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ERP AND FINANCIAL MANAGEMENT

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ABSTRACT:

The purpose of the study was to find the effectiveness of ERP (Enterprise Resource Planning) implementation in the financial management of BSNL Kerala Circle as compared to legacy information systems.

KEYWORDS: Enterprise Resource Planning, Financial Management.

INTRODUCTION

ERP is a cross-functional enterprise system driven by an incorporated suite of software modules that supports the basic internal business procedures of a company. It gives a company an integrated real-time view of its core business processes, such as production, human resource, sales and distribution, finance and accounting. ERP software comprises of free modules of integrated functional suites. Financial management is an essential activity in any organization. It is the way towards planning, organizing, controlling and monitoring financial resources with a view to achieving organizational goals and objectives.

BENEFITS OF ERP

ERP helps and benefits the various functional areas of financial management in the following manner.

ASSET MANAGEMENT

- Allows the preparation of asset register in a more automated and timely manner
- Allows depreciation calculation with minimum manual intervention
- More effective accounting of fixed assets retirement and disposal
- Allows standardization of processes
- Effective management of repeatable processes
- Helps in better resource management
- More helpful in yearend processing for balance sheet schedules
- Work in progress

management is more effective

- Helps in better project management
- Project progress evaluation is easier

BUDGETING

- Makes the management and control of the budgeting process easier
- Creates budgets by item, products, customers, cost centres etc.
- Uses historical budgets and actual to create reports predicting trends
- Allows comparison of actual and commitments to budgets throughout the year
- Real-time budget alerts notifying management when the budget goes off track
- Maintains budget for multiple years
- More flexible and less prone to errors

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- Helps in coordinate business activities
 - Communication of Budgeting activities is more transparent
 - Budgeting becomes more goals oriented

CASH FLOW MANAGEMENT

- Helps to satisfy day-to-day business requirements
- Helps to provide for scheduled major payments
- Helps to face unexpected cash drains
- Helps to seize potential opportunities
- Helps to meets requirements of bank relationships
- Helps to build an image of creditworthiness
- Helps to earn on cash balance
- Act as a reservoir for net cash inflow
- Allows real-time reporting
- Provides more automated workflows

INVENTORY MANAGEMENT

- Reduce the level of inventory
- Perpetual stock-taking is possible
- Standardised reports are available
- ABC analysis is possible
- Avoids stock out cost
- Reduces storage cost
- Avoid spoilage
- Optimize purchasing to keep inventory right-sized
- Inventory valuation is easier
- Provides more customised inventory related information and reports

FINANCIAL REPORTING

- Integrate, and manage all financial and accounting needs
- Provides integrated and automated data across the organization
- GAAP compliant ERP make business seamless
- The flexibility of generating information and creating reports
- More comprehensive information
- Integrates the working of different information sub-systems
- Increased effectiveness of information systems
- More customised reports
- Reports are more standardised

REVENUE ACCOUNTING

- Manage billing, payment, and revenue on time
- Allows customer wise revenue analysis
- More effective sales revenue and profit analysis
- More effective customer wise payment analysis
- Helps to prevent revenue loss by prompt billing
- Helps in segment-wise product-wise billing
- Helps in tax accounting and correct payment of tax in time
- Generates more customised reports for various users
- Provides more data accuracy and consistency

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- Information facilitating for effective decision-making

RECEIVABLE MANAGEMENT

- Improve our cash position
- Increase control over cash and working capital
- Increase accounts receivable management efficiency
- Improve customer communication
- Improve customer service and satisfaction
- Reduce administrative costs
- Shorten the sales to payment cycle
- Helps to minimize credit risk
- Helps to give more attention to overdue accounts

PAYABLE MANAGEMENT

- Helps to Process and approve invoices, individually or by batch more effectively
- Helps to match invoices to purchase order, receipt, and inspection
- Helps to pay by cheque or electronic funds transfer
- Allows centralized and decentralized payments
- Provides more supplier bank information
- Allows payment scheduling
- Provides supplier name and address in international format
- Provides more supplier history
- Provides more information for effective decision-making
- Allows convenient and timely closure of annual accounts

TAX MANAGEMENT

- Allows flexible tax configuration
- Allows automatic offset with accounts payable
- Allows the integration with other financial modules
- Allows flexible tax reporting
- Allows tax transaction's drill down facility
- Helps to make direct tax adjustments
- Provides more audit trail
- Helps to simplify tax configuration
- Minimize tax calculation errors
- Considerably reduces data entry

PAYROLL MANAGEMENT

- Helps in timely and error-free payroll processing
- Provides web-based software
- Allows only a valid user to logon this system
- Allows timely credit of salary in the employees bank account
- More effective leave management system
- More effective TDS management
- More effective loan management
- Generates more different kinds of statutory reports
- More information facilitating for decision-making

CONCLUSION

ERP system significantly contributes to the various functional areas of financial management as compared to stand-alone legacy information systems.

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