Processing Methods for PrePayment Data (EDI 820) from MBUSI

The EDI 820 provides highly detailed information that the supplier can use to reconcile what they have shipped with what they have been paid. This process is called *Cash Application*. To do this correctly, there are several things you must first understand.

1. There are two types of EDI 820 file: one that comes to you from your bank, and one that comes to you from MBUSI. They have different purposes, and you must use them both (together) to do Cash Application.

2. How the MBUSI EDI 820 data is created: the data that goes into the MBUSI EDI 820 originates in three possible places:

a. <u>Receiving of RAN Shipments:</u> when MBUSI receives a shipment of RAN parts, an invoice is created, which will later be used to create EDI 820 data. This invoice acts (inside MBUSI's SAP system) like the invoice was received from the supplier.

b. <u>Receiving of Sequence Parts</u>: as each vehicle goes offline, a note is made of this. At intervals, MBUSI runs Evaluated Receipt Settlement, which creates an invoice for each Sequence part. These will later be used to create EDI 820 data. If you are not a sequence supplier, you don't have to worry about this.

c. <u>Rejection of Non-conforming RAN parts.</u> If a RAN part is determined by the Quality dept. to be non-conforming, they fill out a DMT (Defective Material Tag). This generates a transaction that will later become a Debit Memo (deduction) in the EDI 820.

3. There is a one-week delay. After the transactions described in Step 2 (above) are created, they are held for one calendar week to allow any price changes to percolate through the system. They are then sent in a nightly EDI 820 run that completes at about 2 AM.

4. What is in the EDI 820 from MBUSI? The most important items are as follows:

a. <u>For RAN parts,</u> the EDI 820 contains the RAN#, ASN#, Part Number, ASN Quantity, the Received Quantity, the price, the invoice#, and the payment amount. The invoice# is easy to spot, because it is a 10-digit number begining with "51". It is marked "Credit Memo."

b. <u>For Sequence parts</u>, the EDI 820 contains the Sequence number, the Part Number, the invoice#, the Price, and the payment amount. It is marked "Credit Memo."

c. <u>For Rejected Parts</u>, the EDI 820 contains the Part#, the invoice#, the quantity rejected, the Price, and the debit amount.

5. What is in the EDI 820 from the bank? The supplier receives an EDI 820 from their own bank (which they may have to specially request). It contains a list of invoice numbers and the amount remitted for each invoice#.

6. Overview the process.

a. Throughout a given month, you receive EDI 820s from MBUSI daily. By the 7th of a month, you should have all the EDI 820s from the previous month. You should collect them and sort them by invoice#.

b. On the 25th of a month, MBUSI will wire transfer payment to your bank. Your bank should then send you an EDI 820 that summarizes the payment by invoice#.

c. ***The Most Important Step*** - Cash Application: For <u>each invoice#</u>, *add* together all the Credit Memo amounts (from MBUSI's 820s) and *subtract* the Debit Memo amounts, and *compare* this subtotal to the corresponding invoice# in the summary (in the EDI 820 from your own bank). In most cases, these totals should match.

d. Handling Discrepancies: Occasionally we see that, for a given invoice#, the sum of all the Credits and Debits does not match the corresponding total from the bank. This can be due to (i.) rejection of material where it sat in inventory for a while and (ii.) tooling payments (these are handled manually). In such cases, contact MBUSI Accounts Payable. Your most important piece of data for this discussion is the invoice#.