

Centralized or decentralized accounts payable?

The pros and cons of each approach for
intercompany accounting



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Introduction

As companies expand, the complexity of their accounting processes increases, leading to the need for an overhaul of intercompany transaction processes. This may arise due to various factors such as mergers, acquisitions, expansion across new geographies, or the introduction of new product lines. This growth inevitably results in a decision point: centralize or decentralize accounts payable? This booklet explores the pros and cons of each, with a focus on the benefits of streamlining operations and avoiding redundancy through centralization.



The importance of this choice cannot be understated. It directly impacts resource management, operational effectiveness, and the overall financial health of the organization. It's a strategic move that sets the stage for streamlined processes, enhanced control, and sustainable growth.

Lak Chahal
CEO at Binary Stream



What is centralized accounts payable processing?

Centralized accounts payable processing refers to a method of managing accounts payable activities from a single location or team that is responsible for processing invoices, making payments to vendors, and maintaining payment records for all entities within an organization. This approach involves consolidating the accounts payable activities of various departments or locations into a single department or team, which is responsible for managing all vendor relationships, invoices, and payments for the entire organization.

In this process, all the invoices and payment requests from different departments or locations are sent to a central team for processing. The central team verifies and approves the invoices before processing the payments to the vendors. By centralizing the accounts payable processing, companies can benefit from economies of scale, reduce redundancies and errors, streamline payment processing, and gain better control over their cash flow.



What is decentralized accounts payable processing?

Decentralized accounts payable processing refers to a method of managing accounts payable activities in which different departments or locations within an organization are responsible for managing their own vendor relationships, invoices, and payments. In a decentralized accounts payable process, each department or location typically has its own accounts payable team, allowing for greater autonomy and flexibility for each department or location to manage its own accounts payable activities according to their specific needs and requirements.

However, decentralized accounts payable processing can lead to inefficiencies, such as duplication of efforts and inconsistent payment processing across different departments or locations. It can also make it difficult to gain a complete and accurate view of the organization's financial position. Therefore, some companies may choose to centralize their accounts payable activities to improve efficiency, standardize processes, and gain better control over their cash flow.



Overview of the pros of centralized accounts payable

1

Improves vendor and customer relationships

2

Enhances financial control and compliance

3

Enables easier tracking and analysis of data for decision making

4

Reduces manual labour and streamlines processes

5

Provides better visibility into spending patterns and enables informed financial decisions

6

Lower the risk of missed payments with consolidated invoicing

7

Introduces consistency across records and accounting errors and duplications

8

Ability to negotiate better rates or prices for purchases across branches

9

Eliminates redundant processing at separate locations

Overview of the **cons** of centralized accounts payable

1

Requires significant initial investment

2

Loss of local control, as decisions related may be made at the corporate level

3

Communication and coordination can be challenging during transition

4

Risk of data breaches if centralized system does not have advanced security settings

5

May limit the ability of individual branches to tailor processes to their specific needs

6

Increased reliance on technology can be a disadvantage if there are technical issues or system failures

Overview of the pros of decentralized accounts payable

1

Operating in multiple countries may be easier if decentralized

2

Different countries may require different levels of security

3

Parent companies may require each child company to self-manage

4

Greater flexibility in tailoring processes to local needs

5

Each entity can make decisions independently without needing to consult with a central authority

6

Decentralized systems may be easier and quicker to implement

7

Can result in greater employee autonomy and job satisfaction

8

Can promote innovation and idea generation at the local level

9

Reduces the risk of a single point of failure in the system.

Overview of the **cons** of decentralized accounts payable

1

Limited visibility and control over spending patterns

2

Inefficiencies due to duplication of effort and inconsistent processes

3

Difficulty in consolidating financial information across multiple entities

4

Increased risk of errors, fraud, and compliance issues

5

Lack of standardization in processes and systems

6

Difficulty in managing vendor and customer relationships

7

Limited ability to leverage technology and automation

8

Increased administrative burden

9

Inability to take advantage of economies of scale

Critical features to look for in an accounts payable solution



Introducing centralized accounting payable solutions that integrate with Dynamic 365

Multi-Entity Management is a centralized solution that works with multiple partners for Dynamics 365 solutions to connect accounts payable processing across multiple entities. This solution allows organizations to manage their financial transactions and accounting processes across multiple legal entities, with the added benefit of automating and streamlining these processes. With Multi-Entity Management, organizations can simplify their accounts payable process, reduce errors, and gain greater visibility and control over their financial operations. Additionally, this solution integrates seamlessly with other Dynamics 365 applications, providing a comprehensive solution for managing all financial aspects of an organization.

20+ years implementing scalable solutions



30+ countries across the globe

1900+ customers successfully transformed



Wonderful, wonderful, wonderful. A joy to work with Binary Stream. Everyone was super helpful and positive, which had a big impact on the success of the implementation.



The team at Binary Stream helped us get everything going. They addressed our questions as they came up and helped us stay on track throughout the implementation. Their hands-on approach was key in the whole process.



Every month since we've implemented MEM, we have not had an out-of-balance company. And that is an absolute miracle.



Implementation of the solution was highly organized, knowledgeable and in tune with the industry best practices. We are very happy with the professionalism, superb project management skills, high degree of reliability and technical excellence.



Streamline your intercompany transactions today

Comprehensive solutions to meet the demands of intercompany accounting. Everything from automation of reconciliations and eliminations to audit-friendly reports that help keep your team strategically aligned. All this, embedded directly within Dynamics 365.

Discover more

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