

UNCOVERING HIDDEN TREASURE

Abstract

A \$1.65 bn organic products company had 5-year aged balances totalling \$2 Mn in its accounts receivables. Senior Vice President, Shared Services, and Chief Information Officer, Lewis Costa undertook responsibility for cleansing the credit balances and thereby enhancing the company's financial statements. This case study details how a team from Infosys BPM helped Lewis conduct due diligence, identify the root causes for aging, raise \$276K cash through diligent collections, and positively impact the P&L statement by \$1.1 Mn.

Lost in the numbers

Lewis Costa is Chief Information Officer and Senior Vice President, Shared Services, at a ~\$2 Bn market-leading organic products company with operations in North America, Europe, Asia, and the Middle East. The company had 5 year-aged accounts receivables (AR) dating between 2015-2020 that required cleansing, and Lewis had taken the lead for this. The aim was to achieve greater accuracy in both the balance sheet and profit and loss statements, and Lewis recognized that the exercise could unearth sizeable cash collection opportunities.

The 5-year aged accounts receivables totalling \$2 Mn in credit balances entailed

10,000 line items to be audited. Of these, there were 4,400 open invoices, 4000 unapplied cash items, and 1,600 unclaimed credit notes. Lewis needed to conduct due diligence on all these items and also identify the underlying cause behind the aged balances. However, both the aging factor and Lewis' team's regular cash collection and application operations, left them unable to dedicate time for the activity.

So Lewis, discerning the sizable opportunity in terms of cash which could be collected and the invalid credit notes which could be released back into the P&L, decided to leverage external

support for cleansing the AR balances. The company had in the recent past initiated a successful outsourcing association for several collection-related processes with Infosys BPM, and Lewis was soon on the phone with the team lead – Mandev Singh, with whom he already enjoyed a strong working relationship. As Lewis explained the situation, Mandev's understanding of the business left Lewis confident of his and the team's expertise to conduct proper root cause analysis and deliver appropriate remedial solutions.

Digging out the value

Mandev started with the due diligence of the 10,000 aged line items. In order to establish a clear execution process, Mandev collaborated with Lewis and decided on a 2-phase approach, which

involved first prioritizing the high-value customers, and then moving on to the lower-value items. Then, Mandev and the team devised a systematic plan to perform the cleanse. First, they performed cash

application on all overdue invoices while noting any duplicates and misallocated funds.

Approach summary



They also noted down the validity of the credit notes, identifying those that had expired, requiring escheatment. Finally,

the team focused on collecting overdue invoices. However, here the primary issue was that some of the company's largest

customers only communicated via online portals, limiting the team's ability to establish efficient contact. A few customers

also had a policy of not dealing with debtor queries older than 12/18 months. Yet, working around these issues, the team managed to collect cash and close the overdue invoices in many of these instances.

During the initial project briefing, Lewis had placed a priority on the accuracy of the due diligence as well as on the

speed of the execution. So, to keep Lewis updated with the progress, Mandev and the team maintained a detailed log documenting the progress of the due diligence. It comprised clear audit trails representing the investigative results and consequent resolution processes, and Mandev summarized this information and presented it to Lewis on a weekly basis.

Besides cleansing the aged balances, the team was also responsible to update current collections processes to alleviate the probability of future occurrences. For this, they conducted detailed analyses to identify the root causes, suggesting steps to avoid a replication of the identified scenarios.








Tallying up the treasures

As the project wound up, Lewis was energized by the comprehensive clearance of aged balances. Mandev and his team had reduced the \$2 million credit balance

in the AR ledger, collecting over \$276K of cash from overdue invoices. Also, with a now more accurate representation of the company's financial position, Lewis could

leverage the new data to correct the P&L statement and return the relevant balances to customers or for escheatment.

Key benefits

-  Reduction in the AR ledger's \$2m credit balance
-  \$276K cash collected for overdue invoices
-  \$1.1 Mn improvement to the P&L Statement
-  Identification of root causes of aged balances
-  Updated collection processes



Altogether, the accuracy and diligence of the Infosys BPM's team investigations and collection efforts, delivered a \$1.1m improvement in the company's profit and

loss statement. And the best part was that, with Mandev and his team tweaking the collection processes based on their understanding of the underlying problems,

Lewis could rest assured that the problem of massive aged balances was unlikely to repeat in the future.

**Names have been altered to preserve the identities of the people involved.*

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