

# THE RECENT TRENDS IN 'INVOICING PROCESS' AS AN E- ACCOUNTING TOOL

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## Abstract

Finance is the life blood of every business and there must be a continues flow of required funds and a watch on cash inflows and cash outflows. Money helps to run any business smoothly. For keeping a watch on funds, systematic maintenance of every record of transactions is necessary whether the transaction is of exchange of goods or rendering of services. The most simple way to maintain the records of sales or services is by preparing an invoice. Invoice helps to track the date of shipment , track outstanding payments or payment made in full and the amount incurred or earned on transactions. There are major reforms seen in invoicing process till date, from traditional invoicing process to digital invoicing process.

The study offers the changing trends adopted by different countries especially by small scale businesses and free lancers in preparing invoices. The focus of the study is on upcoming applications which helps to simplify the invoicing process. The study acknowledged the different accounting invoicing software tools, its simplicity in invoicing process, number of usage, problem in adopting the best application as per the business requirement.

**Keywords:** *Digital Invoice, Accounting software tools*

## 1. Introduction

Every business whether a manufacturing industry or service industry, requires processing of invoice as an integral part for account payable. Account payable helps to assess payable operations. In todays era, modern businesses is highly complicated, with aggressive environment and competition. On one hand when it becomes difficult to control the external environment, on the other hand with efficient, organised internal environment, burden and complications is reduced to the maximum extent. Systematic invoice processing helps to overcome the complications of internal operations. There are two ways in which invoice can be prepared, traditional approach and digital approach.

Traditional approach is the paper version for invoice presentation. Traditional approach of invoice processing is manual in nature which is time-consuming, lengthy and tedious process. In manual invoice processing the employees are trapped in a tedious cycle that is slow, messy and even cumbersome. As for multiple transactions there are multiple invoices, some are paid promptly but others are succumb to common processing trap including missed payments discounts, undetected errors, lengthy process for approval, management invisibility etc. There are hidden cost associated with manual invoice processing like manual documentation, manual routing, and even the cost of manually indexing and filing an invoice are contributing to this shockingly high expenses.

Looking at the cons of paper version and for eradicating the hidden cost ,the need for e-invoice an automated version or digital approach in invoice presentation was felt. Digital approach is the e- version for invoice presentation. Where in accounting invoice software tools has come into existence with a high level of automation. Electronic invoice are quick, easy in presentation and highly accurate in nature.

### 1.1 What is invoice software tool?

Invoicing software tool is a management tool which automatically generates billing for product sold and services rendered. The software which prepare invoice by making use of ready-made templates, which are professional in nature. This tool creates a list of services rendered and products sold along with their corresponding costs and send them to the customers as an invoice. Thus making the process easy, simple and cost benefit.

### 1.2 Key processes of invoice software tool.

As the software is designed for accuracy and automation, it is simple and easy to operate. It avoids repetitive task and fasten the work. The are some key processes which is done by invoice software.

### 1.2.1 Create and Customize bills/ invoices

Invoice software applications includes different templates which gives choice to the business to select from many. After selecting the template, the fields is to be filled in. But there are most applications which offers invoice customization, wherein modification is allowed in the template. Business logos or any other corporate symbols can be included. Client information is transferred from the database and simply click and send. Recurring invoices to long term clients are auto generated.

### 1.2.2 Facilitate billing and payments:-

Invoice software gives an additional feature for payment. An online portal can be created wherein the customers directly make payment and immediately it gets processed. Multiple currencies can be handled thus even foreign currency is accepted and payment can be made. One can integrate the software with online payment platforms for managing and processing payment. Software includes feature like handle multiple languages, multiple currencies and tax calculation and adjustment. Online payment tracking is also possible.

### 1.2.3 Generate Invoice, Payment & Tax reports

Software assist to monitor and track the outstanding invoices by generate variety of payment reports. When the software is kept on automate mode for report generation, reports are generated as PDF files and can be shared or received them by mails. Helps to analyse in details about finances, client delays in payment, outstanding bills etc. Software thus also manages all records, databases and transactions.

### 1.3 Attribute of Invoice Software

Invoice accounting software includes predefined professional templates, it can be customised as per the requirement of business. It includes a feature that summarises the transaction information into a centralised database file. Software is integrated with 25+ payment gateways for prompt payment and for invoice processing. Includes a feature which enables billing and invoicing system seamlessly accept multiple currency payments and issue receipt after managing taxes. Online billing software tracks the payment without worry and hassle, automated time tracking software helps to get every business minutes billed effectively. It helps in cross boundary transactions. The quotation can be send through software to the customers with the help of already saved database. Experience efficient management, timely payments, and dispute management with online invoicing software. Removes manual cost of processing , time consuming and errors. An easy solution for all your expenses and also analyse loss, profit, and cash flow.

### 1.4 Contents in E-Invoice

- Logo & Corporate Image
- Reference number of the invoice
- Date of the invoice.
- Credit terms.
- Tax Calculation (e.g. GST, tariffs, VAT, Custom duties etc.. other indirect taxes)
- Name and contact details of the seller
- Name and contact details of the buyer
- Date of transaction (exchange of goods and services rendered)
- Country of origin
- Purchase order number (or similar tracking numbers requested by the buyer to be mentioned on the invoice)
- Description of the products
- Unit price of the products
- Total amount charged
- Payment terms including payment method, payment date, and details about charges for late payment

## 2. Review of Literature

1. Penttinen, Hallikainen and Salomäki (2009) stated in their study that there are many benefits of moving from paper in-voicing to electronic invoicing. With the reports of Finnish State Treasury and some Finish companies have estimated that an incoming paper invoice incurs costs amounting to 30-50 Euros to the receiver company. By moving to electronic invoice processing, these costs can be lowered considerably. <sup>i</sup> (Kreuzer, 2013)

2. Kreuzer, Eckhardt, Bernius and Krönung (2013) suggested that e-invoicing also has environmental benefits, such as the saving of natural re-sources and reducing carbon emissions. Due to these proposed benefits of e-invoicing, many European companies are adapting e-invoicing, with Danish and Finnish companies leading the trends.

3. Spanic, Ristic and Vrdoljak (2011) argue that economically motivated advantages of e-invoicing allows the companies to benefit from shorter payment delays, fewer errors, as well as reduced printing and postage costs. But also suggest that introducing e-invoicing is often complex and costly for many companies. <sup>ii</sup> (Spanic, 2011)

4. Turban et Al., (2005) indicates that by automating processes and workflows associated with purchasing, the firm expects to increase the productivity of its purchasing agents, lower purchase prices of different types of goods and services, streamline the information flow, business processes, and workflows involved in purchasing, eliminate maverick buying (i.e., buying from unauthorized vendors), reduce order fulfillment and processing times, reduce the number of suppliers the firm is dealing with, streamline invoice reconciliation and dispute resolution, reduce the administrative processing cost per purchase order, integrate budgetary controls into the procurement process, minimize human errors in the buying and shipping processes, and monitoring and regulating buying behaviour.

5. Aberdeen (2007), Research of enterprises' experiences with Internet-based procurement automation technologies indicates that companies have been able to achieve significant cost reduction and process benefits by automating key procurement activities. As a result of their e-procurement initiative, enterprises, on average, displayed a 35% improvement in spend under management, with a 41% reduction in maverick spend. Additionally, enterprises reduced their requisition-to-order cost by approximately 100%, and more than halved their transaction cycle time.

## 3. Objective of this study:

The objective of this study is listed below:

1. The study seeks to investigate the benefits of implementation of electronic invoice handling technology.
2. To study different accounting software tools in invoice processing
3. To find the upcoming trends in the usage of e-accounting software.

## 4. Research Methodology:

The research study is about the e-accounting software tools for invoice preparation in today's era. The study is analytical and descriptive in nature. Hence the study will make use of secondary data based on articles, journals, periodicals, annual reports, internet, news paper and blog post.

## 5. Benefits of Implementation of Electronic Invoice handling technology

- Minimize fraud and increases security
- Cost reduction & Increase profit
- Increases cashflow with faster payment
- Minimises human error
- Payment tracking
- Professional outlook
- Removes lengthy processing cycle
- Escalate Labour cost
- Multi currency transactions
- Multi-lingual languages

- Simplify invoicing workflow
- Purchase order and credit note management
- Improves relationship between vendor and customers
- Modernize the accounting function and increase productivity
- Improve ecological image of the company

## 6. Different Accounting Software tools in invoice processing

Listed below are popular accounting software tools in the process of invoicing, which are most widely used in the businesses and had proven their efficiency and dependability.

**6.1 FreshBooks** –The cloud based accounting solution designed for freelancers and small businesses. The application can be used by sole traders, to professionals like lawyers, even by plumbers. It has the highest consumer satisfaction rates among all similar applications in this category. The application can be installed on any smartphones -Android or iOS. Because of its simplicity and smartphone compatibility it can work anywhere without sacrificing functionality or experience. It works with Google Pay, PayPal, and credit card payments, and integrates with a long list of business systems and applications that can streamline billing, invoicing and payment processes, allowing for financial control, invoice management, online payment in a single system.

**6.2 Quickbooks** – Another popular accounting software solution which is used worldwide. Automate tracking of account payable and receivable. Add google calendar and descriptions of invoices. Combine with gmail for ease in transfer of reports and database. It helps companies to keep accounting data organized, including outstanding payments, overdue items, accounting notes etc. unique Pay Now link ensures that payments are encrypted.

**6.3 Sage 50cloud-** A hybrid -desktop application that has cloud component for data access and storage. The data can be shared with the cloud accounting software. It has add-ons that include EFT, payroll, e-filing and automatic tax computation. Microsoft tools is integrated wherein seamlessly with MS Office 365 work can be done from anywhere , anytime. And because the platform is cloud-based accounting data is synced between desktops and the app's cloud servers, making them accessible at all times.

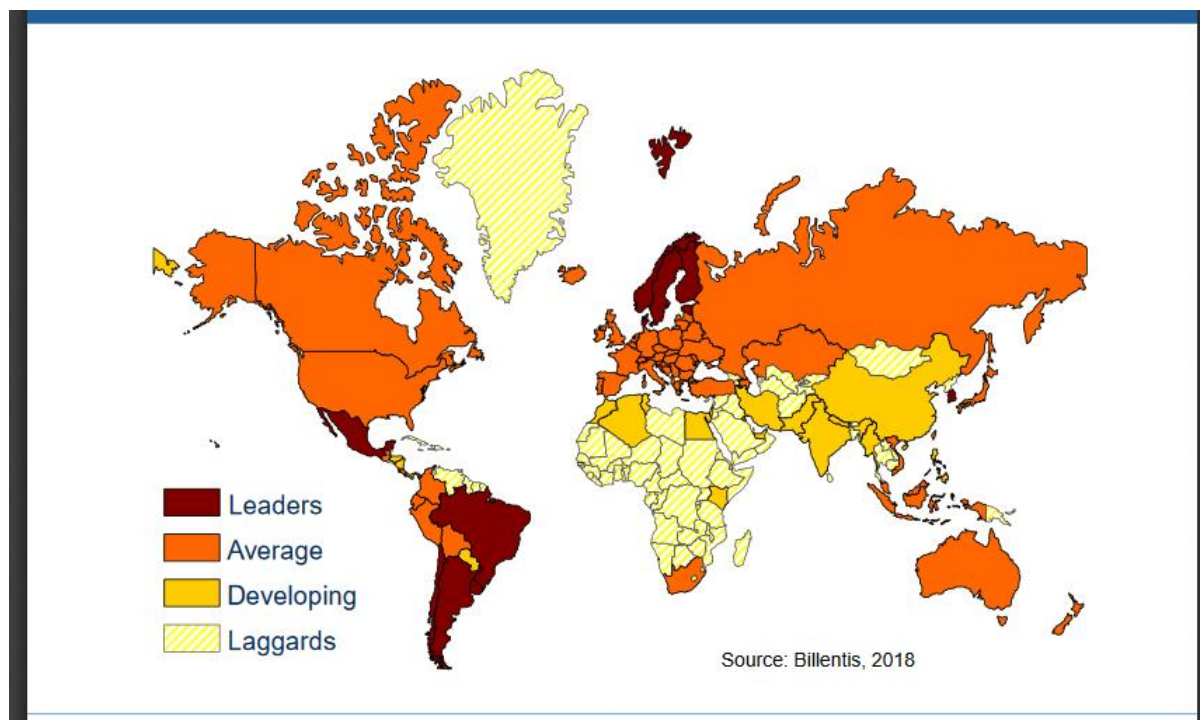
**6.4 Zoho Books-** A smart accounting software designed for upcoming business. Easy to use cloud computing application for better control on cashflow and management of account. Its an intuitive accounting software wherein guide the user for further process. It includes numerous features for creating professional invoices easily. It also supports automated banking, inventory tracking and also integrates with third party payment gateways. Generates financial reports for finance management.

**6.5 Xero-** Application is favourite among the small businesses regardless of their industry and it is qualified by accountants as the “handiest asset for managing financial activities”. As even users with zero knowledge of accounting can find it easy to use and manage the application. Xero works like bookkeeper and does an accounting job in much better way. Partnered with a number of accounting systems and third-party payment applications, Xero gives the opportunity to extend its usefulness from all possible aspects, and to use it regardless without any accounting knowledge.

**6.6 Tipalti-** It is a cloud based powerful and payment application that automates the entire mass global payment processing operation, from onboarding to tax compliance. It ensure that all tax provisions and regulatory requirements are met with minimal human involvement, and it met initial goal – enhancing seller and customer payment experiences. It track and tackles payment issues, administer overload and streamline payments.

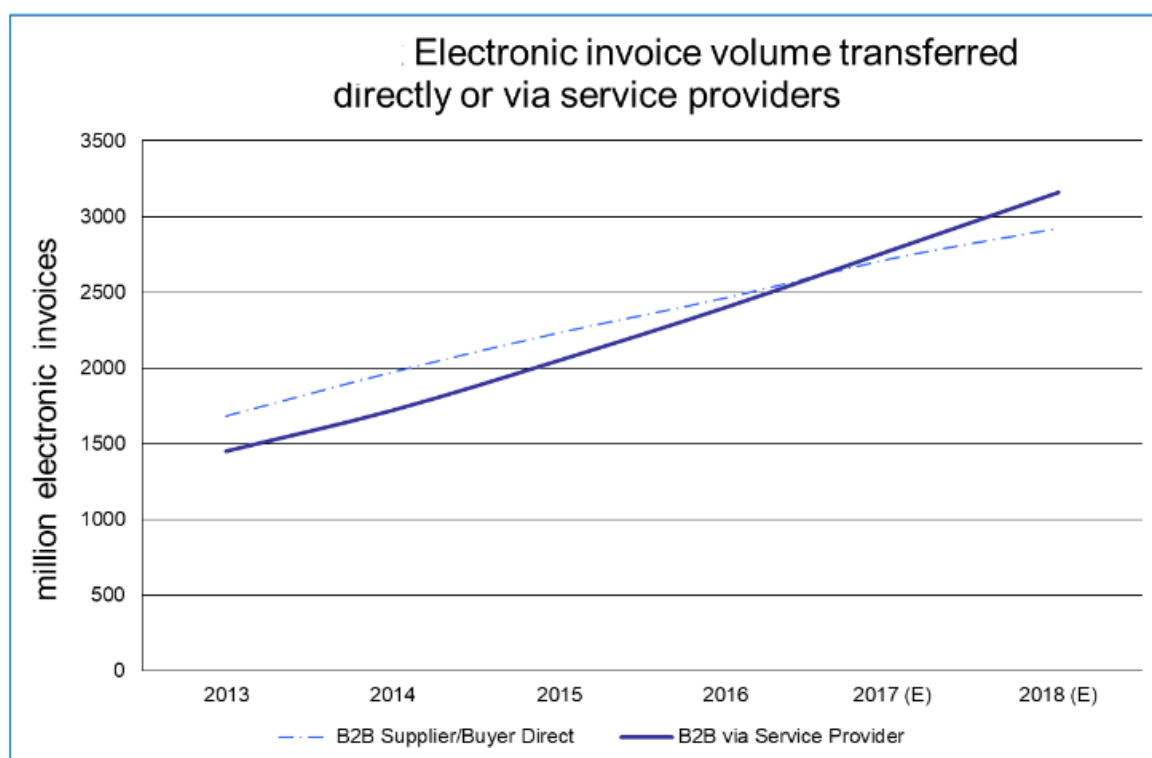
## 7.Data Analysis and Interpretation

### 7.1Global E-Invoicing Market-2018



The above map gives details about global adoption of e-invoicing market coverage. Brazil, Mexico, Chile as market leaders. Mexico made it e-invoicing mandatory from mid of 2017 resulting into increase in the volume from billions of rupees between 2017 -18. Colombia, Costa Rica, Ecuador, Peru etc. significantly extending e-invoicing is becoming mandate to next groups of users. Some countries mandate the market participants to exchange invoices or at least financial reports in electronic format, e.g. Belarus, Indonesia, Kazakhstan, Singapore, Turkey, Vietnam. Russia showed a vigorous growth rate in 2018. Some countries are in the process of closing the loop between cash registers at points of sale –tax authorities and including e-invoices as mandate under jurisdiction. If government initiates for electronic invoicing or come with jurisdiction in mid-sized or larger countries exponential growth rates can be achieved.

### 7.2 E-Invoice Volume



Source: Billentis report 2018

The above graph helps to understand the increasing volume in invoicing process. The increase in the volume of electronic invoicing from 2013 to 2018. In 2013 electronic invoicing process was approx. 1700 million whereas a gradual increase is seen since that. In the year 2018 the growth in the invoicing process has reached to 3100 million approx.. The rapid growth rates for service providers is temporarily more linear. Some larger net-work operators are focussed on small scale industries. Showing the growing trend in the electronic invoicing volume either by direct users or with the help of service providers. Another reason is that some northern countries are already very advanced with a relatively high market penetration. Due to this basis effect, exponential growth is a challenge.

### 8. Limitation of the study:

1. Results of the multiple data cannot be generalized.
2. It is time consuming as there is large qualitative data to analyse.
- 3 The study is descriptive in nature based on secondary data, wherein official site may reflect biasness towards their likings.
4. More in-depth comparative studies can be conducted on different invoice processing accounting software.

### 9. Challenges

There are some challenges in adoption of electronic invoices by small scale business and by freelancers. As it requires two way digital communication with technological knowledge by both issuer and payer. The lack of a unified standard between the parties make it difficult to go with this accounting software. With increase in the number of software in invoice processing, which software will be best for their business needs and requirements is a challenge for small business and freelancers.

### 10. Conclusion

The purpose of this study was to bring into better understanding the advantages of electronic invoicing process by small scale businesses and by freelancers. It retrospect several benefits for adopting digital invoicing. As with the use of online invoice managing software, cost reduction, efficiency in operation, enhanced visibility is achieved. Automated invoices helps in prompt payment, track on outstanding transaction and delays. Thus the trend in electronic invoicing is increasing with exponential speed. Many countries are making it mandate and included it in jurisdiction, in regard to electronic processing of invoices. Furthermore, this study concluded that technological assistance and coercive methods undertaken by the small business and freelancer increases the cash flow in the economy leading it into a developing country.

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