BUSINESS REQUIREMENTS DOCUMENT · ORDER-TO-CASH

Distributor deduction workflow

Cello World Ltd (case study) · Prepared by Rupak Ghanpathi

Version	2.0, draft for validation
Status	Self-initiated; built from public filings. Internal processes are hypotheses to confirm in discovery.
Live prototype	everyrupee-o2c.vercel.app

1. Purpose and background

When a distributor pays less than the invoice, the gap usually mixes tax withheld, valid commercial claims and genuine disputes. Treated as one unexplained amount, it waits in email until month-end, delays cash application and hides real overdue balances while the distributor keeps ordering on credit.

Signal: in FY26 Cello's trade receivables rose 14.0% (₹658 Cr → ₹750 Cr) against revenue growth of 8.8% (₹2,136 Cr → ₹2,324 Cr), roughly ₹34 Cr above revenue pace. This is an estimate, not a measured backlog; receivables also move with credit policy, channel mix and timing. It justifies discovery, not a diagnosis.

2. Scope

In scope: distributor receipts, short payments and deductions; their identification, classification, evidence, ownership, approval and settlement as credit notes; a credit-review flag.

Out of scope: credit-limit policy, collections strategy, ERP replacement and supplier-side (procure-to-pay) matching.

3. Stakeholders

ACTIVITY	AR EXEC	AR LEAD	CONTROLLER	SALES	IT / ERP	AUDIT
Match payments to invoices	R	A	I		C	
Investigate a difference	R	A		C		
Confirm a scheme or damage claim	C			R		
Approve a deduction or write-off		R	A	C		I

ACTIVITY	AR EXEC	AR LEAD	CONTROLLER	SALES	IT / ERP	AUDIT
Post the adjustment in the ERP	R	A			C	
Report exception ageing	R	A	I	I		I

R = does the work, A = accountable, C = consulted, I = informed. The distributor is the external party in every exception.

4. Current state (hypothesised) and pain points

1. **P1 No remittance detail:** payments can't be tied to specific invoices.
2. **P2 Unstructured reasons:** the cause of a difference lives in emails, not in a reportable field.
3. **P3 Unclear ownership:** Finance and Sales each assume the other is chasing.
4. **P4 Weak approval trail:** deductions are accepted over email; audit evidence is scattered.
5. **P5 Late visibility:** ageing exceptions surface only at month-end.

5. Assumptions and hypotheses to validate

HYPOTHESIS	DISCOVERY QUESTION	HOW TO VALIDATE
H1 Remittance detail is missing	"If a distributor owes ₹10 lakh and pays ₹9.8 lakh, what happens to the ₹20,000 until it's closed?"	Sample one month of bank receipts
H2 Ownership is unclear	"How is responsibility for resolving a difference assigned?"	Interview AR and Sales managers
H3 Work happens outside the ERP	"Which systems support payment matching and exception resolution today?"	Walk through one real exception
H4 The effort is material	"How much effort does your team spend resolving these exceptions?"	Review the month-end ageing process
Control question	"Where does your finance team spend the most manual effort on reconciliation?"	Confirms this is the right problem

Stop rule: if differences are rare or resolved within days, stop and redirect to the area the control question surfaces.

6. Business rules

ID	LAYER	RULE
BR-1	Identify	Each distributor pays into its own virtual account number, so every receipt is tagged to the payer. An unreferenced partial payment settles the oldest open invoice first.
BR-2	Split	Track each distributor's running purchase total. TDS u/s 194Q applies when the buyer's previous-year turnover exceeds ₹10 crore and its purchases from the seller exceed ₹50 lakh in the year, at 0.1% of the amount above ₹50 lakh; once crossed, a TDS line is expected and matched to Form 26AS. GST-TDS (2%) applies only to notified buyers such as government bodies.
BR-3	Validate	Auto-accept a claim only if its evidence is present, it is within budget, it is under the Finance-set tolerance and it is within 2× the distributor's own norm. Everything else goes to a person.
BR-4	Validate	Unexplained gaps are never written off by a rule.
BR-5	Control	Above the approval threshold (illustratively ₹10,000) a second person approves; self-approval is blocked.
BR-6	Prevent	Valid claims are settled as credit notes. Credit notes are reported to the IRP within 30 days (e-invoicing, turnover ₹10 Cr+, from 1 April 2025) and GST credit notes are issued no later than 30 November of the following year (Section 34).
BR-7	Credit	When disputed deductions exceed a threshold or age past a limit, the next order is flagged for credit review.
BR-8	Control	A scheme deduction with no approved scheme budget behind it (a verbal promise) goes to the Regional sales head within 3 days: charge it to the region's trade budget, or reject and recover from the distributor. It never sits in unallocated receivables.

Reason code → evidence → validity (BR-3)

REASON CODE	REQUIRED EVIDENCE	VALID WHEN
Scheme claim	Scheme circular or agreement, plus eligibility	Within that distributor's scheme budget
Damage / shortage	Proof of delivery or damage report	Flagged if more than 2× the distributor's own trailing average

REASON CODE	REQUIRED EVIDENCE	VALID WHEN
Rate difference	Price list or contract in force on the invoice date	Matches that price
Returns	Goods received note	Matches the quantity received
No evidence	None	Never; it becomes a dispute with an owner and an SLA

Tax rules summarised for illustration; they change. Check current rules.

7. Functional requirements (user stories)

1. **US-1 Identify payer.** As an AR executive, I want each receipt tagged to its distributor, so I never identify payers from bank narrations.
   Given a receipt on a distributor's virtual account with no reference, when it is imported, then it is applied to that distributor's oldest open invoice and logged.
2. **US-2 Expect TDS.** As an AR lead, I want TDS separated from deductions, so tax credits are not chased as losses.
   Given a distributor past the ₹50 lakh purchase threshold, when a receipt is short by the expected 0.1%, then the amount is classified as TDS and queued for the Form 26AS match.
3. **US-3 Auto-accept evidenced claims.** As a Finance Controller, I want evidenced, in-budget claims under tolerance accepted automatically, so people work only exceptions.
   Given a scheme claim with its circular attached, within budget, under tolerance and within 2x the distributor's norm, when it is validated, then it is accepted and the rule that accepted it is recorded.
4. **US-4 Route disputes.** As an AR lead, I want every unevidenced deduction to open a case with a reason code, owner and SLA, so nothing waits for month-end.
   Given a damage claim without proof of delivery, when it is classified, then a dispute opens, is assigned to the area sales manager, the owner is notified and the SLA timer starts.
5. **US-5 Maker-checker.** As a Finance Controller, I want deductions above the threshold approved by a second person, so write-offs are controlled.
   Given a case above ₹10,000, when its maker approves it, then the action is blocked, logged and routed to a checker.
6. **US-6 Settle upfront.** As a Sales manager, I want valid scheme benefits issued as credit notes before payment, so the distributor pays in full.
   Given an approved claim, when the credit note is issued, then a 30-day IRP reporting deadline is set and alerts at day 20.
7. **US-7 Credit flag.** As a credit controller, I want ageing disputes to flag the next order, so exposure doesn't compound.
   Given disputed deductions above the threshold or age limit, when the distributor places an order, then the order is flagged for review, not blocked.

8. Data requirements

Distributor ID, virtual account number, invoice number and amount, receipt reference and amount received, gap, expected TDS and Form 26AS match status, reason code, evidence reference, owner, SLA due date, status, maker, checker, credit note number, IRP reporting date, and a timestamp for every status change.

9. Controls and non-functional requirements

- Maker-checker above the Finance-set threshold; self-approval blocked and logged.
- No automatic write-off of unexplained gaps; tolerances set and changed only by Finance, with the change logged.
- Full audit trail per case; reassignment keeps history.
- Role-based access; daily reconciliation of case totals to the ERP.
- The ERP remains the system of record; the workflow layer (proposed: a platform such as ServiceNow) posts only approved outcomes. Integration method to confirm with IT.

10. User acceptance tests

ID	TRACES TO	SCENARIO	EXPECTED RESULT
UAT-01	BR-1, US-1	Unreferenced receipt on a virtual account	Tagged to the distributor; applied to the oldest open invoice; logged
UAT-02	BR-2, US-2	Receipt short by 0.1% after the ₹50 lakh threshold	Classified as TDS; queued for Form 26AS match
UAT-03	BR-3, US-3	Evidenced scheme claim within budget and tolerance	Auto-accepted; accepting rule recorded
UAT-04	US-4	Close a case without a reason code (negative)	Blocked and logged
UAT-05	BR-3	Accept a damage claim without proof of delivery (negative)	Blocked; claim stays a dispute
UAT-06	BR-5, US-5	Maker approves own case above ₹10,000 (negative)	Blocked, logged, routed to a checker
UAT-07	BR-4	Auto write-off of an unexplained gap (negative)	Blocked; case stays open with its owner
UAT-08	US-4	Dispute passes its SLA	Escalated to the AR lead; history kept

ID	TRACES TO	SCENARIO	EXPECTED RESULT
UAT-09	BR-6, US-6	Credit note issued	30-day IRP deadline set; alert at day 20
UAT-10	BR-7, US-7	Disputes above ₹20,000 or older than 45 days, new order placed	Order flagged for credit review, not blocked
UAT-11	BR-8	Scheme deduction with no approved scheme budget	Routed to the Regional sales head; charged to the trade budget or recovered from the distributor

11. Success metrics and pilot

Days deductions outstanding · share of gaps auto-classified · share of claims auto-accepted with evidence · invalid deductions recovered · credit notes reported within 30 days · zero wrong write-offs.

Pilot: one division, one month of historical receipts run offline (subject to security approval), then four to six weeks live. Targets are set from the measured baseline. **Go / no-go:** continue only if accuracy holds, resolution time falls against the baseline, and AR and Sales use the queue.

12. Risks and dependencies

- Remittance and evidence data quality; distributor adoption of virtual accounts and claim evidence.
- ERP integration effort and platform licensing.
- Sales agreeing scheme budgets upfront and owning dispute cases.
- Tax rules changing; thresholds and deadlines must be configurable, not hard-coded.

13. Sign-off

ROLE	NAME	DECISION	DATE
Finance Controller (sponsor)			
AR lead			
Head of Sales			
IT / ERP owner			

Self-initiated from Cello World Ltd's public filings (FY26 consolidated, FY25 restated) and public industry research. Not client work. Tools named are proposals, not claims about Cello's systems.