REDWOOD ROBOTICS™ SOFTWARE FOR FINANCE: INTERCOMPANY

INTRODUCTION:

Intercompany Management can be classified into three areas:

▲ Intercompany Reconciliation – Matching of uncleared transactions from respective counter-parties' books, often posted as accruals

▲ Intercompany Reconciliation and Resolution – as above where all unmatched items are resolved, posted and then cleared. Rule based exception resolution resulting in postings of the opposing entries (AP or AR invoices)

▲ Intercompany Hub – identification of and separating intercompany related transactions (purchase order or invoices) and use these to create equal and opposite entries in counterparties books and/or ERP. Whilst this sounds simple many factors can complicate it such as: intercompany agreements, transfer pricing, country specific rules, exchange rates, cash pooling and so on.

The group function simply wants to eliminate these activities, since they add no value to the final results. This of course can be challenged where a manufacturing subsidiary supplies a distribution subsidiary, which in turn supplies a sales organization. The group CFO function wants these off their consolidated numbers and here begins the quest to reconcile, research and request for opposite entries to be posted and cleared. All these activities need to be performed within a deadline date when group consolidation must be concluded.

This often leads to an unwanted army of people chasing each other to meet deadlines, with the results that all items can't be resolved and users therefore decide to post a series of accruals and simply defer the problems to the next month… And so the problems continue.

RETHINK RECONCILIATION WITH ROBOTICS

Redwood Robotics™ software has pre-built robots and a catalog of tens of thousands of best practice process robots that can eliminate 70 to 90% of all manual effort from your intercompany management resulting in faster resolution and timely and accurate elimination of intercompany transactions.

Intercompany reconciliation – Matching of uncleared transactions from respective counter-parties. Redwood Robotics software runs the counter party transaction report and use the flexible, easy to configure rules engine to:

- Reconcile and find unmatched items
- Split unmatched items by counter party and alert individuals responsible for resolution, or
- Create accruals (reversing journals), automatically post journals with necessary approvals, attach and store evidence and reverse next period.
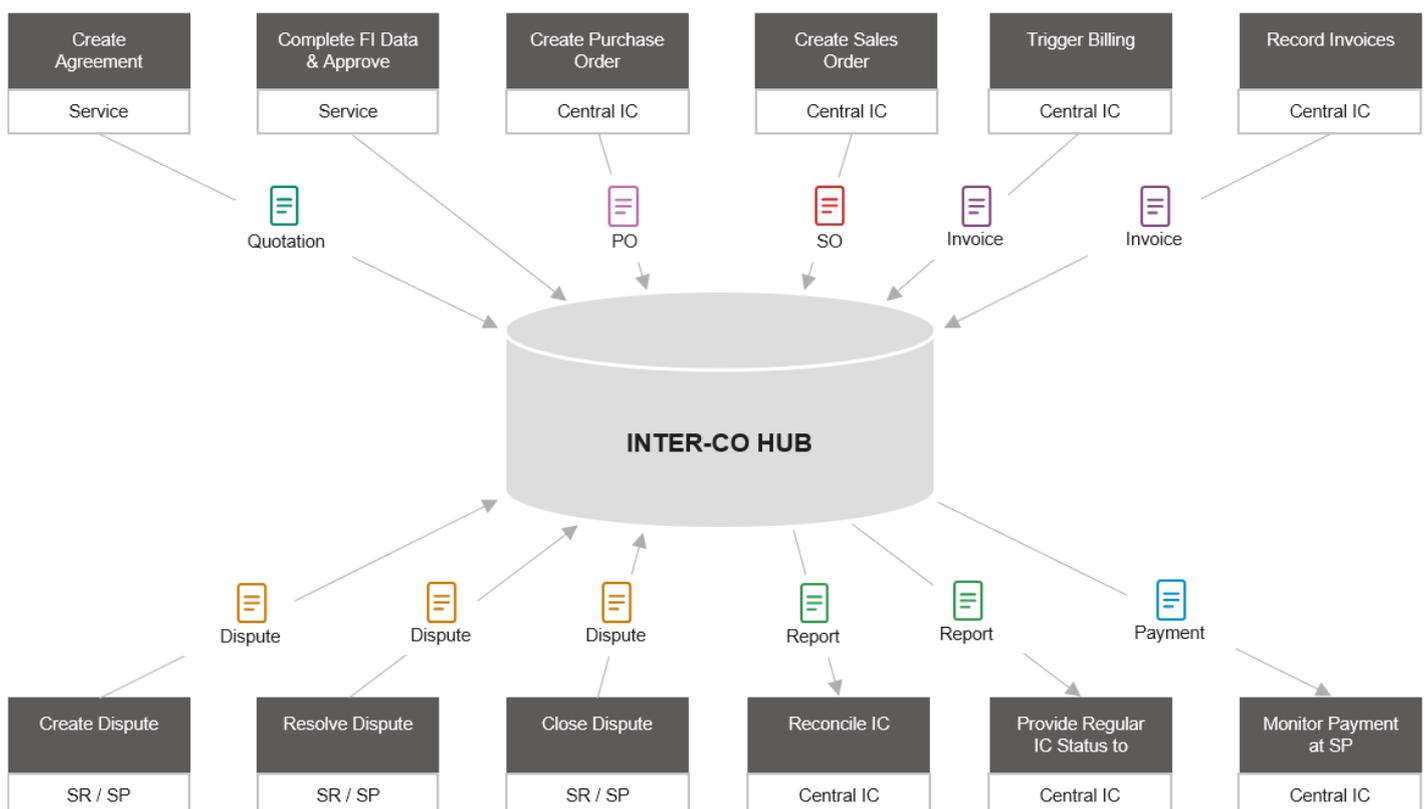
Intercompany reconciliation and resolution – Reconcile, and for unmatched items, post opposite entries based on agreed intercompany posting rules. Often large organizations have clearly defined rules (in one customer they have 80 different rules based on transaction type and entity).

- Redwood matching robots find the unmatched items which can be in multiple systems/ERP and apply these rules
- Intercompany robots automatically pick up the next task of creating and posting the required (opposite) AP, AR or intercompany entry into the underlying applications (subject to the required approvals and controls.)
- Redwood clearing robots use the existing "clearing" options within the underlying ERP application to clear these transactions directly in the system and collect & store the necessary evidence.
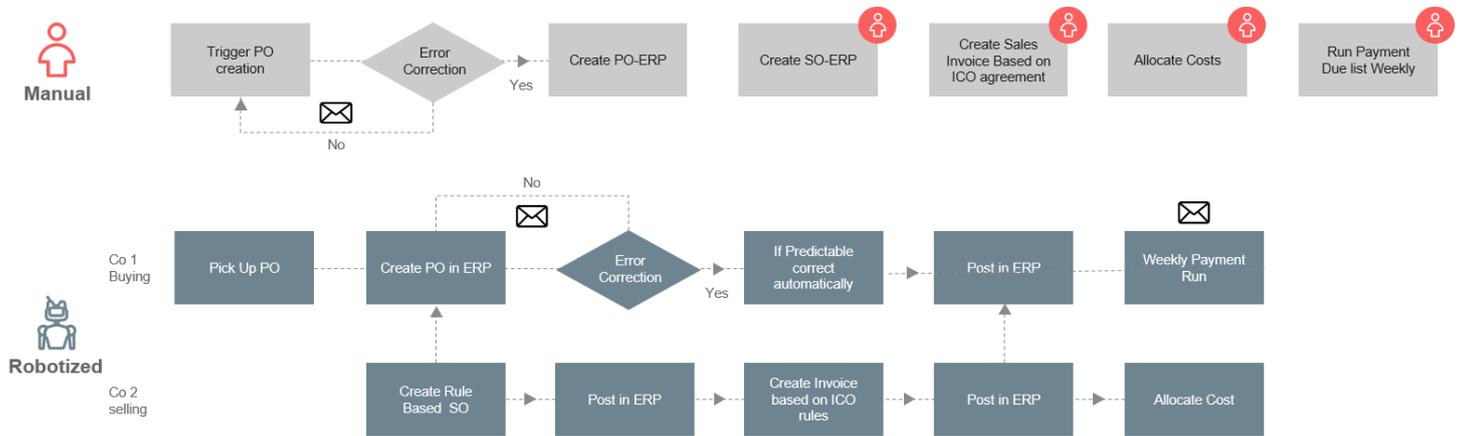
Intercompany Hub – Create equal and opposite entry directly into counterparty's order management or accounting applications.

Sample Rule: Minimum amount $500, Monthly invoicing, Invoice by Day-4 Reconcile by Day+2, Only $50,000+ can be invoiced between Day-4 and Day+1, Payment Terms Immediate (first payment run), For complaints: must follow dispute process.

Example - Intercompany Process

Robotic Intercompany Operation Example

Within the hub scenario, robots can automatically (based on event or regular polling) pick up the Intercompany related documents and, subject to the right access, post directly into the counterparty books. This eliminates the timing delays as well as common re-keying of OCR/EDI translation issues.

This process ensures that all entries are accounted for correctly and the reconciliation robot can automatically reconcile and clear these items - eliminating the need for any reconciliation further down the stream.

The remaining items will now make up true Intercompany balances such as goods in transit, cash in transit etc. and are thus eliminated/reported as part of the group consolidation reporting.

REDWOOD ROBOTICS INTERCOMPANY ROBOTS CAN:

- Run Intercompany reports
- Auto reconcile and provide exceptions
- Run complex rule based reconciliations
- Search and identify missing counter party transactions
- Execute 'clearing' transactions within ERP
- Automatically pick up POs, invoices from source ERP, EDI, OCR etc.
- Work within customizable approval workflow (standard part of Redwood offering)
- Create and post the respective entries such as POs, sales orders, invoices etc. in the counterparty systems and/or ledgers or in case of complex supply chains, trigger several buying and selling transactions throughout the chain.
- Automatically trigger receipt flows on the buying side, based on delivery on the selling side.
- Execute payment on the buying side and collection processing on the selling side.
- Calculate currency related differences where applicable and automatically create and post the related currency exchange gain/loss journals
- Collect and store all evidence and audit trail in a clear readable format
- Provide customizable analytics and Dashboard capability

Even with merging of transactions in place, Redwood can secure that all intercompany transactions are included, prior to issuing the cross company posting.

Redwood Robotics software can take over activities, without changing the process and even with reverse billing or cross- company postings in place this could be taken care of by Redwood.

Redwood can eliminate 70 to 100% of all manual activities within the Intercompany operations.

For more information on Redwood Robotics software, please visit **www.redwood.com/robotics**