

I. Costs of Receiving Paper Payments.

Section I assists in quantifying costs associated with receipt and processing of paper payments.

A. Personnel Expense of Receiving Paper Payments: This section identified labour costs associated with processing receipt of paper cheques and remittance data.

1. Receipt and processing of remittance cheques and data (if don internally) \$ _____
2. Reconciliation of payments to invoices \$ _____
3. Key entry of remittance data into receivables systems \$ _____
4. Filing and/or retrieval of paper documents including cheque photocopies, remittance documents etc. \$ _____
5. Filing of paper remittances, cheque photocopies \$ _____
6. Other _____ \$ _____

A. Total Personnel Expense for Paper Payments \$ _____ **(A)**

B. Error/Problem Resolution Costs: This section identified labour and other costs due to errors or error consequences related to receiving paper payments. Financial EDI can substantially improve the accuracy of cash application.

1. Loss of business due to misapplication or problem with payment \$ _____
2. Time spend resolving payment and payment application errors \$ _____
3. Expenses associated with returned cheques including A/R adjustments \$ _____
4. Other _____ \$ _____

B. Total Error/Problem Resolution Costs \$ _____ **(B)**

C. Mail, Paper and Storage Costs: This section identifies costs of paper receipts.

1. Filing and storage of paper remittance documents and cheque photocopies \$ _____
2. Other _____ \$ _____

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

D. Bank Service Charges: This section identified bank service charges associated with the receipt of existing payment mechanisms. The company's bank analysis statements should be used as a tool to complete this section. Often, bank service charges can be reduced with the use of electronic payments.

1. Deposit items charges \$ _____
2. Lockbox processing charges \$ _____
3. Lockbox delivery, overnight charges \$ _____
4. Lockbox data entry charges \$ _____

5. Other lockbox processing charges _____	\$ _____
6. Wire receipt fees _____	\$ _____
D. Total Bank Service Charges	\$ _____ (D)

E. **Other Costs:** This section notes other costs that are related to receiving and processing paper payments.

1. Capital expense on remittance processing equipment _____	\$ _____
2. Other _____	\$ _____
E. Total Other Costs	\$ _____ (E)

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

Note: After costs have been identified, a reduction in costs should be estimated based on the number of electronic payments targeted.

II. Financial Cost/Benefit – Section II identifies financial savings or costs associated with the receipt of electronic payments versus paper cheques.

A. Value of improved cash forecasting and accelerated fund availability	\$ _____ (A)
B. Cost or savings due to re-negotiation of trade terms	\$ _____ (B)
C. Receivables financing costs	\$ _____ (C)
D. Changes in credit, collection functions	\$ _____ (D)
E. Other _____	\$ _____ (E)
II. Total Financial Cost/Benefit (Add lines A, B, C, D, E)	\$ _____ (II)

III. Cost of Implementing a Financial EDI System for Receipt of Electronic Payments – Section III identifies on-time start-up costs to develop or buy and install EDI Receipt capabilities.

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

B. Software: This section identifies costs of software required to receive EDI payments. Note that some of these costs are optional depending on whether the company wants to perform the function internally or through a service provider.

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|--|----------|
| 1. Bridging modifications to A/R systems and programming | \$ _____ |
| 2. File conversion | \$ _____ |
| 3. Translation software – purchase | \$ _____ |
| 4. Translation software – in-house development | \$ _____ |
| 5. Communications | \$ _____ |
| 6. Security and authentication software | \$ _____ |

B. Total Software Costs \$ _____ **(B)**

C. Training & Marketing Materials, Implementation Guides, Customer/Vendor Education:

This section identifies one-time costs associated with preparing materials to encourage customers to pay electronically.

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|-------------------------------|----------|
| 1. Internal users in the firm | \$ _____ |
| 2. External trading partners | \$ _____ |
| 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 VAN, bank and/or other service providers.

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|---|----------|
| 1. VAN or other third party processor setup costs | \$ _____ |
| 2. Bank setup charges | \$ _____ |

D. Total Van, Bank and Third Party Implementation Costs \$ _____ **(D)**

III. Total Financial EDI Receipt Implementation Costs (Add lines A, B, C, D) \$ _____ **(III)**

IV. Ongoing Maintenance Costs for Financial EDI Receipt – Section IV identifies ongoing costs of maintaining a financial EDI receipt program.

A. **Van, Bank, and Third Party Ongoing Costs:** These costs are associated with the method selected to receive payments and /or associated remittance data from the bank or third party provider.

1. Monthly base fee \$ _____
2. Transaction costs: Number of transactions, segments or characters received (transaction analysis required) \$ _____
3. Connect time \$ _____
4. Mailbox charges \$ _____
5. Report charges \$ _____
6. Additional transmission costs \$ _____
7. Other _____ \$ _____

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

B. **Personnel:** This section notes any additional staff costs required to support the company's financial EDI efforts such as an EDI co-ordinator and other personnel and benefits. \$ _____ (B)

C. **Internal, Customer and Vendor Education:** This section records the costs for internal staff training and vendor/trading partner solicitation and set-up.

1. Internal training \$ _____
2. Vendor/trading partner solicitation and set-up \$ _____

C. **Total Internal, Customer and Vendor Education Costs** \$ _____ (C)

D. **Maintenance Costs:** This section itemizes any ongoing maintenance costs of new hardware/software purchased for financial EDI receipt operations.

1. Hardware or machine time \$ _____
2. Translation software \$ _____
3. Application software \$ _____
4. Communication (line charge, data transmission) \$ _____
5. Security and authentication hardware and software \$ _____

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

E. **Bank Service Charges:** This section itemizes any new ongoing bank service charges to receive electronic payments.

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|--------------------------|----------|
| 1. Monthly base fees | \$ _____ |
| 2. ACH transaction fees | \$ _____ |
| 3. Bank translation fees | \$ _____ |
| 4. VAN links (by bank) | \$ _____ |
| 5. EDI reporting charges | \$ _____ |
| 6. Transmission charges | \$ _____ |

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

IV. Total Estimated Ongoing Maintenance Costs (Add lines A, B, C, D, E) \$ _____ **(IV)**

This completes the analysis for financial EDI receivers.

Benefits:

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

Costs:

1. Implementation costs (can be amortized)	\$_____ (III)
2. Ongoing costs	\$_____ (IV)
Total Costs for Financial EDI	\$_____ (s2)
Net Benefit (Costs) for Financial EDI (S1 – S2)	\$_____ (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:	_____	_____	_____	_____	_____
Cumulative Conversion % (s4):	_____	_____	_____	_____	_____
Total Financial EDI Benefits (s1x s4):	_____	_____	_____	_____	_____
Total Financial EDI Costs (s2 x s4):	_____	_____	_____	_____	_____
Net Savings (s3 x s4):	_____	_____	_____	_____	_____

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.