approval, post appropriate journals. Calculations and rules for this unbilled revenue can be complex.

Automation relief − Automation can calculate the unbilled revenue based on accepted rules applicable to your industry or your company and can, subject to correct approval, post the appropriate journals.

Doubtful Debt/ Bad Debt Provision:

Provisions for suspected bad debt must be calculated, approved and posted. They can then be reversed in the next period. Often these rules are static and rarely change.

Automation relief − Redwood can apply rules you select. For example, for items older than 60 days with transactions greater than a specified amount, simply pre-fill the required journal, seek approval and then post the journals automatically. Once the new period is open, they will be auto-reversed, if needed.

The Close

Once all accounts receivable-related tasks are completed, Redwood automatically closes the process, prepares and distributes any standard AR KPI reports to the required audience.

Redwood manages the manual activities across your AR activities, making them flow smoothly, consistently, and with a clear audit trail. Human staff previously engaged in these mundane, repetitive tasks are freed to deliver more value in higher level tasks. Contact us to learn more about what Redwood can do for you.

About Redwood

Redwood Software delivers IT, finance and business process automation to help modern enterprises excel in the digital age. Redwood orchestrates and automates business processes across complex hybrid IT environments so enterprise organizations can focus on business agility, cost-efficiency, and customer experiences. Our automation solutions help thousands of organizations across 150 countries execute with speed and precision. Redwood is Where Automation Happens.™

See what Redwood cloud-based automation can do for your finance processes

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