

Report On Vendor Payment Automation & The Role of SAP

Submitted To

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Letter of Transmittal

April 30, 2016.

Suntu Kumar Ghosh

Assistant Professor

BRAC Business School

BRAC University

Subject: Submission of final Internship Report.

Dear Sir,

I have prepared my final Report on “Vendor payment automation & the role of SAP” which I am submitting along with this letter. It was an energizing experience working on Corporate finance division at edotco Bangladesh.

I am confident that, this report will help you to understand the analysis on different aspects of vendor payment automation. I tried my best to follow your guidelines in preparing this Report. I presented what I do believe to be most important information to make this report as specific & coherent as possible.

I expect that this report will fulfill your requirements. Thank you for your kind consideration and guidance. I hope our effort would satisfy you.

Yours sincerely,

Farhan Shahiar

Executive Summary:

Every telecommunication company deals with lots of vendors in order to ensure better network connectivity. For this reason, the vendor payment procedure is a lengthy as well as a difficult process. This report will help you to understand about how you can overcome this process. Edotco used SAP ERP system for ensuring efficiency in vendor management as well as payment system. This report will also describe how SAP reduces all the difficulties and proceeds very first vendor management.

Chapter One

Introduction

Introduction

Today we can see rapid changes in business all over the world. Each & every company follows different strategies to survive in this dynamic world. Now a day we can see that most of the companies & organizations are now using different ERP systems to make their business more effective and efficient. Every company wants to take competitive advantages to compete with their rivals. This report will show how a multinational company like edotco Bangladesh Co Ltd. is conducting their business by using SAP (ERP) system.

1.2 Rationale for Internship

As a Bachelor in Business Administration (BBA) student, it is required for everyone to conduct 3 months internship program in any organization in order to gain practical experience related to our study. It is generally designed for students to deal problems professionally, experience the corporate working environment, share thoughts & creativity in the working field. On the other hand it is a pathway for students to practice professionalism before entering into corporate world. It will increase their self-confidence, interpersonal skills, creativity & motivation. After working three months with an organization, a report is to be submitted to both academic supervisor & on-site supervisor which reflect what we have learned over here.

As a mandatory part of completing my graduation, I was placed at edotco Bangladesh Co Ltd, Corporate Office, Uday Tower, 57/57A Gulshan-1, Dhaka and assigned to conduct study on “Vendor payment automation project & the role of SAP”.

With the help of my on-site supervisor Sattyajit Kumar Dutt, Specialist, “Corporate Finance”, I have prepared my internship report on “Vendor payment automation project & the role of SAP”. My academic supervisor Suntu Kumar Ghosh, Assistant Professor, BRAC University also approved the topic and gave me proper guidelines to prepare the report as part of the fulfillment of internship requirement.

Background of the Topic

As a new Infrastructure Building Company edotco Bangladesh Co Ltd. must have to work in the most efficient way for providing better service. SAP is such a software which helps edotco Bangladesh Co Ltd. to track and manage sales, production, finance accounting and human resources in real-time. SAP is a leading Enterprise Information and Management Package. The main benefit edotco gets from this software is integration as SAP is designed to allow any organization to operate variety of business processes within a single integrated information system. Although edotco gets various benefits from SAP, several departments have been affected due to implementation of this software and Finance Division is most affected one. Different finance functionalities like Financial Planning Processing, Internal Orders Processing, Month end Closing, Value Chain Reporting, Product costing, Cost center Hierarchy, Collection Process, Profitability Analysis, Planning from Retail Selling Price, etc. have been changed because of the SAP Financial Accounting Module and SAP Financial Controlling Module.

Although SAP helps Corporate Finance Department of edotco Bangladesh Co Ltd. to improve their collection process, maintaining vendor’s accounts VAT & TAX term easily, vendor’s payment process, printing vendor’s cheque, Month end Closing process, monitoring and controlling activities, reduce billing cost and speed up data processing etc. but it requires high understanding level regarding SAP application and great discipline among the employee of edotco.

Objective of the Report

The main objective of this report is to find out the impacts on financial functions of edotco Bangladesh Co Ltd. due to SAP implementation.

1.5 Scope

edotco Bangladesh Co Ltd. is a mammoth multinational telecommunication organization in Bangladesh. Locating at Gulshan-1 with its corporate office, it has more than 10 regional offices in different locations of different districts. edotco consists of 9 (nine) big divisions each containing several departments according to the division and organizational need. Finance division of edotco Bangladesh Co Ltd. is accountable for financing into different proposals, business partnering, as well as new product development. Corporate Finance Department is one of the departments of Finance division. This department is responsible for all the transactions of the company. As per the requirements, this report only focuses on few parts of edotco Bangladesh Co Ltd. This only contains information regarding implementation and role of SAP software at edotco Bangladesh Co Ltd.

Methodology

I have collected information in two different ways. Both sources have been equally used to generate the report.

1.6.1 Primary Source

Primary data is collected by

1. Actively working through my internship period with my on-site supervisor about the topic.
2. Collecting document and information from my divisional Specialists as well as General Manager

1.6.2 Secondary Source

I prepared this report in more organized way; I have also used several secondary data. Those data sources are different websites, books, and articles. Most of the secondary information such as organizational overview, management profile, divisional and departmental chain of command, etc is collected from internal website of Edotco group www.edotcogroup.com as well as edotco Bangladesh website: www.edotcogroup.com.bd.

1.7 Limitations

The fundamental limitation of the report is providing solid and definite information about SAP software. As an intern, it is possible for me to view confidential information of any document related to my topic but not to attach with the report. Hence, it is difficult for me to prepare the report. Sometimes, I have had to use generalized idea about any topic and relate it with the actual SAP implemented by edotco. There are several constraints that I am facing. Some constraints are like:

1. Lack of cooperation from officials in the confidential point of view
2. Lack of practical knowledge in different SAP applications

Chapter Two

Overview of the Organization

2.1 Background of Edotco Bangladesh Co Ltd

edotco is an integrated telecoms infrastructure services company providing end-to-end solutions in the region of Southeast Asia.

edotco continuously strive to connect people to the world through edotco's regional accessibility while staying committed in expanding possibilities with cost-efficient solutions that is built around growing competitiveness.

As edotco move into a connected future, it is edotco's aim to constantly seize the opportunities that enables us to grow and meet the increasing demands of edotco's community. edotco, shape the future by enabling environmentally sound and innovative green technologies to make a positive impact on the community people to live in and lift the limits for a more connected tomorrow.

Today, edotco has over 12,000 sites across its network of operations in Malaysia, Bangladesh, Cambodia, Sri Lanka and Pakistan.

In line with edotco's mission to evolve the business of connectivity for sustainability thus bridging the gap for telecommunications and digital services, with core competence in:

- Developing best-in-class site and sustainability energy solutions
- Providing superior customer service through dedicated commercial

and operations teams

- Maintaining operational excellence in service level agreements, sustainability initiative targets and customer satisfaction

edotco's consolidated infrastructure network is designed to reduce downtime and costs through tower infrastructure sharing concept, where cost centres are converted to business centric profit centres with optimization of resedotco's utilization.

2.2 Current Situation in Bangladesh

In order to increase market share, profitability and efficiency, edotco have addressed the need of empower their regions and focus strategies on different areas of infrastructure building. They have reduced bureaucracy, cultural barrier between countries and customers which is a bold step envisioning their growth. As a result, the current situation of Edotco group in Bangladesh is very prominent.

The establishment of edotco in Bangladesh was in 2014 and within this year they have been able to get 1200 clients around the whole country. Their coverage reached 80% which shows momentous achievement for them. The company has 1,930 BTS sites at Chittagong and total 9300 BTS sites all over the country. The day is not so far, when edotco will be cover the whole infrastructure sector in Bangladesh.

2.3 Vision and Mission

2.3.1 Vision

Their vision is to establish themselves as a globally admired World Class Infrastructure brand.

2.3.2 Missions

- ✓ Cover the whole country with their network system.
- ✓ Providing best services for their customers.

edotco's Value Proposition:

- ✓ Effectively Cost Efficient
- ✓ Reduce in capital expenditure, capex and opex savings
- ✓ Regional network of innovative solutions to reduce network downtime
- ✓ Enhancing Competitiveness
- ✓ Enhanced focus on service innovation
- ✓ Environmentally Conscious
- ✓ Reduce carbon footprint across all operating network

edotco's Values:

- ✓ Uncompromising Integrity
- ✓ Exceptional Performance
- ✓ Sustainability
- ✓ Service Excellence
- ✓ Cost Champion

2.4 Divisions and Departments

edotco Bangladesh Co Ltd consists of 4 divisions each containing several departments according to the division and organizational need. The organization is headed by a Managing Director. Each division is headed by Director. General Managers are there to coordinate between departmental Director and employees. Managers are given specific tasks, programs, plans or analysis to be done. Specialists and Officers are entry level positions who perform different types of job given by managers or general managers. Here is a brief of all the divisions. However, chain of command for top management and each division is shown in **Appendix I**.

2.4.1. Sales & Marketing

edotco's Sales & Marketing department has overall responsibility for growing revenue, increasing market share and contributing to company growth and profitability. Edotco's marketing department is responsible for various functions such as advertising, publications and events.

2.4.2 Finance

Finance is the heart of any business functions because they are responsible for budgeting. Finance division of edotco Bangladesh Co Ltd. is accountable for financing into different proposals, business partnering, as well as new product development. Finance controls financial accounting, creating salary sheets for employees, maintaining compliances and so on. Corporate Finance, Financial Accounting and Management Reporting, Financial Compliance, Insurance and Process, Supply Chain Management, Revenue Assurance and Fraud Management, Planning, Business Partnering, Media Buying, Transformation Office and Company Secretary are the departments of Finance division.

2.4.3 Human Resources

Human resource (HR) mainly works for recruiting new employees, providing training for existing employees; circulate salary to employees account, employee motivation, as well as organizational development. HR also takes the responsibility of maintaining good relations among all the employees.

2.4.4 Operations & Engineering

In edotco, formulating policy is one of the core duties of an operations manager. Companies must operate and function on a daily basis within a prescribed set of guidelines. These guidelines are generally established by operations managers. These can include how different departments within the company or organization communicate and cooperate with one another. Policies can also include disciplinary actions taken when employees break company rules. edotco's engineering department works to maintain the discipline and profession of applying engineering concepts to the optimization of equipment, procedures, and

departmental budgets to achieve better maintainability, reliability, and availability of equipment.

2.5 Organization's Products:

2.5.1 Infrastructure:

Providing first of its kind regional accessibility, edotco's core business focus remains on telecoms infrastructure solutions, providing innovative tower solutions. Edotco's tower infrastructure solutions offers speed-to-market and reach in multiple countries with strategic end-to-end coverage within edotco's network of operations.



Co-Location & Built-to-Suit:

edotco provides fast and effective co-location management, delivering direct benefits to clients through an established network in edotco's circle of operations along with outstanding management systems and dedicated co-location.

Transmission & Last Mile Connectivity:

edotco offers end to end solutions including transmission and last mile connectivity to edotco's sites.

Operation & Maintenance Services (o & m):

Offering customer to manage maintenance of passive infrastructure in the entire country. (i.e. managing power, tower maintenance, security and troubleshooting, generator fueling, solar maintenance, etc.)

Towers:

With over 14000 sites across its network of operations in Southeast Asia, edotco's broad range of tower services provide its clients the choice of the best solutions and speed to market.

Rooftops:

Edotco's broad portfolio allow edotco's clients to install their network equipment on rooftops with edotco's strategic end-to-end solutions within edotco's network of operations. Edotco's range enables us to supply various solutions for rooftop sites which in turn benefits edotco's clients.

Special Structures:

edotco also focus on designing telecoms infrastructure facilities that are cost-effective, innovative and meet edotco's client's requirement. edotco's in-depth understanding of design elements for telecommunication infrastructure facilities encompasses rack spacing, power and equipment ventilation requirements, lightning protection and earthing.

In Building Solutions (IBS):

An extensive list of sites offered to customer which actually build to facilitate dedicated telco coverage inside the building (i.e. large commercial complex, airport, govt kpi buildings and markets etc.)

2.5.2 Services:

edotco, offer a full spectrum of managed services to help relieve network operators off the burden of day-to-day management of operations and infrastructure maintenance. Choose the services that best meet edotco's company's needs and free edotco for more strategic endeavors within edotco's organization.



Remote Monitoring System:

All of edotco's tower sites are equipped with Remote Monitoring System (RMS) to help gather data on performance of all passive infrastructure elements at the tower site and transmits information in real-time to the "echo Centre". It also enables access control to sites for control of power equipment parameters and monitor operating data, fuel level and usage, fuel quality, battery voltages, mains/grid power availability and quality, environment and security access. edotco's RMS also provides the ability to generate trouble tickets, capture visits made by field personnel for rectification and spares consumed in addressing problems. "echo Centre" mobile version helps to facilitate real time data capture from field work force, hence offer faster and real time data reconciliation.

Benefits To Operators:

- "Echo Centre" allows operators to realize measurable business and operational benefits

- Enables real-time remote monitoring, control, remote data collection, alarm capabilities and enables pro-active
- Problem resolution for all the tower sites passive infrastructure elements.
- Provides analytics and reports on energy consumptions, power system and environmental system performances and a variety of other reports and dashboards.
- Communicates with passive infrastructure elements alarms over SMS and/or other text messaging/Email.
- Minimizes dependency on manual field operations.
- Maximizes inventory efficiency.

2.5.3 Solutions

edotco, committed to help edotco's clients turn their challenges into business opportunities. We support edotco's clients to adapt to the rising demands of the market and consistently take a step ahead of the competition.

Last Mile Fibre Connectivity:

edotco's last mile fibre connectivity solution provides a greater level of security and is the best solution for data sensitive networks. It gives edotco's clients the opportunity to maximize their revenue and address their business challenges.

edotco's energy solutions include:

- ✓ Consolidating power systems and deploying innovative energy solutions.
- ✓ Incorporating next generation batteries and innovative energy storage solutions.
- ✓ Use of power efficient air conditioners and reducing usage with 'free cooling' technology.
- ✓ Utilizing solar, wind and other combinations of energy sedotco'sces.
- ✓ Reducing diesel consumption through the use of fuel efficient diesel generators.

Energy:

edotco committed in shaping the future by enabling environmentally sound and innovative green technologies to empower connectivity and make a positive impact on the community we live in. edotco continuously promote improving energy efficiency, reduction of equipment load and use of renewable energy resedotco'sces to proactively reduce edotco's carbon footprint towards achieving a sustainable future.

Chapter Three

My participation as an Intern

3.1 Prologue

Getting the opportunity to work in a multinational company is very significant and I got the chance to work in a multinational company named edotco Bangladesh Co. Ltd. Here I have tried to showcase the experience which I have gathered from edotco Bangladesh Co. Ltd.

I was fortunate to work with edotco at its Corporate Finance Department of Finance division for 3 months. Though I was working as an intern, I noticed that every desk is assigned a specific job and particular people are given responsibility to carry out that job. I have learnt a lot from there that I believe in future it will help me in my professional life as well as my personal life.

It is important to work in groups in multinational companies. Every task was divided into few small segments. I had to work in groups. Undoubtedly my group mates were very much supportive. I also learnt that a group effort is really important to make a project successful.

3.2 Job Responsibilities

Primarily I have worked for Corporate Finance Department under Finance Division where I along with my supervisor worked on SAP on **edotco Bangladesh Co Ltd**. I prepared data of corporate contract personnel, listed them in a table, and synchronized with the framework. I prepared high level payment flowcharts according to my supervisor's instruction.

Besides the responsibility of SAP, I was also given different tasks time to time. I was also assigned to maintain vendor database management, payment terms correction, VAT & TAX term correction in SAP, create proposal, vendors payment in SCB, prepare vendors cheque and deliver it to the vendors, maintain vendor's issued cheque and disbursed cheque data etc.

3.2.1 Vendor Database Management (Update and Analysis)

Edotco used to have Vendor Database Management previously where all the information of each vendor was not completely inserted. So it lacked of many information. My task was to update that information in SAP. So I collected the information given at Vendor Database to find out which information of which vendor is missing. I segregated the list of vendors according to missing information category. For example: those who didn't have address were categorized in one section. Then I have contacted with the person who is responsible to collect those missing information. Sometimes assigned persons who also didn't have that information of vendor; in that case I directly contacted with the vendors through e-mail in order to collect those data. After collecting all the data of all the vendors, I inserted that information in SAP again to make a complete vendor database.

3.2.2 Payment Terms Correction in SAP

The payment terms that was uploaded in SAP was not completely correct. For example, a vendor was to get payment after 60 days of delivery got his/her payment after 30 days. Sometimes opposite situations were found also. That is why some vendors were highly dissatisfied, especially those who were getting payment long after the due date due to mismatch of payment terms with accounts payable department. So it was necessary to correct those payment terms. According to the contract, I had to change the payment term and the date of the payment. I also had to block the payment on SAP by putting "G" in the payment status. Here I have attached a photo as an example of what I have explained so far.

Display Document: Line Item 001

Display Document: Line Item 001

Vendor: 101887 WAVE LINK LIMITED G/L Acc: 30100060
 Company Code: BD02 HS # 04, RD # 02, P. C. Culture
 edotco Bangladesh Co. Ltd Dhaka Doc. no. 5200000753

Line Item 1 / Invoice / 31
 Amount: 229,171.00 BDT

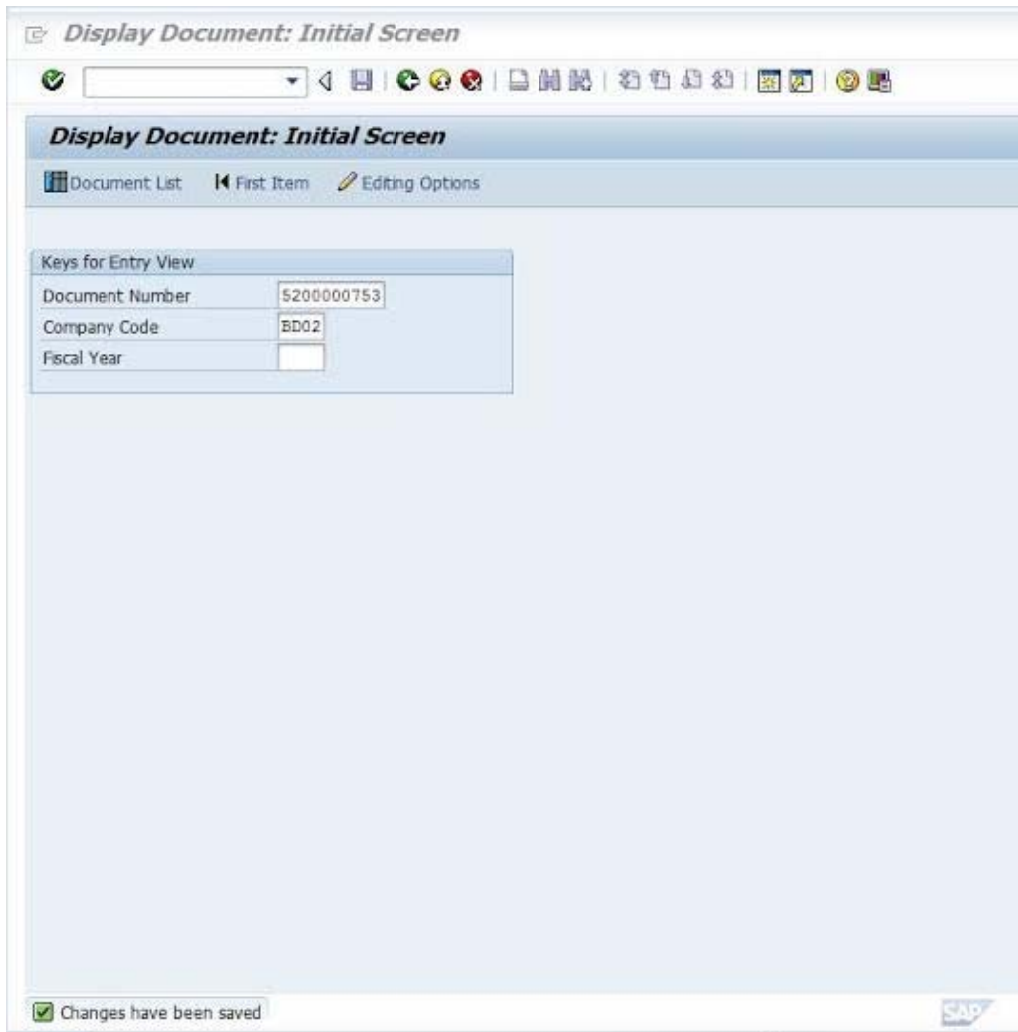
Additional Data

Bus. Area:
 Disc. base: 229,171.00 BDT Disc. Amount: 0.00 BDT
 Payt. Terms: B002 Days/percent: 65 0.000 % 0 0.000 % 0
 Bline Date: 02.03.2016 Fixed:
 Pmnt Block: Invoice ref.: / / 0
 Payment cur.:
 Pmt Method:
 Payment Ref.:
 Assignment: Edotco
 Text: Power_line_Construction_9600013708 Long text

In this photo I have highlighted the payment terms, payment date and payment block status. I had to change those three statuses for processing the payment in Standard Chartered Bank (SCB).

3.2.2 VAT & TAX Term Correction in SAP

After changing those three statuses I had to click on withholding tax line to place VAT & TAX. For better understanding you can see it in the figures below

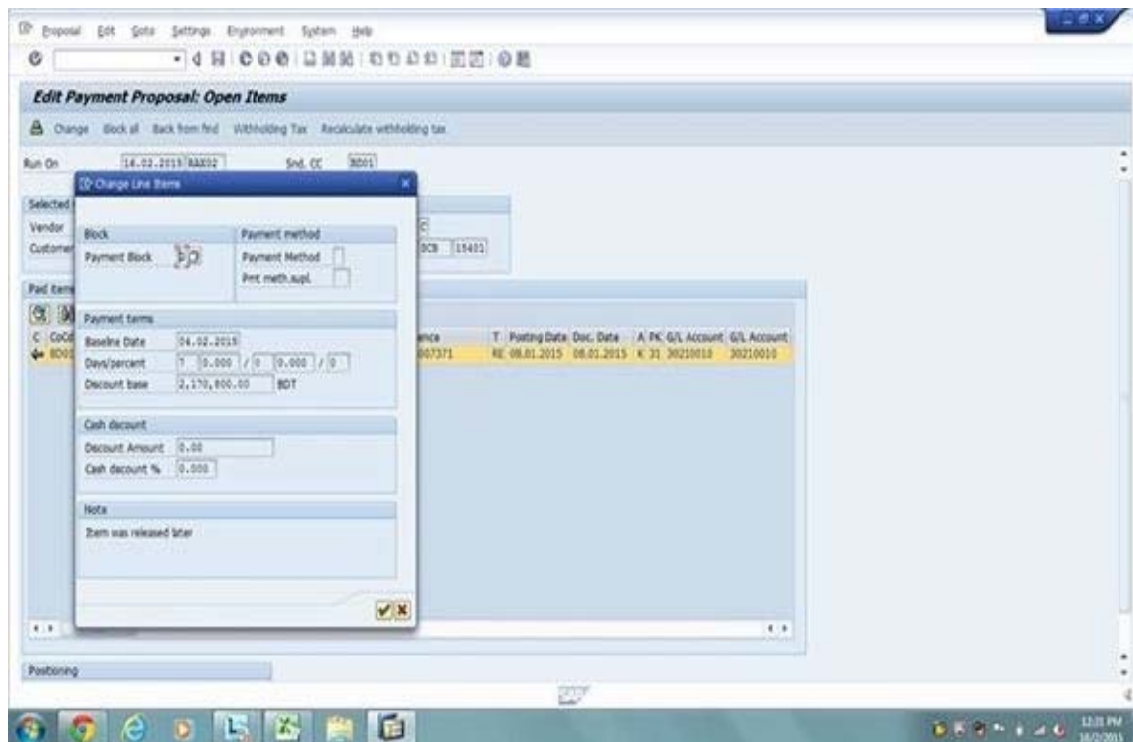


The screenshot shows the SAP 'Display Document: Initial Screen' interface. At the top, there is a title bar with the text 'Display Document: Initial Screen' and a standard SAP toolbar. Below the title bar, there is a sub-header with the same text. Underneath the sub-header, there are three buttons: 'Document List', 'First Item', and 'Editing Options'. The main area of the screen is a light blue box titled 'Keys for Entry View'. Inside this box, there are three input fields: 'Document Number' with the value 'S200000753', 'Company Code' with the value 'BD02', and 'Fiscal Year' which is empty. At the bottom left of the screen, there is a status bar with a green checkmark and the text 'Changes have been saved'. At the bottom right, there is the SAP logo.

Keys for Entry View	
Document Number	S200000753
Company Code	BD02
Fiscal Year	

[illegible]

After that I had to make the sequence of vendor's id to create parameter. Then I had to create the proposal. I have found that creating proposal is a sensitive task. Here you have to pay the payment via SAP and on the other hand you have to calculate each and every single transaction in the Microsoft Excel. If I find any amount mismatching with my SAP net amount and excel net amount I had to block that vendor's payment immediately. Except blocking that ID I would not be able to proceed for furthered transitioning.



3.2.3 Final Payment Procedure:

After withdrawing vat & tax the final payment procedure conducted by sap. Heres some screenshot of final payment procedure

Post Outgoing Payments: Header Data

Process open items

Document Date	☒	Type	KZ	Company Code	BD02
Posting Date	02.05.2016	Period	5	Currency/Rate	BDT
Document Number		Translatn Date			
Reference		Cross-CC no.			
Doc.Header Text		Trading Part.BA			
Clearing text					

Bank data

Account	☒	Business Area	
Amount		Amount in LC	
Bank charges		LC bank charges	
Value Date	02.05.2016	Profit Center	
Text		Assignment	

Open item selection	Additional selections
Account	☒ None
Account Type	☐ Amount
Special G/L ind	☐ Document Number
Print advice no.	☐ Posting Date
☐ Distribute by age	☐ Dunning Area
☐ Automatic search	☐ Others

☒ Document 1500002612 was posted in company code BD02

SAP

Post Outgoing Payments Process open items

Standard Partial Pmt Withhldg tax

Account items 101887 WAVE LINK LIMITED

Docume...	C	Docume...	P	B...	D...	BDT Gross	CashDiscount	CDP...
5200000753	RE	02.03.2016	31		4-	229,171.00-		

Processing Status

Number of items	1	Amount entered	208,535.00-
Display from item	1	Assigned	208,535.00-
Reason code		Difference postings	
Display in clearing currency		Not assigned	0.00

1 items were selected

Document 1500002613 was posted in company code BD02

3.3 Relate Practical and Academic Curriculum

It is very obvious that an internship program is the initial stage of entering into a professional career. It is a platform where we can relate our academic curriculum and corporate life. Similar things happened to me as well. Some says professional life and academic life are totally different in nature and there is no relation in between them. But I personally do not

agree with that opinion completely because during my intern I was able to relate so many works which I have performed at edotco with my academic modules.

In our **Bachelor of Business Administration** program, we have to go through eight core finance courses. During my academic life, I had learned some formulas and based on those formulas I was able to calculate different financial terms like NPV, IRR etc. I also solved mathematical problems on capital budgeting, cash disbursement, bank reconciliation. But unfortunately I could not incorporate those problems clearly with the practical view. But during my internship I had the opportunity to do that practically which helped me to relate my academic knowledge with my practical work.

In corporate life we have to work under stress. Every working day I had to spend minimum eight hours in office. It was totally a new experience for me. Even though it was different from my undergrad program schedule I had managed to cope with it. Besides my academic syllabus was designed to aid me in my professional work and I could relate my academic leanings to my professional work during the internship time.

Chapter Four

Introduction to SAP

4.1 Overview of SAP

SAP is a leading Enterprise Information and Management Package. Systems Application and Products (SAP) is a powerful tool that integrates multiple business processes and functions into one comprehensive system. By using this software, any company can easily track down and manage their sales, production, financial accounting, and human resource in real time. SAP AG is the world's largest enterprise software company which creates this software for business named SAP. There are various components within the SAP software. Each of those components can be broke down further into modules of functionality and those are more discrete in nature. All SAP components link into a central database, which connects various business activities of the company and is where all company data is stored. However this software is comprised of modules like Finance, Sales and Distribution, Materials Management, Warehouse Management and so on. Individual SAP modules combine to form an SAP component. Each of these modules serves to manage a functional area for which a particular department is responsible. Indeed a company's business processes are configured within a SAP component. By adopting this proven practice, companies serve their stakeholders more efficiently.

4.2. Design of SAP

All enterprise applications like SAP are essentially made up of programs along with the data that are both used by and created by those programs. The data are organized in a meaningful way within a database, making it easy for the programs to access and find the data necessary to do something useful like run a financial report or create a sales order. In the case of an SAP component or product, the programs and data reside together in the same database. Each component generally has its own database; a production system composed of SAP, SAP Business Warehouse (BW), and SAP Customer Relationship Management (CRM) consists of three production databases. Given its fundamental station in the life of an SAP system, it is important to therefore understand the overall role of the database.

A database is essentially an electronic filing system that houses a collection of information organized in such a way that allows a computer program to quickly find desired pieces of data. In the simplest form, a database is composed of tables, columns (called fields), and rows

(called records or data). An example of a database is a vendor management table, which is organized to make it possible to quickly find a desired piece of data. The vendor management table can be considered a table, a storage container for information. Within this table is typically found four columns (or fields)— name, address, telephone number and e-mail address. Within each of these fields exists rows (or records), the simplest form of data in the database.

4.3 Business Benefits of Using SAP

Many businesses today use traditional information systems which have been developed to do some specific tasks and provide reports and analysis of different event that have already taken place into the business. Some systems provide information in a “real time” mode. Actually those systems have latest information in their database and can be used to control events. Typically, a company has various systems to control and manage different processes like production, sales and accounting.

Those systems have separate database and transfer information to another systems when it is required. So that it is a time consuming and not an integrated process. However, it is totally different in SAP. There is only one information system in the SAP. All application is able to access common data. If there is an event taken place into the business that will happen in transactions and store into the SAP and automatically the calculation is done by events in sales and production into the SAP. However, SAP structure considered as a “Best Business Practices”.

Basically the company which implementing SAP actually adapts its operations to this software to achieve its efficiencies and power. The core benefits of using SAP are discussed here.

4.3.1 Improve Alignment of Strategies and Operations

SAP helps edotco to run according to their strategy and plans because it gives right information in real time to identify any issue in early stage. Thus edotco can notice any

opportunities proactively. By aligning workforce and organizational objectives, SAP helps any company to achieve its corporate objectives.

4.3.4 Improve Process Standardization

This ERP system helps to improve the process standardization & efficiency. On the other hand, it extends transactions, store information and collaboration functions

4.3.5 Supporting Changing Industry Requirements and Reduce Risk

As business changes with the changes of the industry, edotco can easily modify anything by using this software because it is web based software to integrate end to end processes effortlessly. edotco can also solve complex business challenge with the help of SAP and that helps to attend their long term goal.

4.3.6 Improve Financial Management and Corporate Governance

It helps edotco to gain deep visibility into the organizational financial and management accounting functionality combined with business analytics so that edotco can increase their profitability, can improve financial control and also able to manage risk.

4.3.7 Reduce It Spending

As SAP helps to integrate all the functions within the organization so that it reduces the integration costs. On the other hand, now edotco does not need to buy different systems for different functions. One software SAP can do all the activities and thus it will help edotco to reduce their IT cost.

4.4 Finance Modules of SAP

Financial Accounting (FI) and Controlling (CO) are independent components in the SAP system. Those modules are closely integrated with other Modules. It helps management for better decision making and strategic planning and those are the main functionality of SAP

modules. The main benefit of SAP FI module is, it has the capacity to do all the accounting and financial works of an organization. The Financial Manager as well as other Managers within any organization can review the financial position at any time by using this module. Indeed, edotco can generate any financial statements within a very short period which is sometimes not possible for any legacy systems. Mostly FI document posting is generated or triggered automatically from other modules. There are several sub-modules within FI module:

4.4.1 Accounts Receivables

We all know that accounts receivables records all account posting generated as a result of Customer sales activities. In SAP ERP module those postings are automatically updated in the general ledger. By using this module edotco can easily monitor the time duration required for receivable collection and that helps to generate customer analysis. This data comes from the Customer Master Modules, Sales and Distribution and Cash Management Modules and those are also integrated with this accounts receivables module.

4.4.2 Accounts Payable

As like Accounts receivable, accounts payable postings also generated in the General Ledger in SAP. This data comes from the Vendor Master Modules.

4.4.3 Asset Accounting

Asset Accounting is utilized for managing Fixed Assets. This module allows edotco to classify different assets and to set values for depreciation calculations in each asset class.

4.4.4 Treasury/Corporate Finance

Bank Accounting helps management to input bank transactions into the system and cash management. Each bank that edotco deals with creates a Bank master inside their system.

When a payment is received from a customer or made to a vendor via bank transfer, that time this file will be updated. Here, accounts payable payments are cleared by Bank Cheque.

4.4.5 Reconciliation

When any transaction happened in those four master data file, there is a reconciliation process happened to enter data from those accounts to general ledger. In the reconciliation process, two set of records compares to each other to make sure they are in agreement.

4.4.6 General Ledger

General ledger is the main part of the FI modules of the SAP. All the posting has been recorded over here. And those postings are displayed what happen in present to make the up to date visibility of the business transactions.

4.5 Sap Financial Controlling Module

The SAP CO(Controlling) Modules actually provides important information to the decision maker for planning, reporting, to monitor the operation of business. It makes the decision making process easy because it provides high level of information to the Management. There are several components of the CO module. They are:

4.5.1 The Cost Element Accounting

The Cost Element Accounting component provides information about cost and revenue. Those postings come from FI to CO. The cost elements are the basis of cost accounting and display cost of each of the account that have assigned to the cost element.

4.5.2 Cost Center Accounting

Cost Center Accounting provides data on the costs that incurred by edotco's business. By using SAP, edotco has the ability to assign cost center to each department which is responsible for certain area of the business. Thus cost center can be created for different functional areas such as Brands, Finance, Human resources, Customer Development, Supply Chain etc. for a certain period of time.

4.5.3 Internal Orders

Internal Orders in SAP are used to track and control cost items. It helps edotco to track down costs of a specific job, service or task. This information helps edotco to identify different costs and helps to better decision making purpose.

4.5.4 Product Cost Controlling

It helps analyze the product costs so that they can fix the price of that product. As it is a confidential issue, edotco do not share how they use SAP to for setting the price of the product.

4.5.5 Profitability Analysis

SAP allows edotco Management to review information with respect to the profits and contribution margin by business segment. For profitability analysis, edotco use Account Based analysis and Cost Based Analysis. With SAP, they can analyze profitability by the view of product, market, customers, service or channel.

Chapter Five

Analysis: Role of SAP on edotco Bangladesh Co Ltd.

5.1 Vendor Database Management

In a vendor management system, data was stored into a database for each vendor. Interesting thing of this system was able to find a suitable vendor for the company to judge a vendor whether they will be capable to meet their requirements. As SAP is a common software for all the vendors as well as organizations, it is very easy for them to find an appropriate vendor so that they can judge a vendor by their supplying report as all the data is stored centrally in one software.

□ **Key Changes**

1. All buyers have information of all vendors.
2. Update can be made by any authorized buyer about vendor.

□ **Benefits**

The main benefit is that any buyer can find information of any vendor whenever they need them or not. They don't need to go to other buyer for collecting the information. By using this software, organization can evaluate vendor by giving them updated score, information about black listed vendor, vendor's capability, unit price, and product segmentation. So, it has become very suitable for the buyers to choose the right vendors within seconds.

5.2. Payment Terms

Before purchasing anything for edotco, buyers sign a contract with vendors the company monitors every details of discount, quality, price method, method of payment (advance or deferral payment), payment terms and so on. When a purchasing or sales document is entered for a vendor or customer, SAP automatically update information onto their database. This information is used to calculate the prices for the items, the due date of an invoice, the total discount allowed etc. The payment term data can be changed manually in the transaction itself if a special agreement was made for that transaction.

□ **Key Changes**

Previously they need to check the whole contract to know the details of payment terms. Now the payment information is automatically generated by giving input.

□ **Benefits**

The process is time-saving, easier as well as hassle-free for both the parties. In this process, details of payment term need to input only once and then system purposely shifts information in those sections where it is needed. So, it doesn't require to input same data more than once.

5.3 Financial Planning

Before go live Financial Planning Process had been done by locally developed software named "Matrix" along with few allocations performed through ABACUS. Low level of integration was the problem of this system. And they were able to do planning quarterly basis. After go live, due to the application of BIIP (Business Intelligence and Integrated Planning) most of planning process is shifted to this Module which is more integrated and any one can use that for different purposes.

□ **Key Changes**

1. From Matrix and ABACUS to BI-IP (Business Intelligence and Integrated Planning).
2. Now edotco has to do planning quarterly and monthly basis.

□ **Benefits**

The main benefit that edotco gets in this process that it integrates different functions. They can construct the report more quickly as they don't need to assemble the data from different sources. On the other hand, data accuracy is also increased.

5.4 Monthly Business Update

SAP helps edotco to get monthly business report very easily. After inputting all the necessary information of a purchase order, SAP itself compare automatically the price with previous orders whether there is a higher price or lower. So it is easy for organizations to know how much expenses they are incurring for this particular order. However, they are also being able to know how much they are saving or loosing than previous purchase. If current price is higher than before, they are expending more. Similarly lower price comprises a comparative lower expenditure.

□ **Key Changes**

Previously the input was needed to be made manually. After implementing SAP, one input for one purchase order is enough.

□ **Benefits**

Before implementing SAP, it was time costly to get a monthly report. Every time for generating a report, input was needed to be made. Moreover, the calculation was also needed to be made manually. But in SAP, it needs to give input once for a single order and the report is generated automatically. Even the calculation is also done into SAP automatically.

5.5 Product Delivery and Warehouse Planning

Purchase order is made in edotco corporate office, Gulshan-1 but their warehouse is located at Baridhara, Dhaka. Sometimes it becomes difficult to communicate with employees of warehouse about upcoming orders. Because of SAP employees at Baridhara can get to know the orders and plan accordingly.

□ **Key Changes**

1. Employees of both the offices can get all the necessary information through SAP.
2. Planning process moves based on the information that is updated in SAP.

□ **Benefits**

Previously it was difficult to communicate with the employees regarding purchase order and delivery schedule between both of the offices. But now employees of Baridhara office can easily get to know all details regarding product supply through SAP. So, they can handle and manage warehouse planning according to it. So that, employees of edotco from corporate office can easily know about the capacity of warehouse.

5.6 Cost Determination through Bidding

When a tender is published by edotco employees for any kind of purchase, capable vendors bid for the tender providing best quality and lowest price that they can manage. After the end date of tender, all the bidding information is inputted into SAP. Then the software automatically chooses the best bidder amongst all. So employees need not do manual analysis for this.

□ **Key Changes**

Previously these data was to be inputted into excel, but now in SAP.

□ **Benefits**

When the input was made in a shared excel sheet, no one knew who was giving input until that person disclosed. But in SAP, every person who is giving input is shared and every other can see that in their activity log. Moreover, those who views the quotation is also seen in activity log. So it is easily traced if any information is leaked outside.

5.7 Payment Collection Terms and Process

Previously they provided signed cheque to the customers. Now Sap Automatically Deposit their money by EFT & SCB payment method.

□ **Key Changes**

Now Customers receives their daily payment statement via e-mail, which is signify the amount outstanding after accounting for all the Sales Orders, Approved Credit Notes and any previous outstanding balance and this is sent by SAP automatically. This amount has to be deposited by the customer in a designated bank account of edotco on a timely basis.

☐ **Benefits**

It improves the cash flow of the edotco Bangladesh and speed up the whole process. It also improves the accuracy level and saves time.

Chapter 6

Findings

1. Integration is the most important benefit of SAP. The SAP integrates the whole business under one software.
2. By using SAP, edotco can automatically update their accounts payable, accounts receivables and Month end Closing process because the responsible personals of those accounts need to be updated in real time. Thus it improves discipline of operator to input transaction on time which is the most important thing for any finance department's employee. And it helps to save a lot of time and preparing the month end closing and makes it more accurate.
3. SAP improves the controlling and monitoring of financial process of edotco because all the data are now available into the system.
4. SAP makes it transparent and easy to access data or information when needed.
5. SAP reduces the cost of billing by its automated system and bill sends to the receiver via internet. Thus, it improves the service of suppliers and edotco can easily evaluate suppliers and customers by judging their delivery and payment schedule.
6. It increases the speed of data reporting across function and provides more detailed information and structured data. So SAP helps to improve the accuracy on planning, forecasting and decision making.
7. SAP requires high level of understanding regarding its all applications. If anyone does not acquire that level of understanding that time it will be very difficult for him/her do this work in SAP.
8. SAP is interdependent software in which each department needs to give entry. If mistake done in one end, it has a great impact in total process.
9. SAP increases the efficiency and effectiveness of work.
10. It is difficult to work in SAP for beginners but once it is learned it gives a lot of benefits.

Chapter 7

Recommendation

Recommendation for strategic action:

- ✓ As SAP is a sophisticated program and difficult for beginners, edotco can arrange training program on SAP for its employees
- ✓ Vendors often mix up VAT and Tax rates. So a clear chart of VAT and Tax rate can be mentioned.
- ✓ As SAP is modifiable software, an automated confirmation of payment to vendor feature can be added. As a result the vendors will get direct confirmation of payment.
- ✓ On SAP payment cancellation process is very lengthy process and it is centered to a specific authority. The payment cancellation authority can be diversified and thus increase the efficiency of the work.
- ✓ At edotco some bills like electricity and fuel bills should be paid within one day notice. As a result the vendor payment process is delayed. The department can collect the bills earlier and submit them to finance department for reducing this limitation.

Chapter 8

Conclusion

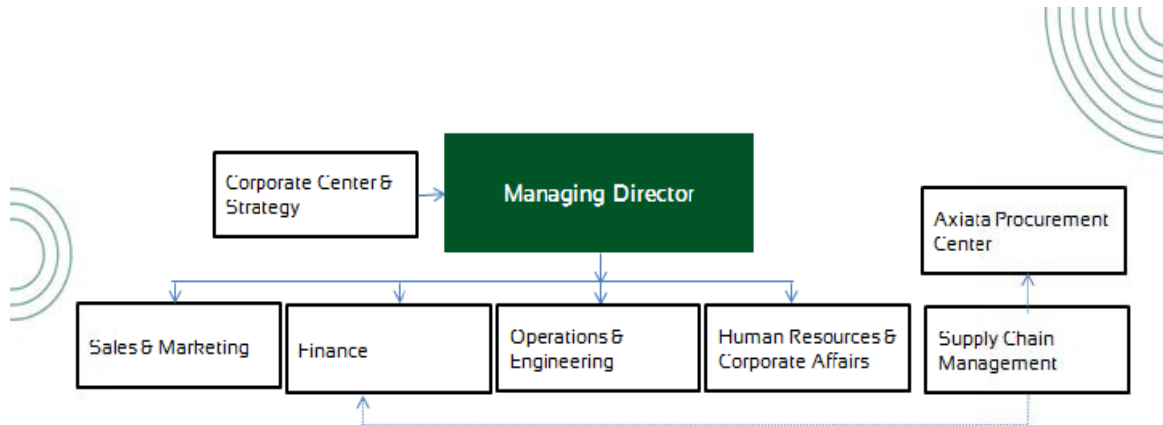
In conclusion, we can say that, SAP is a modular system that consists of individual applications called application modules. All SAP components link into a central database which connects several business activities of the company and this central database is where all company data is stored.

SAP brings a new way in the payment process of the edotco Bangladesh Co Ltd. Although SAP helps whole Finance Division of edotco to improve their collection process, Month end Closing process, monitoring and controlling activities, reduce billing cost and speed up data processing, etc. but it requires high understanding level regarding SAP application and great discipline among the employee of the edotco Bangladesh Co Ltd.

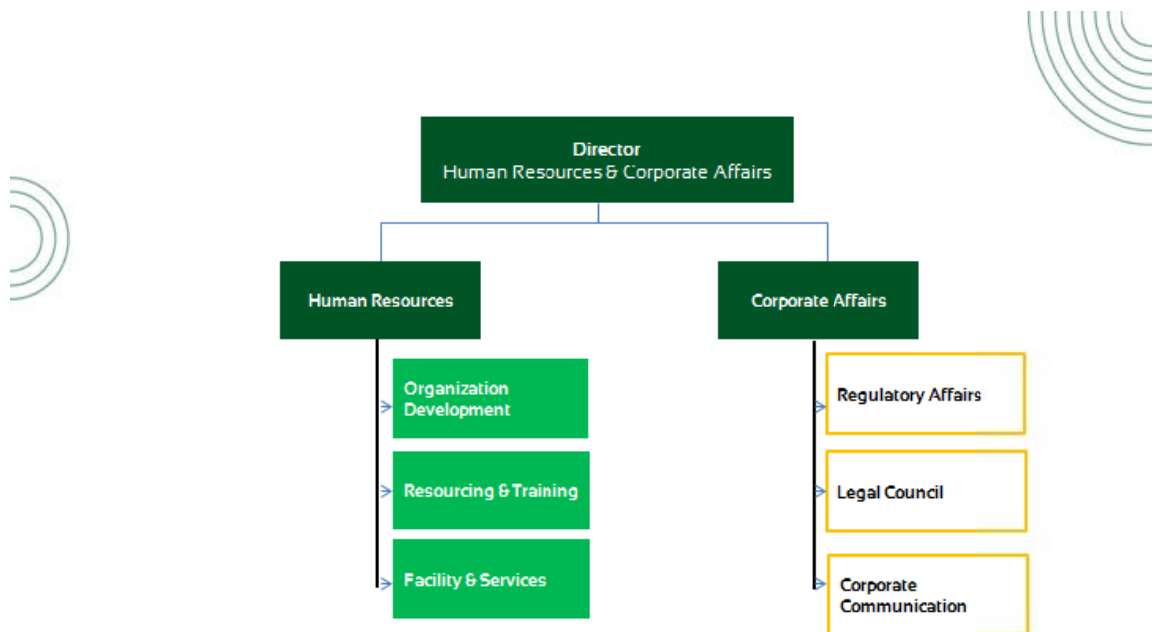
SAP is a powerful tool that integrates multiple business processes and functions into one comprehensive system. SAP reduces lack of integration across business line which will raise the risk of duplication, mistakes and inconsistency in data. SAP provides different approach than their competitors in market. Each piece can operate independently from all other software. And the key benefit of using this approach is that companies can implement individual module that fits the company needs, and have the flexibility to add other module later when their business grows.

Appendix I

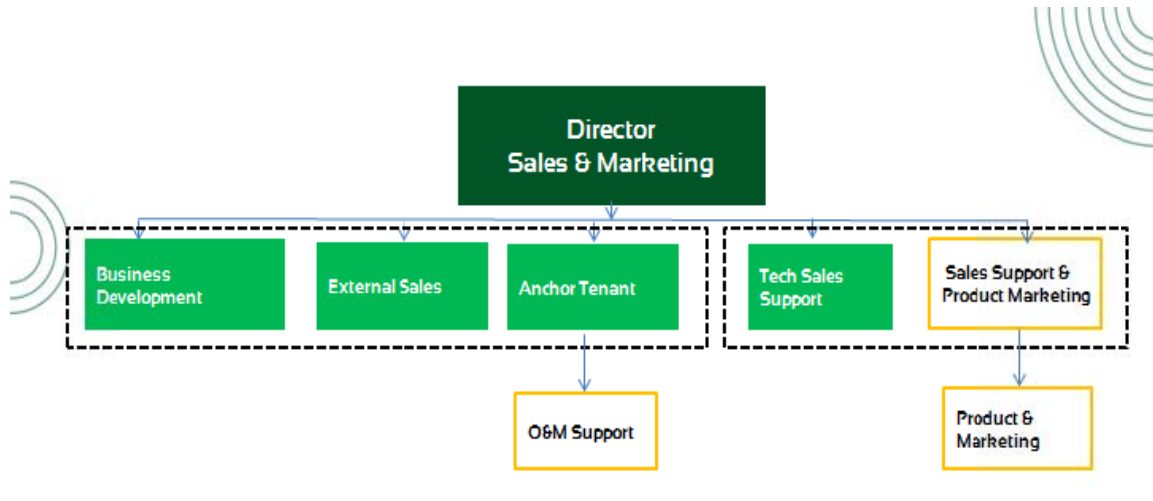
TOP MANAGEMENT



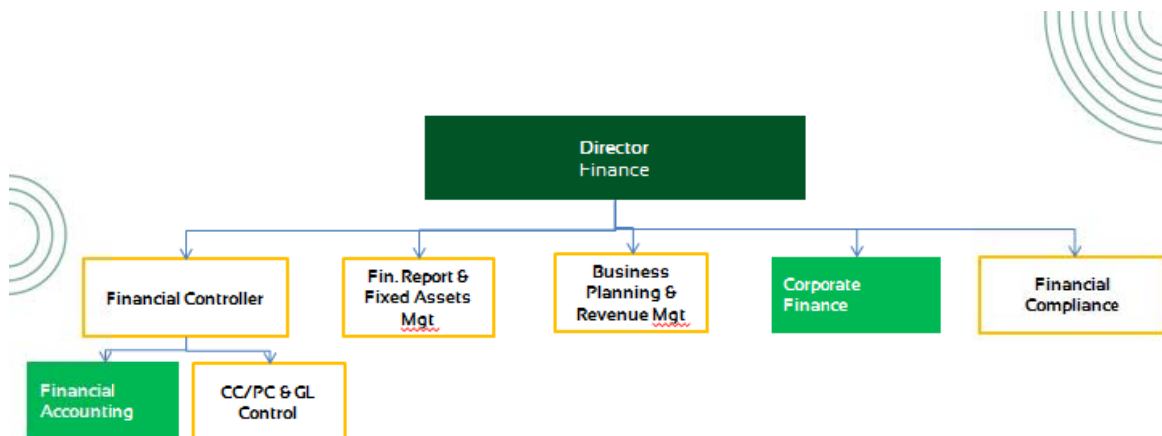
Human Resource Department



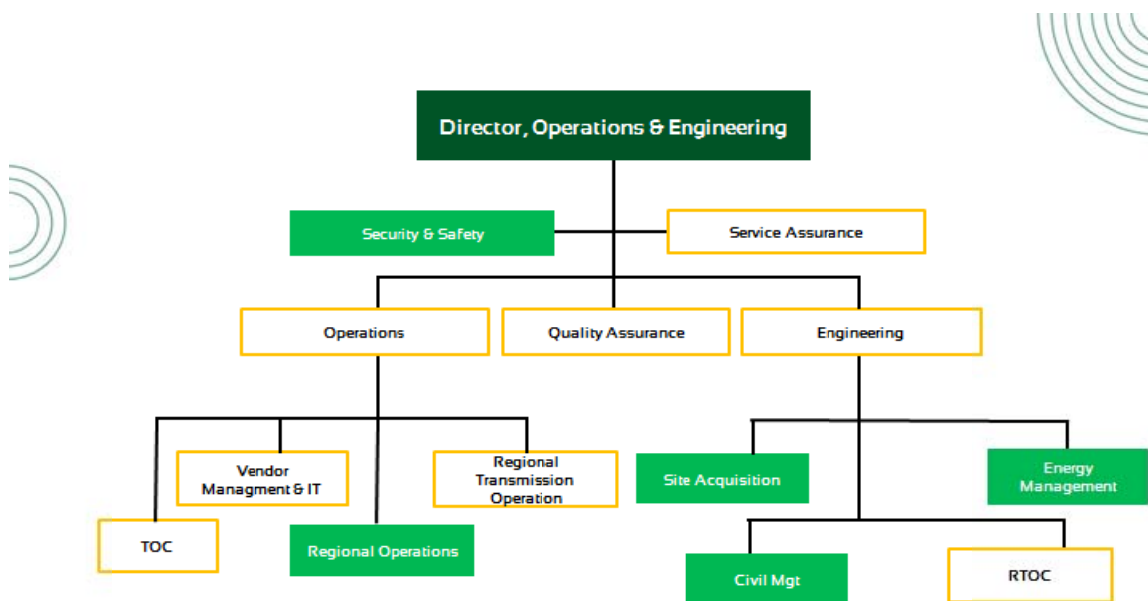
Sales & Marketing Department



Finance Department



Operations & Engineering Department



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