

Title: Understanding Your Monthly Cash Reconciliation

INTRODUCTION

Welcome to this short guide on your monthly cash reconciliation.

As part of your Invoice Finance Online facility, we complete a monthly reconciliation of your sales ledger. This helps make sure that the information on your system matches the information on ours, and that all customer payments are correctly accounted for.

In this video, we'll explain when we complete your month end reconciliation, the different stages to that process, what we need from you to support your reconciliation and give you some helpful hints and tips as to what scenarios may come up and explain why we need that support.

Lets look at that process now

THE MONTH-END PROCESS

At the end of each month, you close your sales ledger on the Invoice Finance Online system. Once you've done this, our team begins a series of month-end checks. One of the final steps is the reconciliation process.

Our reconciliation has two key stages:

1. **Sales Ledger Reconciliation**
2. **Cash Reconciliation**

Let's look at each of these in simple terms.

SALES LEDGER RECONCILIATION

First, we compare the balances on your sales ledger with the balances on ours. We check that all invoices, credit notes, and adjustments match. We check that the overall balances of outstanding invoices on both the funded and excluded ledgers match, because if there's a discrepancy in either, it could mean that we aren't correctly funding an invoice or that we're funding an invoice in error and need to correct our position.

Sometimes, when we email you at the month end we'll advise there is a ledger or exclusions difference and advise you of the net balance of that difference – It can be really challenging for our team to identify the cause of these differences because we don't have sight of all of the information in your accounts package; however, we will always try to assist you in pointing you in the right direction to help identify and then advise us about these differences, when we ask you to look into them. It may be for example, that one of the customers we believe we're funding, you wish to exclude and therefore you weren't anticipating advising us of their new invoices. It's not a problem, we just need to make sure that we're always on the same page and will help you to get your Client Manager's approval for any funding decision changes.

If and when everything lines up, we move on to the next step, the second stage of your reconciliation.

CASH RECONCILIATION

During the cash reconciliation, we look at all customer payments you've told us about via either your notification schedule back-up emails - if you manually upload – or via Gemini – if you're one of our extractor-based clients, and compare them with the payments we can see in our trust account.

We're checking two things:

1. Have all the funds you advised us we should have, been received into our trust account?

and

2. Have we got any funds in our trust account that we cannot reconcile against notified payments?

We do this, by completing a 'cash tick' that matches up all payments advised by you, with everything we've received into your trust account. In order to do this, it is essential if you are one of our clients that manually uploads that you provide us with a schedule back-up email for every upload you do on the Invoice Finance Online portal, that a breakdown of the cash total you've notified is clearly provided and that the breakdown totals the same value as the cash total you've notified – if there is a discrepancy between the values, we may come back to you and ask you to explain that difference and given that the reconciliation is completed a month in arrears,

it may be worth making note of that difference on your initial email so that it's not difficult for you to identify down the line.

Lets look at those 2 halves of the process in more detail.

WHEN YOU'VE TOLD US ABOUT CASH WE DON'T HAVE

Sometimes your ledger will show payments that don't appear in our trust account and if those funds are due to Lloyds, you may see what we call disapprovals on your facility that hold back funding from you until those payments are resolved.

There are a few common reasons why this can happen:

Reason 1: The payment went to your current account

Your customer may have paid you directly, instead of paying into our trust account.

If that happens, we simply need you to confirm the payment is in your current account and transfer it across.

Reason 2: The customer given incorrect information

The customer may have told you they've paid when they haven't, or the value they told you might not match what we received. We need you to investigate these scenarios because most facilities are confidential, and we don't have contact with your customers to work out a resolution; once the customers informed you of what's happened, do come back to us so we can help you with how to proceed

Reason 3: International payment charges

When money comes from overseas, bank charges and conversion rate differences may reduce the value received, which can create a difference between what you were notified of and what

reached our account. In these scenarios, if you can help us identify if the customers paid from an international bank, we can then just adjust the 'underpayment' caused by the bank charge or conversion rate.

Reason 4: Bulk or combined payments

If several invoices are paid together in one lump sum, we may not be able to identify each individual amount; this can also be true of card machine payments where the takings for the day are transferred in a lump sum or cheques paid in with a paying in slip.

We may believe a payment is missing, when in fact it's included within that larger total.

In these cases, we'll typically ask you to confirm the breakdown as part of the 2nd half of our cash reconciliation too, so you can cross off 2 jobs by providing this information to us upfront (even before the reconciliation has been completed!)

Reason 5: You believed the debtor not to be funded

If there's a customer who's payment we query with you as we believe it's owed to Lloyds and you didn't intend that customer to be funded, it will typically mean we've funded the invoice in error and therefore need to get your Client Manager's approval to reassign that debt back to you.

Please note that this process permanently takes funding away from you, so if the invoice is a larger value it can cause a detrimental impact to your cash flow. It's therefore advisable to keep a good track of any new debtors in your ledger you don't wish us to fund and make sure that your daily contact is advised to exclude them before any invoicing is loaded against that customer.

Please note that any related disapprovals cannot be removed until we've got all funds due to Lloyds received into the trust account. Once we've completed the first step of this process, we'll move on to the 2nd half of our cash reconciliation; outstanding receipts in our trust account.

WHEN WE HAVE FUNDS THAT AREN'T DUE TO US

There are times when money appears in our trust account that doesn't belong to us.

This can happen for a few reasons:

Reason 1: Payments from excluded debtors

Not every customer on your ledger is funded.

If an excluded debtor pays into the trust account, the funds aren't due to Lloyds because we haven't funded that invoice.

We'll return those funds once confirmed.

Reason 2: Refunds from customers

A debtor might return money to you — for example, for a pricing error or returned goods.

Since we didn't fund that refund, it isn't due to us.

Reason 3: Other payments made in error

Sometimes supplier payments or unrelated funds are sent to the trust account by mistake.

These also need to be returned once identified.

Reason 4: Bulk or combined payments

As with any amounts we couldn't identify due to them being paid within bulk payments, we may query the bulk payments themselves with you if they're also outstanding.

SUMMARY

Summary page

To recap:

- You close your ledger at month-end.
- We reconcile your sales ledger.
- We then check all cash movements between your records and our trust account.
- If anything doesn't match, we reach out to you for clarification.
- Once everything is aligned, your reconciliation is complete.

Working together in this way ensures your facility stays accurate, up to date, and fully supported.

OUTRO

Thank you for watching.

If you have any questions about your reconciliation or the month-end process, our team is with you every step of the way.