

I. Cost of Issuing Paper Payments.

Part I assists in quantifying the costs associated with issuing and administering paper payments. These costs can be reduced through the use of Financial EDI.

A. Personnel Expense for Cheque Printing and Reconciliation: This section identified labour costs associated with issuing paper cheques and settling of bank reconciliation's. These costs may be quantified by using either hourly rates multiplied times the hours required for each task, by using a percentage of departmental expense, or by using any other method that makes sense for the company.

1. Labour costs required for cheque printing	\$ _____
2. Preparation of outgoing cheques including signing, stuffing, association with remittance data and mailing	\$ _____
3. Temporary help or overtime required at peak payment time	\$ _____
4. Reconciliation time for bank statement, including time spend preparing check issue data to send bank, collecting information and actual settlement.	\$ _____
5. Filing or retrieval of paper-based documents including checks, photocopies, remittance data etc.	\$ _____
6. Additional costs due to decentralized processes (report preparation, transmission, consolidation)	\$ _____
7. Other: _____	\$ _____
A. Total Personnel Expense for Cheque Printing and Reconciliation	\$ _____ (A)

B. Error/Problem Resolution Costs: This section identified labour and other costs to resolve errors associated with paper payments. Financial EDI eliminates lost and replacement cheques and reduces errors or inquiries about paper payments

1. Personnel costs for resolution of errors, problems, and unclaimed payments	\$ _____
2. Time spend in lost/replacement check process, including time to initiate and confirm stop payments, issue replacement check, escheat unclaimed funds etc.	\$ _____
3. Late payment fees incurred	\$ _____
4. Other (i.e. fraud losses): _____	\$ _____
B. Total Error/Problem Resolution Costs	\$ _____ (B)

C. Mail, Paper and Cheque Storage Costs: This section identifies costs associated with the use of paper check stock, storage and postal costs.

- 1. Postage on checks/remittances mailed \$ _____
- 2. Costs for check stock \$ _____
- 3. Envelop supply costs \$ _____
- 4. Storage of check stock \$ _____
- 5. Handling and storage of cancelled cheques \$ _____
- 6. Filing and storage of paper documents \$ _____
- 7. Filing and storage of bank reconciliations \$ _____
- 8. Security requirements for stock, signature plates \$ _____
- 9. Retrieval costs for aged payments \$ _____
- 10. Other: _____ \$ _____

C. Total Mail, Paper and Cheque Storage Costs \$ _____ (C)

D. Bank Service Charges: This section identifies bank service charges for existing payment mechanisms. The company should use its bank analysis statement as a tool to complete this section.

- 1. Account charges
 - 1.1 Monthly maintenance \$ _____
 - 1.2 Cheques issued and paid \$ _____
 - 1.3 Stop payments \$ _____
 - 1.4 Microfiche, film, photocopies of cheques \$ _____
 - 1.5 Transmissions, tapes \$ _____
 - 1.6 Reconciliation charges \$ _____
- 2. Other mail and delivery costs for paid statements \$ _____
- 3. Reporting charges for cheque clearings \$ _____
- 4. Wire transfer fees for wire payments \$ _____
- 5. Other: _____ \$ _____

D. Total Bank Service Charges \$ _____ (D)

I. Total Cost of Issuing Paper Payments (Add lines A, B, C, D) \$ _____ (I)

Note: When costs have been clearly identified, savings can be estimated based on the number of electronic payments targeted.

II. Financial Cost/Benefit – Part II identifies savings and costs of timely payments, additional discounts negotiated and other financial values of electronic payments.

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|---|----------------------|
| A. Value if improved cash forecasting, reduced borrowing, additional investment | \$ _____ (A) |
| B. Cost or savings due to re-negotiation of trade terms | \$ _____ (B) |
| C. Value gained from improved discount and payment terms | \$ _____ (C) |
| II. Total Financial Cost/Benefit (Add lines A, B, C) | \$ _____ (II) |

III. One-time Start-up Costs to Develop or Buy EDI Origination Capability – Part III identifies the possible one-time costs of putting a system and materials in place.

- A. **Hardware:** This section identifies any hardware or equipment that may be required to originate EDI payments.
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|--|---------------------|
| 1. Computer systems (new, upgrade, PC or mainframe machine time) | \$ _____ |
| 2. Communications hardware (modem, line) | \$ _____ |
| 3. Security and authentication hardware | \$ _____ |
| A. Total Hardware Costs | \$ _____ (A) |

B. **Software, Systems and Programming:** This section identifies costs of software required to originate EDI payments. Additionally, software and programming expense of modifying a current system should be included.

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|---|---------------------|
| 1. Modifications to A/P system | \$ _____ |
| 2. File conversion to add electronic capability | \$ _____ |
| 3. Translation software and programming | \$ _____ |
| 4. Communication software and programming | \$ _____ |
| 5. Security and authentication software and programming | \$ _____ |
| B. Total Software and Programming Costs | \$ _____ (B) |

C. **Training & Marketing Materials, Implementation Guides, Customer/Vendor Education:** This section identifies one time costs associated with preparing material to educate suppliers and sign them up for participation.

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|--|---------------------|
| 1. Internal material for users in the firm | \$ _____ |
| 2. External trading partner materials | \$ _____ |
| 3. Conversion efforts | \$ _____ |
| C. Total Training & Marketing Materials | \$ _____ (C) |

D. VAN, Bank and Third Party Implementation Costs: This section details implementation costs associated with defining the company's program and setting it up with a bank, VAN or other service providers.

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|---|----------|
| 1. VAN or other third party start-up charge | \$ _____ |
| 2. Bank setup charges | \$ _____ |

D. Total VAN, Bank and Third party Implementation Costs \$ _____ **(D)**

III. Total One-time Start-up Costs (Add lines A, B, C, D) \$ _____ **(III)**

IV. Ongoing Costs for EDI Origination – Part IV identifies ongoing costs of production and maintenance that may be required to keep up a financial EDI origination program.

A. Bank, VAN and Third Party Costs (optional): These costs are associated with the methods selected to deliver payment and/or associated remittance data to trading partners.

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|---|----------|
| 1. Monthly base fee | \$ _____ |
| 2. Transaction costs – based on number of transactions, segments or characters sent (transaction analysis required) | \$ _____ |
| 3. Connect time charges | \$ _____ |
| 4. Mailbox charges | \$ _____ |
| 5. Report charges | \$ _____ |
| 6. Other _____ | \$ _____ |

A. Total Bank, VAN and Third Party Costs \$ _____ **(A)**

B. Personnel: This section identifies additional staff costs required to support financial EDI efforts such as an EDI Co-ordinator and other additional personnel and benefits

\$ _____ **(B)**

C. Maintenance Costs: This section itemizes any additional ongoing maintenance costs of hardware and/or software.

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|---|----------|
| 1. Hardware and machine time | \$ _____ |
| 2. Translation software and application software | \$ _____ |
| 3. Communication (line charge and data transmission) | \$ _____ |
| 4. Security and authentication hardware and/or software | \$ _____ |

C. Total Maintenance Costs \$ _____ **(C)**

D. Bank Service Charges: This section itemizes any additional ongoing bank service charges to initiate electronic payments.

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|-----------------------------|----------|
| 1. Monthly base fees | \$ _____ |
| 2. ACH and transaction fees | \$ _____ |
| 3. Bank translation fees | \$ _____ |
| 4. VAN links, if used | \$ _____ |
| 5. EDI reporting charges | \$ _____ |
| 6. Transaction charges | \$ _____ |
| 7. Account maintenance | \$ _____ |

D. Total Bank Service Charges \$ _____ **(D)**

E. Ongoing Program Maintenance: This section lists additional costs for ongoing maintenance of the financial EDI program.

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|-----------------------------|----------|
| 1. Trading partner setup | \$ _____ |
| 2. Seminars and conferences | \$ _____ |

E. Total Ongoing Program Maintenance Costs \$ _____ **(E)**

IV. Total Ongoing Costs for EDI Origination (Add lines A, B, C,D, E) \$ _____ **(IV)**

This completes the analysis for financial EDI Payers/Originators.

Benefits:

1. Reduction in paper base costs from all sources	\$0_____ (I)
2. Financial benefits from re-negotiation of terms, improved cash forecasting, float reductions	\$0_____ (II)
3. Other benefits from re-engineering processes and procedures (based on company's estimates, expectations and experience)	\$0_____
Total Benefits for Financial EDI	\$0_____ (s1)

Costs:

1. Implementation costs (can be amortized)	\$0_____ (III)
2. Ongoing costs	\$0_____ (IV)
Total Costs for Financial EDI	\$0_____ (s2)
Net Benefit (Costs) for Financial EDI (S1 – S2)	\$0_____ (s3)

Five Year Work Sheet:

Some transactions costs are sensitive to volume. Determination of costs and benefits should be done over a multiple year horizon. Present value techniques and after tax costs and interest rates should be considered.

	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5
Cumulative no. of Trading Partners:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cumulative Conversion % (s4):	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Total Financial EDI Benefits (s1x s4):	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Financial EDI Costs (s2 x s4):	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Savings (s3 x s4):	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Cost Trends Favouring Financial EDI

- Labour costs are rising faster than the Consumer Price Index (CPI)
- Electronic communications costs are decreasing.
- Computer hardware costs are decreasing.
- An increasing number of financial institutions provide reformatting and conversion services, eliminating the need for most internal A/P or A/R systems modifications.