



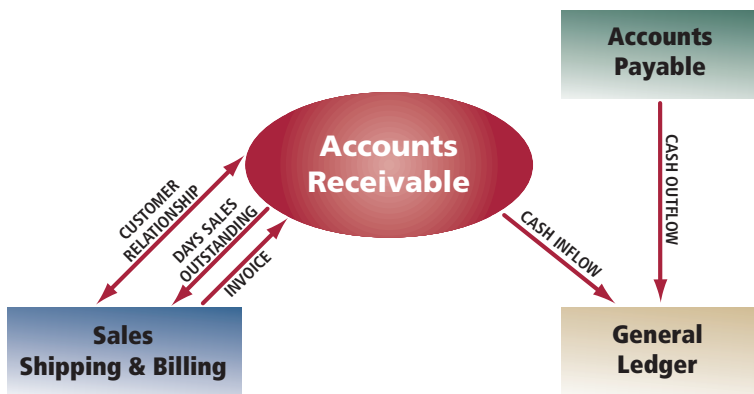
ACCOUNTS RECEIVABLE ANALYSIS WITH COGNOS® PERFORMANCE APPLICATIONS

REDUCE DSO AND IMPROVE CASH INFLOW

The accounts receivable function must ensure the full and timely collection of payment from the customer base, thereby streamlining the sales-to-cash cycle. A/R maintains this critical balance between strong customer relationships and tight cash inflow management.

Find out how any measurement compares to last year, how it's trending over time, and so on.

The five key areas of analysis answer 700-plus critical business questions, using more than 60 key performance indicators (KPIs) and over 35 reports. Real-time interaction with the reports and the 12 dimensions lets you manipulate the information and drive deeper analysis. You gain an in-depth understanding of your accounts receivable that lets you:



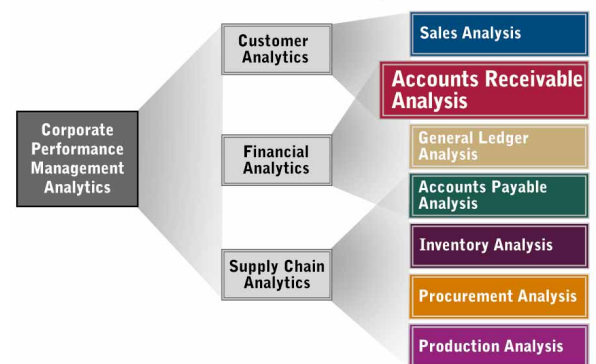
The accounts receivable function operates in close conjunction with many other core functions in an organization to ensure effective sales-to-cash, corporate cash flow, and customer profiling.

- Help ensure full and timely collection of customer accounts.
- Profile customer credit performance and flag potential high-risk accounts.
- Assess receivables analyst performance.
- Streamline, accelerate, and forecast A/R cash inflow.
- Report on the state of A/R accounts for finance.
- Evaluate A/R transaction volumes and the impact on operational performance.

Cognos Performance Applications quickly turn your corporate data into an information asset to answer your key business questions. By packaging best-practices business requirements, Cognos Performance Applications create a rich, business analysis environment for all levels in your organization.

CONFIDENT ACCOUNTS RECEIVABLE MANAGEMENT

Cognos Accounts Receivable Analysis gives you actionable information about cash inflow activity and trends. You can quickly see how much is due from customers and when, and the value of overdue and high risk accounts. You can profile customers using such metrics as buying volume, discounts used, cost to serve, time to pay, and adjustments. Forecast the expected days to pay for each account based on various discount-taking scenarios.



Accounts Receivable Analysis is part of the Cognos Performance Applications CPM Foundation—which tears down information silos and lets you see across all core business functions.



THE NEXT LEVEL OF PERFORMANCE™

Answers to the Im

This is just a sample of the many questions related to accounts receivable

Accounts Receivable

ACCOUNTS RECEIVABLE PERFORMANCE ANALYSIS

Ensure that the organization is being paid what is due, when it is due, and address any deviations from this expectation by understanding the ongoing status of receivables.

Sample Questions

- How quickly is the organization collecting? What is the average collection period? How does this relate to particular analysts?
- What is the A/R turnover? Is it within target?
- What are the days of sales outstanding (DSO)? How has this changed over time?
- What money is due this period? What percentage of value is past due?

CUSTOMER CREDIT ANALYSIS

Drive customer relationship management, credit analysis, and risk management through an understanding of customer payment patterns, the cost to serve them, and the risk of non-payment in any given period.

Sample Questions

- What is the current status of a customer's account? What are the transactions that define the current status, including invoices, payments, and adjustments?
- What is a customer's aging schedule in comparison with other accounts?
- What has the payment trend been for customers? What are the customer average days to pay? Weighted average days to pay related to transaction size?
- Does the customer take advantage of discounts offered? What percentage of discounts offered is taken? What is the value?

ACCOUNTS RECEIVABLE CORPORATE SELF-APPRAISAL ANALYSIS

Detect problems in the business value chain and customer service as they manifest themselves in adjusted payments. Adjustment analysis can ultimately lead to improvements in customer satisfaction and loyalty, as well as process cost reduction.

Sample Questions

- What is the value of adjustments?
- What are the reasons for adjustments? What are the related values and frequency? How are they evolving?

ACCOUNTS RECEIVABLE CASH INFLOW ANALYSIS

Contribute to ensuring that there will be enough cash available to cover accounts payable for purchases, expenses, financing, and operations by forecasting cash inflow on the basis of existing credit items and their related terms of payment.

Sample Questions

- What is the expected cash inflow based on the assumption that no accounts take advantage of discount payment terms?
- What is the expected cash inflow based on the assumption that all accounts take advantage of discount payment terms?

ACCOUNTS RECEIVABLE ORGANIZATIONAL EFFECTIVENESS ANALYSIS

Identify and eliminate inefficiencies in the A/R process and reduce cash operating cycle time through an understanding of how A/R resources are performing to achieve functional objectives.

Sample Questions

- How has account distribution across analysts changed as business volume increased? How does this distribution compare based on total number of accounts and total value managed?
- How do the average days to collect from accounts compare across analysts? Does an increase indicate overloaded resources?

Cognos Performance Applications enable a thorough analysis of the accounts receivable function well beyond the questions shown here. Multidimensional analysis lets you expand on any single question in any direction you choose, deepening the knowledge you gain from your ERP data.

Important Questions

How can you answer in five vital areas using Accounts Receivable Analysis.

Accounts Receivable Analysis

- What percentage of the money due is moving to high risk?
- What percentage of accounts is not meeting terms? What is the value of these overdue accounts?
- How has bad debt evolved over time?
- How has the A/R function evolved over time in its ability to collect on time and minimize bad debt?

Sample KPIs

- Average collection period
- Aging schedule
- Days sales outstanding (DSO)
- Average days past due
- Collection effectiveness index
- Bad debt loss amount, count
- Adjustments count and value
- Cost to serve

- What is the cost to serve customers?
- How have a customer's purchases, activity, and credit evolved over time?
- Which customers are problematic and why?
- What is the profitability of a customer to our organization?
- How does the customer's performance and credit rank against others? How does this compare with overall rate of bad debt?
- What is the value of funds past due? As compared to all accounts?

Sample KPIs

- Customer aging schedule
- Customer average days to pay
- Percentage and total of customer transactions and value past due
- Customer profiles
- High risk, bad debt profiles
- Average collection period
- Cost to serve
- Days sales outstanding
- Customer base balance information

- Where are the adjustments emerging? Which customers? Which regions? Which analysts?
- Have adjustment levels improved in response to corporate changes to process or policies within the supply chain, fulfillment, or billing processes?

Sample KPIs

- Adjustment counts by group and type
- Total adjustment values by group and type
- Adjustment counts and value as a percentage of total

- What is the expected cash inflow based on the expected days to pay for each account based on an analysis of their payment patterns to date?

Sample KPIs

- Receivables value and item counts due into the future by day
- Three scenario evaluation: no discounts, all discounts, average days to pay
- Open invoice count and amount
- Discount taken count and amount

- How have transaction volumes changed with an evolving customer base? How has the ratio of new-to-open transactions changed over time?
- How has the total number of transactions being processed by the A/R department changed over time? Do increases in processed transactions per employee impact A/R key performance indicators?

Sample KPIs

- New-to-open transaction counts, values, and ratio
- Analysis of customers under management (count), account balances, percentage of total, and DSO by analyst
- Discount taken versus refuse count and amount
- Collection effectiveness index
- Average collection period

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STRENGTHEN ENTERPRISE MANAGEMENT

Using Cognos Accounts Receivable Analysis, you can evaluate current processes, policies, and strategies to ensure that the accounts receivable function is contributing to overall corporate performance and stakeholder value. Identify trends and opportunities for improving such areas as cost to serve customers and credit policies that promote sales and maintain reliable accounts. Help foster strategic customer relationships by supplying profiles and analyses to customer relationship management (CRM) initiatives.

Of course no function operates in isolation. An enterprise-wide implementation of Cognos Performance Applications lets you see causes and effects across functions. You can investigate billing accuracy, analyze invoice volumes, and create customer profiles with sales, and collaborate with accounts payable to provide finance with cash flow insights. This strategic enterprise-wide analysis lets your organization manage with confidence.

ACCOUNTS RECEIVABLE ANALYSIS

SCENARIO: IMPROVING CASH INFLOW

The A/R team has been asked to improve cash inflow, but A/R figures show an increasing trend in bad debt. Cognos Accounts Receivable Analysis helps you determine why this is happening.

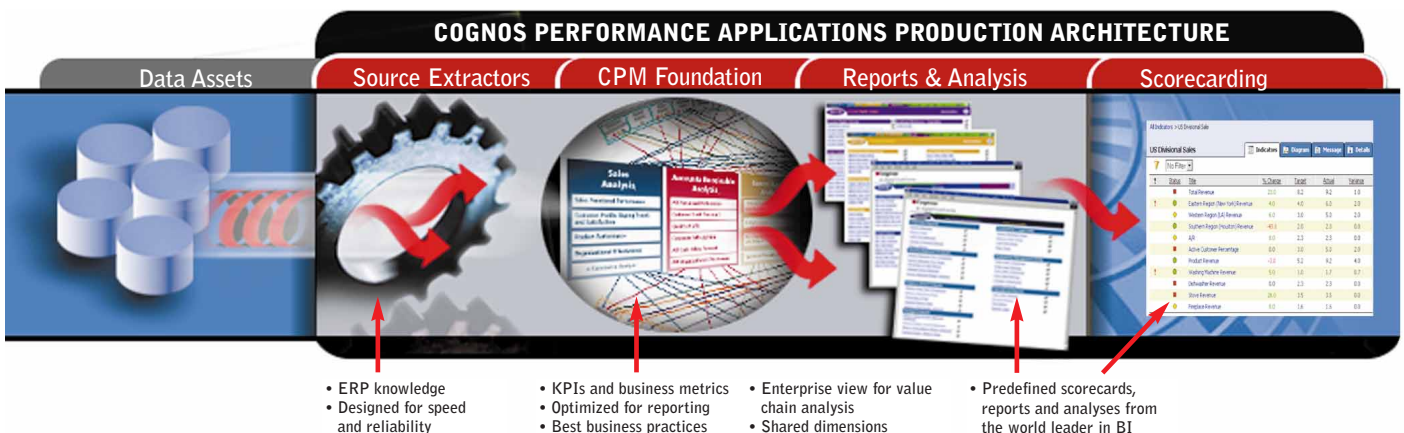
Viewing the bad debt by region and customer group reveals that it is tied to new customers in the northwest region. Within this group, the average days to collect is increasing, the aging schedule is showing more out-

standing value longer, and the number of adjustments is increasing. You look up terms to see if these customers were offered an unusual payment arrangement. In fact, you discover generous payment terms, likely the result of a sales campaign in this region to aggressively win new business. The result is a lower quality of customer and reduced cash inflow reliability, confirmed through cash inflow metrics. You red-flag other customers trending in the same direction as the trouble group.

Cognos Performance Applications revealed the source of the bad debt. Now you can notify credit management of this problem so they can monitor accounts more closely, adjust terms to ensure prompt payment, and screen new customers more closely.

FULL SOLUTION — ONE VENDOR

To build Accounts Receivable Analysis, Cognos has drawn on years of expertise as the market-leading provider of fully integrated business intelligence solutions. Cognos is the only vendor in the market to offer an end-to-end solution that gives everyone from executives to production managers fast, insightful, appropriate answers to critical business questions. The global coverage and world-class professional services, support, and training offered through Cognos give you a single point of contact focused on your success. When you combine these advantages with the rich business content of Cognos Performance Applications, you get a powerful business solution designed to give you that competitive edge.



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