



Standard operating procedure for purchase invoice processing at Company X

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Abstract

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<p>This product type thesis was commissioned by a Finnish technology company, which also served as the author's employer at the time. The project originated from the author's realization of the challenges associated with the value added tax (VAT) treatment of international purchases within the company's Accounts Payable department. The primary objective for the thesis project was to create a Standard Operating Procedure (SOP) to standardize the handling of purchase invoices and support daily work related to international VAT issues.</p> <p>The thesis's knowledge foundation relied on a theoretical framework encompassing financial accounting, the purchase-to-pay process, VAT treatment in both domestic and international contexts, and the characteristics of standard operating procedures, all from the perspective of accounts payable. The functional aspects of the thesis included process mapping, data collection, and the development of the SOP, using literature review, digital tools, qualitative interviews, and process analysis as key methodologies.</p> <p>The output of the project was an SOP tailored for the Accounts Payable department, covering the whole accounts payable process. It also included a section for VAT treatment guiding on accurate selection on all cases relevant to the commissioning company. The SOP was also recognized as applicable for training new employees and benefiting other finance and procurement personnel. The SOP aimed at enhancing procedural consistency, reducing errors, and improving compliance with VAT regulations across international transactions.</p> <p>The project resulted in an SOP that met the needs of the commissioning company. Although not all anticipated benefits had materialized by the end of the thesis project, one of its merits was the identification and immediate correction of erroneous entries previously made in accounts payable. This project not only immediately benefited Company X by improving the clarity and compliance of procedures, but it also promoted the author's professional development by enhancing her expertise in handling international purchase invoices and related processes.</p>
Key words Financial Accounting, Purchase-to-Pay Process, Accounts Payable, Value Added Tax, Standard Operating Procedure

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1 Introduction

This bachelor's thesis is a product-oriented project undertaken for the Degree Programme in International Business with a specialization in Financial Management at Haaga-Helia University of Applied Sciences. The first chapter serves as an introduction, offering insights into the background of the topic, the objectives and scope of the project, and its anticipated benefits. Subsequent sections will introduce the commissioning company, key concepts relevant to the study, and the project management methodologies employed throughout the thesis.

1.1 Background to the topic

Effective management of purchase invoices is fundamental to the financial operations of any business. The Accounts Payable department, which is responsible for this, ensures accurate documentation, timely payments, and adherence to tax laws. This not only maintains a company's fiscal health but also prevents financial discrepancies that can lead to significant losses. Given the direct impact on operational efficiency and financial integrity, optimizing the purchase invoice process is crucial for any organization engaged in extensive business transactions.

Additionally, the management of Value Added Tax (VAT) introduces further complexity to financial operations, especially within an international context. Effective VAT management is vital for complying with varied global tax regulations, ensuring accurate financial reporting, and sustaining profitability. The diverse regulations and VAT rates across different jurisdictions pose significant challenges that can influence a company's financial dealings and compliance.

The motivation for this thesis emerged from the author's responsibilities within the commissioning company, where she manages accounts payable. Confronted daily with the intricacies of international invoices and VAT complexities, the author recognized the need for a streamlined approach to manage these processes more efficiently. The proposal for a comprehensive manual to enhance VAT treatment and invoice handling was developed after discussing these challenges with the line manager, who acknowledged the potential benefits and supported the initiative.

1.2 Project objective and scope

The main objective of this product-based thesis is to develop a standard operating procedure (SOP) for purchase invoice processing at the commissioning company. This SOP is intended to standardize procedures, reduce errors, and increase efficiency in handling purchase invoices, particularly focusing on the complexities of international transactions involving value-added tax (VAT). The objective is driven by the need to enhance financial compliance and reporting accuracy in a global business environment, thereby supporting the company's international operations.

To systematically achieve this objective, the project was structured into four distinct project tasks (PT), each designed to contribute strategically to the execution of the project.

PT 1. Preparing the Theoretical Framework.

PT 2. Process Mapping and Data Collection

PT 3. Creating the SOP

PT 4. Presenting Outcomes and Feedback Round

Table 1: Overlay matrix

Project Task	Theoretical Framework	Project Management Methods	Outcomes
PT 1.	Financial Accounting, Purchase-to-Pay Process, Accounts Payable, Value Added Tax, Standard Operating Procedure	Literature review	Theoretical framework (2)
PT 2.	Purchase-to-Pay Process, Accounts Payable, Value Added Tax	Data collection, digital tools, qualitative interviews, process analysis	Process diagrams, status of current processes and practices, pool of organized data (3)
PT 3.	Standard Operating Procedure	Combination of all methods used in previous PT's	Comprehensive SOP in pdf-format (4)
PT 4.		Feedback form, interview	Satisfied feedback from the commissioning company (5)

The scope of this thesis is precisely focused on the processes related to purchase invoice processing within the commissioning company, emphasizing the complexities and requirements of managing these transactions in a business-to-business (B2B) context across both domestic and various international jurisdictions.

This project specifically concentrates on the operational procedures and challenges pertinent to the commissioning company's accounts payable department. Consequently, some aspects, such as VAT reporting, are deliberately excluded from this thesis because they do not fall within the direct responsibilities of the accounts payable team at the company. Additionally, since the commissioning company is based in Finland, all aspects of this thesis are considered from a Finnish company's perspective.

By tailoring the Standard Operating Procedure (SOP) to address the specific needs and activities of the company, especially its international purchasing practices, the project closely aligns with the strategic interests of the organization. It is designed to effectively address the unique challenges posed by its global business environment, thereby enhancing operational efficiency and compliance across its international operations.

1.3 Benefits

This thesis project offers significant benefits to both the commissioning company and the author, fundamentally enhancing operational efficiency and professional development. The primary beneficiaries are the employees within the company's accounts payable department. The implementation of the Standard Operating Procedures (SOP) will enable them to perform their daily tasks more consistently and efficiently, reducing errors and increasing overall productivity.

As a result of having access to this manual, the accounting team, beyond accounts payable can be sure that the entries made in the system are accurate from the start. This accuracy is crucial as it minimizes the need for subsequent corrections, ensures the reliability of financial reports, facilitates successful audits, and helps avoid potential penalties from tax authorities.

Furthermore, the SOP serves as a valuable training resource for new employees in the accounts payable department, significantly streamlining the onboarding process and quickly bringing them up to speed on essential tasks.

From a personal perspective, the author, who is employed full-time by the commissioning company, gains substantially from this project. The development of the SOP not only deepens her understanding of the accounts payable and VAT processes but also enhances her operational efficiency and accuracy in daily tasks. The skills and knowledge acquired through this project will

bolster her proficiency in finance, proving major benefits on her current role and future career advancements.

In summary, this thesis project plays a critical role in boosting the efficiency and accuracy of the accounts payable process, particularly in handling VAT. It offers long-term benefits for the author's career development and extends these advantages to current and future employees of the finance department.

1.4 Key concepts

Financial Accounting involves the systematic recording, reconciliation, and reporting of financial transactions. It provides essential financial statements that offer insights into a company's fiscal health for external stakeholders like investors and regulators. Governed by standardized principles, this discipline ensures accuracy and comparability in financial reporting. (Thomas et al. 2024, 36-38, 40-41, 48-56.)

Purchase-to-Pay (P2P) process is a comprehensive framework that governs the entire lifecycle of purchasing goods and services within an organization, from requisitioning to payment. This process involves multiple stakeholders, including suppliers, and various internal teams such as procurement, finance, and legal. It is crucial for managing organizational spending and efficiency, often supported by technologies like ERP systems for seamless operations and data management. (Hader et al. 2022, 4-5.)

Accounts Payable (AP) is the term used to describe the funds a company is obligated to pay its suppliers for goods or services received on credit. It also refers to the part of a finance team within the organization being responsible for the AP process. Their tasks include receiving invoices from suppliers, verifying the accuracy and legitimacy of the invoices, obtaining approvals for payment, and ultimately making payments to suppliers within the agreed terms. (Doxey 2021, 193.)

Value-added tax (VAT) is an indirect tax to be paid by the end-consumers on the consumption of goods and services. VAT is levied on the value added at each stage of the production and supply chain. Collected by businesses liable to tax, VAT is included in sales prices, and the VAT revenue is paid to the state. To avoid multiple taxation, those liable to VAT have the right to deduct input VAT from the tax levied on sales. (Valtiovarainministeriö, s.a.)

Standard Operating Procedure (SOP) is a documented process used by an organization to ensure workers perform routine operations consistently and accurately. SOPs streamline complex tasks, enhance efficiency, and maintain quality control across business operations, contributing to regulatory compliance and operational effectiveness. (Isouupdate, 2018.)

1.5 Commissioning company

This thesis is commissioned by a Finnish company known for its expertise in designing and manufacturing rugged mobile devices. The product range of Company X includes rugged smartphones and tablets, each engineered for exceptional performance, reliability, and enhanced security features.

Established in the late 2000s, the company has seen substantial growth, now generating over 100 million euros in annual revenue. With approximately 120 full-time employees, it has expanded its operations worldwide, covering major markets from the US to Europe and Asia.

Despite the company's global expansion, its headquarters remain in Finland, serving as the central hub for all administrative tasks and research and development activities. Additionally, all international financial operations are managed from Finland by a relatively small finance team consisting of six personnel.

The commissioning company has chosen to remain anonymous in this project. To ensure confidentiality, it will be referred to as Company X throughout this thesis.

2 Theoretical framework

In this chapter, the theoretical framework related to the project's objective is introduced. Financial accounting, as an umbrella term, is explored, followed by an examination of the purchase-to-pay process, accounts payable, and value-added tax (VAT). The interaction of these elements within modern business operations and their significance for organizational efficiency and compliance is explained. Finally, the theory of standard operating procedures (SOPs) is discussed to understand the requirements for producing sufficient SOPs during this project.

2.1 Financial accounting

Financial accounting is a basic concept of business economics. It stands as one of the primary branches of accounting, alongside managerial accounting. Financial accounting involves the process of recording, reconciliation, and reporting numerous business transactions that stem from business operations over a defined period of time. These transactions are systematically documented through financial statements which portray the company's historical operational performance within a given timeframe. (Thomas et al. 2024, 37-38.)

The core purpose of financial accounting is the diligent record-keeping and generation of financial statements, known as balance sheet, income statement, cash flow statement and statement of changes in equity. These documents are crucial as they provide insights into a company's financial health and performance to external parties such as shareholders, creditors, regulatory bodies, and tax authorities. (Thomas et al. 2024, 36-38, 48-56.)

Financial accounting integrates multiple conceptual frameworks which form the foundation on modern bookkeeping and financial reporting. One of the fundamental concepts is a double entry bookkeeping system. This method implements the accounting equation ($\text{Assets} = \text{Liabilities} + \text{Equity}$) by ensuring every transaction is entered twice - once as a debit and once as a credit. It enhances the accuracy of financial records and creates a reliable system, crucial for maintaining financial integrity. (Thomas et al. 2024, 37, 46-47.)

Financial accounting is governed by accounting standards, which are essential guidelines that ensure consistency and comparability in financial reporting across different entities. These standards, such as the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), are pivotal in fostering transparency, consistency, and comparability of financial statements. They also play a crucial role in maintaining the integrity and efficiency of financial markets by providing a common set of principles for financial reporting. (Thomas et al. 2024, 40-41.)

In Finland, accounting standards are set by the Finnish Accounting Act, which is regulated by the Ministry of Economic Affairs and Employment. These standards are based on the EU's Accounts Directive but have some variations from the International Financial Reporting Standards (IFRS). However, all publicly listed companies in Finland are required to prepare their consolidated financial statements in accordance with IFRS. This ensures that Finnish corporations are aligned with, and comparable to, other European corporations, enhancing their participation in global economic activities and attracting cross-border investments. (Ministry of Economic Affairs and Employment of Finland. s.a.)

The key outputs of financial accounting include financial statements. These reports are typically prepared on an annual and intermediate quarterly basis, and are required to be audited by external auditors. Financial accounting provides a retrospective view of an organization's financial performance and position. (Thomas et al. 2024, 48-56, 255-256, 260.)

Modern financial accounting faces challenges such as integrating technological advancements and incorporating sustainability factors - environmental, social, and governance (ESG) - into financial reports, reflecting the evolving landscape of business reporting. (Thomas et al. 2024, 252-254.)

2.2 Purchase-to-Pay process

The Purchase-to-Pay (P2P), also known as Procure-to-Pay, is a comprehensive process fundamental to an organization's purchasing operations. It encompasses all steps from the initial requisition of goods or services to the final payment to suppliers. This process is essential for maintaining organizational efficiency, managing costs effectively, and fostering strong supplier relationships. (Doxey 2021, 79-85.)

An effective P2P process integrates the procurement team and accounts payable into a cohesive workflow that yields numerous benefits, including streamlined operations and reduced operational costs. The process also typically involves multiple other stakeholders, such as legal teams, stock or warehouse personnel, and the suppliers themselves, each playing a crucial role in the seamless execution of purchasing activities. (Doxey 2021, 105-106; Kaarlejärvi & Salminen 2018, 94.)

A successfully implemented P2P process ensures that procurement operations are conducted efficiently, transparently, and in compliance with both organizational policies and external regulations. Below, Figure 1 illustrates the traditional flow of the P2P process from start to finish. It is important to note that each organization may tailor this process to fit their specific needs, potentially incorporating additional sub-steps as required. (Cameron & Belter 2009, chapter 1.)

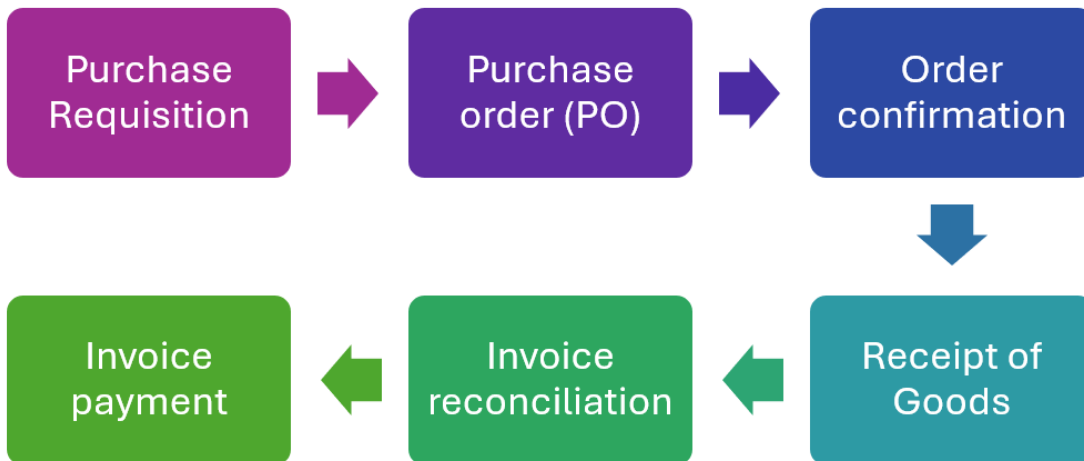


Figure 1. Purchase-to-pay process illustrated at the top-level.

The process begins with the identification of a need within the organization. Requisition is submitted through predetermined channels such as procurement software or internal forms, detailing specifications, quantities, and any relevant approvals required. Requisitions undergo a review and approval process to ensure compliance with organizational policies and budgets. At this stage, supplier selection also occurs, and the details of the selected supplier are added to the master data in the ERP system or other procurement software used. (Cameron & Belter 2009, chapter 3-4; Doxey 2021, 107-134, 152-; Hader et al. 2022, 4-5.)

Upon approval, a purchase order (PO) is created to the system. The PO includes essential information such as item descriptions, quantities, currency, prices, delivery dates and locations, and other terms and conditions. Depending on the organization structure this step might require definition of VAT treatment and other information related to accounting entries too. (Cameron & Belter 2009, chapter 3-4; Doxey 2021, 152-162; Hader et al. 2022, 4-5.)

Communication with suppliers may involve negotiation, clarification of terms, and resolution of any discrepancies to ensure alignment with expectations. After agreement, the PO is sent to the supplier, initiating the procurement process. Some businesses might refuse to act against the order without an official Purchase Order. (Doxey 2021, 160; Hader et al. 2022, 4-5.)

Upon delivery, the receiving department or personnel verifies the received goods against the details specified in the PO. An inspection is conducted to ensure the goods meet quality standards and comply with the terms of the purchase agreement. If the goods are satisfactory, a goods receiving booking is made in the ERP system. This booking marks the items as received, closes the corresponding open quantity on the purchase order, and records them in stock. (Cameron & Belter 2009, chapter 3.; Doxey 2021, 179-180; Hader et al. 2022, 4-5.)

Suppliers submit invoices for the delivered goods or services, referencing the corresponding PO. Invoices undergo validation to confirm accuracy and are matched to the correct purchase order. This step is crucial to avoid incorrect payments to be made. Personnel in accounts payable make necessary accounting postings and cost allocations, if not specified by the sourcing team yet, and transfers validated invoice to purchase ledger. (Cameron & Belter 2009, chapter 6; Doxey 2021, 231- 237; Hader et al. 2022, 4-5.)

The last point of the P2P process is the payment. Authorized payments are processed through the organization's financial systems, remitted to suppliers within agreed-upon terms. (Cameron & Belter 2009, chapter 7; Doxey 2021, 303-306; Hader et al. 2022, 4-5.)

2.3 Accounts payable

Accounts payable, often abbreviated as AP, is a basic concept in financial accounting. It refers to the monetary obligations that a company has to its creditors such as suppliers, tax authorities and banks. In essence, any transaction that is not paid immediately results in a financial liability that must be paid within a predetermined period of time, typically ranging from 14 to 90 days. As these obligations are short-term and usually due in less than one year, they are classified as current liabilities in accounting and are shown under the corresponding heading in the company's balance sheet. (Doxey 2021, 9, 18, 193.)

Accounts Payable refers also to a part of the finance department within the organization that handles incoming purchase invoices. Its primary function is to manage the company's accounts payable process. This does not only include receiving and paying outstanding invoices but extends to much wider set of tasks and responsibilities. Accounts payable ensure that only invoices with necessary approvals are paid, that invoice details correspond with purchase orders, and that payments are executed promptly. Additionally, AP personnel often serve as the initial contact point for suppliers post-invoice receipt and are responsible for accurate journal entries and postings to the purchase ledger. (Doxey 2021, 9, 102; Kaarlejärvi & Salminen 2018, 105; Stattler & Grabel 2020, 5%.)

The role of accounts payable is critical in maintaining the financial integrity of a business. Accurate postings made by AP staff ensure reliable financial data, creating the foundation for reporting of the company's financial status, such as in the income statement and balance sheet. Additionally, accurate handling of value-added tax (VAT) is essential not only for compliance with legislation but also for maximizing VAT returns, which can help increase profits. Timely payments help avoid interest charges and penalties, further enhancing financial efficiency. (Stattler & Grabel 2020, 6%.)

Processing purchase invoices is typically the most resource-intensive task within the finance department. It involves inputs from other parts of the organization too, for example tasks like invoice verification, approvals and reconciliations. (Kaarlejärvi & Salminen 2018, 93-99; Lahti & Salminen, T. 2014, 52-77.)

A well-defined and efficient accounts payable process play a crucial role in enhancing an organization's financial stability and operational efficacy. By minimizing errors and ensuring that only verified and approved invoices are paid, this process not only saves time and reduces unnecessary expenses but also optimizes cash flow. Strategic management of payment timings can lead to more favorable payment terms and early payment discounts from suppliers. Moreover, a robust accounts payable system reduces the risk of fraud and strengthens compliance with financial regulations by maintaining clear, audit-ready records. Collectively, these efficiencies contribute to improved supplier relationships and more strategic financial management, ultimately enhancing the overall financial health of the organization. (Kaarlejärvi & Salminen 2018, 101; Stattler & Grabel 2020, 5-6%.)

The accounts payable process can vary significantly between companies, influenced by factors such as company size, industry, and management preferences. In smaller companies, the AP process might be managed by a single individual, incorporating more manual steps and simpler procedures. In contrast, larger organizations often have dedicated AP departments using sophisticated software solutions to automate and streamline workflows, such as electronic invoice processing and automated payment systems. (Kaarlejärvi & Salminen 2018, 97-109.)

Additionally, the complexity of transactions and the volume of invoices can dictate the level of detail and control required in the AP process. For instance, a manufacturing firm with numerous suppliers might have a more complex process compared to a service-based company with fewer suppliers. (Kaarlejärvi & Salminen 2018, 97-109.)

Outsourcing is another variable in how companies handle their AP processes. Some companies choose to outsource their AP operations either partially or fully to specialized firms. Outsourcing can offer benefits such as reduced operational costs, improved process efficiency, and access to advanced technologies and expertise that may not be available in-house. (Doxey 2021, 102.)

In general, AP process covers following steps.

1. The purchase invoice is received, and the basic information is added to the software or ERP-system.
2. The purchase invoice is matched to a purchase order or purchase contract, if applicable.
3. Postings are made based on the order, agreement, and information on the invoice.

4. The purchase invoice is either checked and approved automatically against the purchase order or sent to an approval round for relevant personnel.
5. Approved invoices are recorded in the purchase ledger and accounting.
6. A payment file is generated from the purchase ledger and sent to the bank. Payments are reconciled based on the bank statement. (Kaarlejärvi & Salminen 2018, 98-110; Lahti & Salminen 2014, 54-77.)

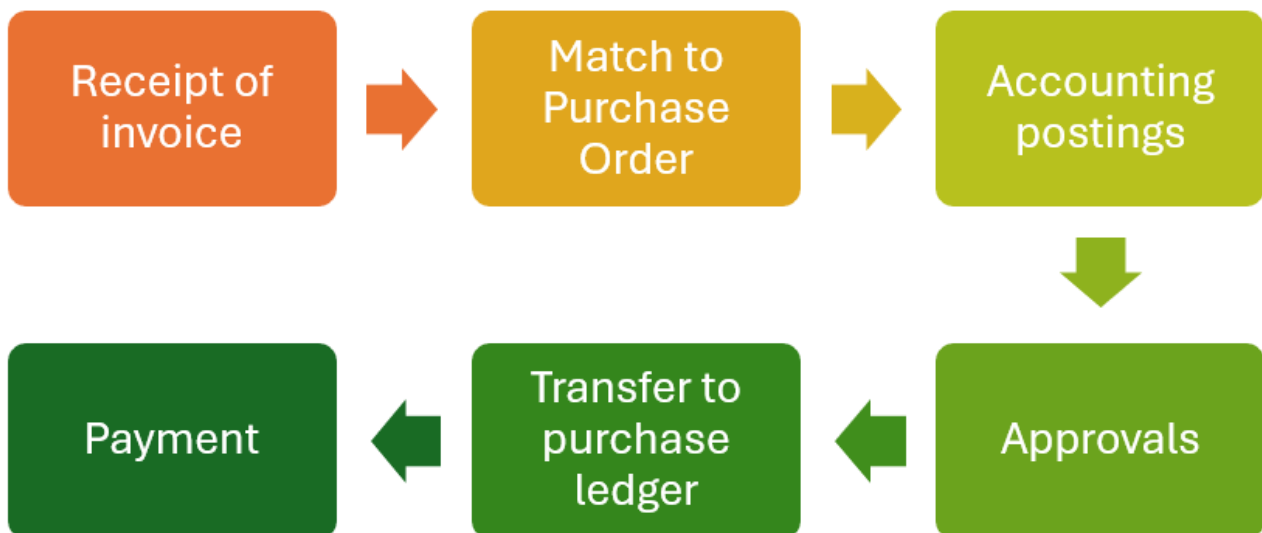


Figure 2 Accounts Payable Process illustrated at the top-level (Kaarlejärvi & Salminen 2018, 104).

In conclusion, the Accounts Payable department plays an indispensable role in ensuring the financial health and operational efficacy of an organization. By managing obligations to creditors with precision and diligence, AP not only safeguards a company's financial stability but also contributes to its strategic financial planning. The efficiency of AP processes directly influences cash flow management, compliance with financial regulations, and the company's relationships with suppliers. As businesses continue to evolve and expand, especially in the context of globalization and technological advancements, the AP function must also adapt to meet these changing demands.

2.4 Value added tax

Value-added Tax (VAT), also known as Goods and Services Tax (GST) in some countries, is a consumption tax levied on the value that is added to goods and services. This tax is imposed at all stages of the supply chain. Any business along the chain collects VAT on the value it adds to a product or service and remits the tax to the government. (Valtiovarainministeriö, s.a.)

As VAT is not considered as income for the company, it is not included in company turnover. However, due to VAT being a consumption tax, businesses can usually deduct the VAT included in

the purchases and offset it against the VAT collected from their own sales. The difference between the VAT collected on sales (output tax) and the VAT included in purchases (input tax) is what they owe to the government. This helps prevent double taxation and ensures that the tax burden falls on the final consumer. (Valtiovarainministeriö, s.a.)

In the following sub-chapters, VAT and its characteristics are discussed further in different domestic and international settings.

2.4.1 Value added tax on domestic purchases

This sub-chapter details the value-added tax (VAT) regulations applicable to domestic transactions in Finland, where both the seller and buyer are registered for VAT. Discussions on international VAT scenarios are covered in subsequent sub-chapters.

In Finland, value-added tax (VAT) is levied on most consumption activities. There are three main VAT rates, with the standard rate of 24% applying to the majority of goods and services. Additionally, there are two reduced VAT rates in use. Rate 14% is used for groceries, animal feed and restaurant and catering services. However, the rate of 14% does not apply to alcohol or tobacco products, which are taxed at a rate of 24%. Second reduced rate in effect is rate 10% which is applicable to physical and digital publications, medicines, passenger transport, accommodation services and certain cultural, sporting, and entertainment events and services, as well as art and intellectual property. (Valtiovarainministeriö, s.a; Verohallinto 2020.)

Certain activities in Finland are exempt from value-added tax (VAT). These exemptions mainly cover essential services such as health and medical care, social services, general education, financial and insurance services, and general postal services. Additionally, a 0% VAT rate is applied to specific items including copyrights, sales and rental of real estate and apartments, certain performing artist fees, and lottery activities. (Verohallinto 2021b.)

In Finland, The Finnish Value-added Tax Act mandates that every invoice must clearly detail the applied tax rates, the taxable base value, and the amount of VAT charged. Consequently, the process for managing VAT on domestic purchase invoices is relatively straightforward. Upon receipt of the invoice, the accounts payable personnel can make appropriate accounting entries reflecting the VAT rate indicated on the invoice. This records the portion of the tax on VAT input account, which can usually be then offset against the VAT outputs collected from sales. (Nyrhinen, Hyttinen & Lamppu 2019, 406-41.)

Whether the input VAT can be offset or not depends on the nature of the purchase. Deduction right is the key concept here. A business with VAT-taxable operations may deduct any paid VAT

included in the price of the purchased goods and services only in case when the purchase is made for taxable business purposes. Therefore, any purchases of goods or services made for non-business purposes, do not hold the right to make deduction of VAT. Also any private usage forfeits the right to make deductions. In these cases, the tax included in the purchase price is the final cost to the purchasing company. This rule implements the principle that private consumption should be taxable. (Nyrhinen, Hyttinen & Lamppu 2019, 437-469.)

2.4.2 Value added tax on purchases made within European Union

Finland is a member of the European Free Trade Area, along with 26 other countries. When Finnish companies engage in business transactions with companies from other EU countries, there are specific rules to be mindful of regarding value-added tax matters. This subchapter covers the main principles that should be taken into consideration when handling purchase transactions made within the EU.

The EU operates a common VAT system, which is intended to create an even playing field for businesses within the EU and promote the free movement of goods and services. This system is based on EU VAT directives, and EU member states are required to implement these directives into their national legislation. EU member states have the flexibility to set their own VAT rates, but there are certain minimum and maximum standard rates. As of the last update, the standard VAT rate could not be lower than 15% and the reduced rate was not to be less than 5%. Some goods and services could qualify for even lower reduced rates, and others may be exempt. (European Union s.a.)

There are in total 27 member states in European Union, which are Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden. Since 31.01.2020 the United Kingdom has not been part of the EU anymore. (European Commission s.a.; Tamminen 2021, 23.)

It is good to be aware that besides the earlier mentioned countries being part of the EU, not all their areas apply with EU's VAT rules. Such areas are for example The Åland Islands of Finland, Greenland of Denmark, The Canary Islands of Spain and many others. (European Commission s.a.; Tamminen 2021, 23.)

When two VAT-liable businesses from different EU countries trade with each other, the VAT treatment of these transactions is different from that of domestic transactions. Based on VAT treatment, these transactions can be divided into two main categories - goods and services.

The basic principle in the sale of goods is based on the destination principle. The tax is remitted to the EU country to which the goods are transported, implementing reverse charge principle. Sales are tax-exempt when the goods being sold are transported from one EU country to another. This type of transaction is referred to as an intra-community sale. In contrast, there is intra-community acquisition, which is a purchase transaction where the goods being purchased move between member states. Intra-community trade only involves physical goods. The handling of services will be discussed later in its own chapter. (Nyrhinen, Hyttinen & Lamppu 2019, 524, 543-545.)

Intra-community acquisition is a taxable transaction, and the country of the taxation right is determined according to the destination principle, i.e., the country where the transportation of goods ends. The VAT rate which will be applied on the transaction is based on the VAT legislation of the country of taxation right. For example, Finland has the right to tax the intra-community purchase of goods that end up in Finland and the Finnish VAT rates apply to the purchase. If the goods are transported to a third EU country other than the one where the buyer is VAT-registered, the buyer should also register in that third country and account for the tax in that country. (Nyrhinen, Hyttinen & Lamppu 2019, 524, 543-545.)

However, in practice, this is not always the case, especially if such activity is minimal. Nevertheless, since the purchase must be reported, and VAT must be paid to some country, recourse can be made to a safety net provision. If the buyer is not VAT registered in the destination country and uses their own country's VAT number for the purchase, taxation rights arise for two countries simultaneously. The primary taxation right always belongs to the country where the transportation of goods has ended. The secondary taxation right arises for the country whose VAT number the buyer has used in the purchase. In such a case, the purchase is reported as an intra-community acquisition in Finland, and Finnish VAT is paid on it, but there is no deduction right for the purchase because the deduction right applies only to purchases in the actual destination country. (Nyrhinen, Hyttinen & Lamppu 2019, 524, 543-545. 550-554; Tamminen 2021, 40-46.)

For a purchase to be applicable for intra-community acquisition, there are few conditions that must be met.

1. The seller and the buyer are both VAT registered in different EU countries.
2. Physical goods are transported from one EU country to another.
3. Invoice states the VAT numbers of both the seller and the buyer
4. The invoice has a phrase stating that the sale is tax exempt under intra-community supply, for example "VAT 0%, intra-community supply". (Nyrhinen, Hyttinen & Lamppu 2019, 831-836.)

For businesses engaged in the trade of physical goods across EU borders, ensuring compliance involves several critical steps - verifying VAT registration in different EU countries, ensuring accurate transport documentation, and correctly applying tax-exempt status where applicable. Moreover, the complexity of tax jurisdictions requires that companies remain vigilant about the VAT implications in cases where goods are transported to third countries or when minimal cross-border activity may trigger taxation rights in multiple countries.

By adhering to these principles, Finnish businesses can effectively manage their VAT responsibilities, ensuring compliance, and optimizing their tax positions across the EU. Understanding and correctly implementing these VAT rules is not only crucial for maintaining legal compliance but also for maximizing the fiscal efficiency of cross-border operations within the European Union.

2.4.3 Value added tax on imports of goods

The term "import" refers to the action of bringing physical goods from outside the EU customs and VAT territory into the area. For example, when goods are transported from Russia to Finland, they enter both the EU customs and the EU VAT territory. Import also applies to the movement of goods that are already within the EU customs area but originate from areas not included in the EU VAT territory. For instance, goods transported from the Åland Islands are classified as imports. (Tamminen 2021, 102-120.)

In general, all imports are subject to value-added tax (VAT), no matter who the importer is. In Finland, VAT must be paid when the goods are imported into the country. An import is considered to take place in Finland if the goods are in Finland at the time they are deemed to have entered the EU. This also applies to goods that arrive through another EU country but have been under certain procedures during transport that don't require customs clearance in the first country of entry. Such procedures include transit, temporary storage, placing of goods in a customs warehouse. (Nyrhinen, Hyttinen & Lamppu 2019, 512-523; Tamminen 2021, 102-120.)

When goods arrive in Finland from outside the EU, they must be declared for customs clearance and an import declaration must be submitted. Based on this declaration, Customs determines the customs value of the goods and any potential import costs such as customs duty and import charges. VAT is then calculated on the value of the goods as determined by customs. (Tamminen 2021, 102-120.)

The VAT rate applied to imports is the same as that applied to goods sold within Finland. Therefore, if the imported goods would be taxed at a standard rate of 24% in the domestic market, that rate also applies to their importation. Goods that would attract a reduced rate, such as certain

foods or books, are taxed at the respective reduced rate when imported. For VAT registered businesses, VAT is reported and paid to the tax authorities, not to Customs. (Tamminen 2021, 102-120.)

VAT on import is subject to the same rules of deduction as domestic purchases. This means that the actual cost of VAT is neutral for the business, provided the goods are used for VAT taxable purposes. (Tamminen 2021, 102-120.)

2.4.4 Value added tax on non-domestic purchases of services

According to the Finnish tax administration, the difference between goods and services is defined as follows. Goods refer to tangible objects, and energy commodities such as electricity, gas, heating, and cooling energy. Services refer everything else that can be sold in a business context. Examples of services include construction work, renting out movable goods, transferring a patent, granting the right to extract gravel, agreeing to refrain from an action, or to endure an action or condition, and acting as an intermediary for goods on behalf of someone else. (Verohallinto 2021a.)

Place of supply is a key determinant when trying to define correct VAT treatment for services. The country identified as the place of supply has the right to tax, and its tax laws are applied to the transaction. Generally, for business-to-business service transactions, the place of supply is where the recipient's fixed establishment that receives and uses the service is located. If there is no specific fixed establishment, the place of supply is where the business is established. For instance, if a business is established in Finland and no other fixed establishments are involved, then Finland is the place of supply. (Nyrhinen, Hyttinen & Lamppu 2019, 564-573; Verohallinto 2021a.)

Because the place of supply is the buyer's country rather than the seller's, transactions are subject to the reverse charge mechanism. This general rule covers most services, including

- intellectual property services such as consultancy, marketing, legal advice, patents, trademarks and assignments of rights to use them
- leasing of movable property
- IT services
- logistics services, storage, transport, loading, unloading and forwarding
- work on movable tangible property, such as maintenance, repair, installation and testing
- brokerage services (Nyrhinen, Hyttinen & Lamppu 2019, 568; Verohallinto 2021a.)

When a Finnish company buys services that fall under this general rule from a foreign company, the place of supply is Finland, whether the seller is from within the EU or outside it. The reverse charge mechanism applies in both scenarios. However, for EU transactions, service purchases

from another EU country must be recorded separately due to reporting requirements.. Reverse charge mechanism may also apply in cases where the seller has a fixed establishment in the buyers country but the fixed establishment is not actively involved in the sale of the service. (Nyrhinen, Hyttinen & Lamppu 2019, 568, 573.)

However, there are few exceptions to the main rule due to the reason that the buyer's country does not reflect the actual location of where the service is rendered

- Services connected to immovable property including real-estate intermediation
- Passenger transport services
- Hiring out means of transport for a short term
- Right of entry into educational, scientific, cultural, entertainment events, etc. and services directly associated with such entry
- Restaurant and catering services
- Travel agency services (Nyrhinen, Hyttinen & Lamppu 2019, 576; Verohallinto 2021a.)

For the services falling under the exceptions, special rules apply. Below table illustrates how the place of supply is determined.

Table 2. Rules to determine the place of supply (Verohallinto 2021a).

Service	Place of Supply
General rule	Buyer's country
Services connected to immovable property	Country of location
Passenger transport services	Country of performance
Short-term rental of a means of transport	Country where the means of transport is handed over
Right of entry into educational, scientific, cultural, entertainment and sports events, fairs, exhibitions, etc., and services directly associated with such entry	Country where the event takes place
Restaurant and catering services	Country of performance

Restaurant and catering services, within the EU, during passenger transport (vessel, aircraft, train)	Place of departure
Travel agency services	Seller's country

The right to deduct VAT on non-domestic purchases of services works the same way as it does for domestic purchases. This means that when a business incurs VAT on services for business purposes, it can claim this VAT back, effectively neutralizing the tax cost. (Tamminen 2021, 123-124.)

2.5 Standard operating procedure

A high-quality standard operating procedure is a clear and readable document that leaves no room for interpretation. It is therefore important to take some of the aspects mentioned below into account already at the design stage of the document.

Understanding why it is necessary to create a standard operating procedure and what purpose it serves is particularly important. Possible purposes may include, for example, the desire to ensure consistency, quality and/or that work is carried out in one defined way at all times. The purpose of such a document may also be to comply with the company's own requirements or those imposed by the authorities. A SOP may also be created to prevent errors in the process or to ensure that activities are completed on time. (Isouupdate 2018.)

Another crucial aspect to consider is the end user of the document. Factors such as the user's age, education level, knowledge, skills, language abilities, and other relevant aspects should be taken into account to ensure comprehension. Choosing the appropriate language, whether it be for example Finnish or English, is one of the first factors to decide. Additionally, it is worth considering whether to use certain industry specific terminology, or more general language, and if terms are used, whether they should be listed in the document. Use of images or diagrams alongside text may also enhance understanding. (Isouupdate 2018.)

Standard operating procedures should be straightforward and concise. People do not usually want to read such documents, they have to, so it is important that they are clear and easy to read. For this reason, choice of format also plays a significant role. For shorter instructions, a simple steps format can be used, while hierarchical formats with main steps and their sub-steps are suitable for

longer procedures requiring clarification. Flowcharts are best suited for complex procedures with multiple possible outcomes. (Isouupdate 2018.)

It's advisable to develop SOP collaboratively, taking into account the needs and perspectives of various stakeholders. Conducting interviews, reviewing existing guidelines, and engaging in review and feedback rounds among stakeholders before publication improve the quality of the document. (Isouupdate 2018.)

Once the standard operating procedure is finalized and implemented, it should be revised if any step of the procedure changes. Version history should be included to the document so that any changes can be tracked, and it is easier to see when such changes have come to an effect.

3 Process mapping and data collection

This chapter outlines the steps of Project Task 2, focusing on process mapping and data collection within the commissioning company's accounts payable operations. Initiated in late September 2023, the project began after the author identified a gap in knowledge regarding specific international VAT situations during a seminar on global VAT issues. This realization led to proposing the development of a comprehensive manual that would aid in VAT treatments.

Initially, the project was intended to create a Standard Operating Procedure (SOP) focusing solely on VAT matters. However, as the project unfolded and various types of invoices were mapped, it became apparent that addressing only VAT would not sufficiently cover the scope required for the thesis. This realization led to a pivotal discussion with the manager, during which it was decided to expand the project to encompass the entire AP process. This adjustment aimed to enhance the manual's utility, making it a comprehensive tool for managing all aspects of AP operations, including VAT, and useful for onboarding new employees.

To achieve Project Task 2, digital tools and qualitative methods were employed. In the data collection phase of VAT cases relevant to the commissioning company, the company's ERP system, named Wise, was used. It provided a robust database of transactions, which served as a foundational tool for data aggregation. Microsoft Excel was used for organizing and categorizing of the invoices into domestic, intra-community, and imports/non-EU purchases groups based on their VAT treatment.

As the project's scope was expanded to include the entire AP process, the understanding of AP operations, which had been deepened while drafting the theoretical framework, supported this broader objective. This knowledge proved critical in identifying areas within the existing process that necessitated refinement or more detailed examination.

The mapping of existing processes was initially carried out using the company's existing process diagrams. These diagrams established a foundation for the next step that required mapping of the current process. The current process employed in the AP department was documented using Microsoft OneNote and PowerPoint.

To ensure the accuracy of the process maps in reflecting current practices, these workflows were critically reviewed and updated as necessary. Tools like Microsoft OneNote were indispensable for documenting these revisions and for structuring the procedural narrative coherently. Short interviews with the accountant and company controller were also conducted, providing further insights and validation of the data collected.

The collected data on VAT cases and current AP process can be considered as primary data, as it was collected by the author herself specifically for the needs of the project. Similarly, information gained from the discussions with the accountant and the controller can be recognized as primary data but also as a qualitative method. Usage of the pre-existing process diagrams is on the other hand considered as secondary data.

The outcome of the project phase was a comprehensive sample of purchase invoices relevant to businesses, particularly focusing on their VAT treatment. This collection of invoices provided a detailed overview of the various VAT applications in current use, reflecting a range of business transactions. In addition, two separate process diagrams were now available, which could be compared to identify the differences between the previously created process diagram and the current realistic process. Due to discussions with other stakeholders of the project, the collected data could be recognized as valid and factual.

The data collected, combined with the knowledge gained from the theoretical framework, together laid a strong foundation for the next step of the project, which was the creation of the Standard Operating Procedures (SOP). The detailed analysis of the purchase invoices and the assessment of the processes were fundamental for the success of the next step.

4 Creation of the SOP

After mapping the company's current practices, processes and other relevant data, the next phase of the thesis project started - the creation of the SOP. The initial task involved designing the manual's content and structure.

The design phase took into account insights gained while drafting the theoretical framework. The primary objective of the SOP was to standardize practices within accounts payable, to ensure accurate execution of work, thereby reducing errors and streamlining processes. The secondary purpose was to serve as training material for onboarding of new employees.

The SOP was primarily intended for employees in the accounts payable department. While these individuals likely have some industry experience, the SOP would also cater to staff outside this department and to new employees unfamiliar with specific industry terminology. Consequently, a section explaining key terms was included in the manual.

English was chosen as the manual's language. This decision was natural since the Author needed to write the thesis in English but also because the commissioning company is part of a global group where English is the main working language.

Throughout the project, the content of the thesis underwent significant changes. It became apparent during the creation of the theoretical framework that addressing only VAT-related issues was not enough to fulfil thesis scope requirements. This realization led to an expansion and modification of the original plan. The content revision made it clear that one section would specifically address VAT issues. Additionally, there was a need to standardize the process for handling purchase invoices, prompting the creation of a dedicated section for this purpose.

To improve readiness and track any changes, a table of contents and a version history were added. Upon nearly completing the work and reviewing its structure, a section explaining the role of accounts payable within the organization was added. It was a logical addition as this section addressed clearly how accounts payable and their work is tightly connected to other parts of the business.

Table of content

1. Introduction
2. Accounts payable process
3. Value added tax
 - 3.1 Domestic purchases
 - 3.2 EU purchases
 - 3.3 Non-EU purchases
4. Version history

Figure 3 Table of contents at draft stage.

Developing the structure of the SOP was the most challenging aspect of the project. Given the fairly extensive nature of the manual, it needed to be logical and easily navigable. The author initially organized the topics by writing them on pieces of paper and grouping them into coherent sections. This led to the choice of a hierarchical steps format for the SOP. Despite these efforts, the structure underwent several changes as the process of handling purchase invoices in particular was difficult to unravel in a way that remained clear and logical. Above Figure X illustrates the original plan for the structure of the SOP.

When approximately 75% of the project was finished, the author presented the work to the commissioner for feedback. The feedback highlighted that the manual was text-heavy and somewhat hard to follow. Additionally, there was a specific request to clarify when each VAT identification code should be applied, as the manual was also intended to serve as a reference for the procurement department. Discussion also generated an idea of adding some specific VAT cases under the domestic title.

The requested changes were made to the SOP. In particular, the number of pictures and diagrams was increased considerably. Several specific cases of VAT handling were added as a subchapter under the domestic section. The reason for creating the new subchapters was to make it easier to find these cases by checking the table of contents.

Microsoft Word was used as the main tool. Screenshots included to the SOP were taken from ERP-system Wise with Snipping Tool. For illustrations and figures, Microsoft Powerpoint was used. Preliminary feedback round was conducted as a face-to-face meeting, which notes were collected manually with pen and paper.

5 Final outcomes and Commissioner's feedback

This chapter introduces the final product and covers the feedback received from the commissioning company.

5.1 Final product

The primary outcome of this thesis was the development of a comprehensive SOP tailored specifically for the accounts payable department. This document systematically outlined each step of the invoice processing procedure, from receipt and verification of invoices to final payment, ensuring all actions adhere to both internal and regulatory standards. The SOP includes detailed guidelines on handling various types of invoices, applying VAT correctly, and ensuring compliance with international financial purchase transactions.

Figure 4 displays the final version of the SOP's table of contents, clearly segmenting the document into distinct sections, each dedicated to a specific topic.

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Figure 4 Final Table of Contents.

First chapter, *introduction*, introduced the purpose of the SOP, outlining its contents, and explaining key terms and abbreviations used throughout the document. It also emphasizes the importance of updating the SOP in response to any relevant changes in policies or regulations.

Second chapter, *The role of the accounts payable in the organization*, helps users understand the critical role of the accounts payable within the finance department. The figure 5 below is a screenshot from the final product illustrating the role.

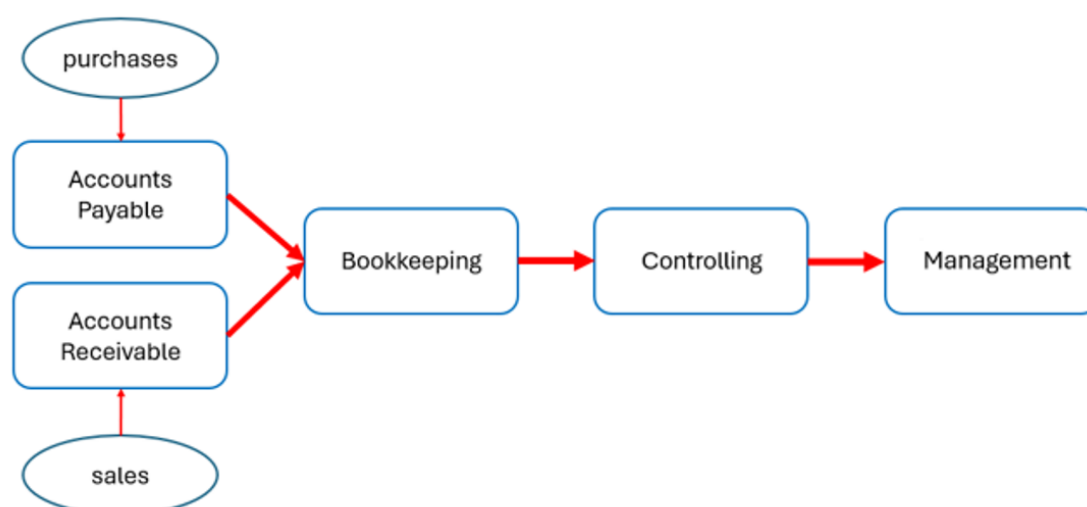


Figure 5 Role of the accounts payable within finance department. Screenshot from the final product.

Also, the second chapter prominently featured a flowchart detailing the company's purchase-to-pay process, which effectively highlighted the roles and responsibilities of every stakeholder involved. Additionally, another comprehensive illustration mapped out the entire invoice processing workflow, from the initial addition of an invoice to the system through to its final payment. This illustration is a key component of the entire document, as it clearly and simply shows the entire process flow in a single, easily comprehensible visual. For confidentiality reasons, these illustrations related to company processes were not included in this report.

In the third chapter, *Handling of a purchase invoice*, Detailed step-by-step instructions were provided for handling different types of invoices. This chapter went very much into detail, ensuring that anyone following these guidelines could perform the tasks effectively. As seen in the figure 4, it included scenarios where the invoice processing paths diverged based on whether the invoice was associated with a purchase order. Screenshots from the ERP system were incorporated to visually support the written instructions.

Fourth chapter, *Value added tax treatment*, extensively covered all scenarios relevant to the commissioning company regarding value added tax. It was divided into sub-chapters such as Domestic Purchases, Non-Domestic Purchases of Goods, and Services, each providing explicit instructions and rationale for handling these cases. Real-life cases and examples illustrated how entries should appear in the AP ledger.

Below figure 6 is a screenshot from the final product summarizing the VAT treatment for non-domestic purchases of goods serving as cheat sheet.

ORIGIN	TREATMENT FOR GOODS	DESTINATION
EU country	VAT Exempt	Outside EU
EU country	Intra-community acquisition if other requirements are met, deduction right	Finland
EU country	VAT registration required in destination country. If safety net provision applied, no deduction right in Finland	EU country
Outside EU	Import. Material invoice tax exempt, VAT reported based on customs declaration	Finland/EU country
Outside EU	Tax exempt from Finland's point of view	Outside EU

Figure 6. Summary of VAT treatment non-domestic purchases of goods. Screenshot from the final product

Fifth chapter, *Adding invoice to M-files and approval round*, was positioned at the end of the document because it did not logically fit with the other sections. This section explained how to upload invoice copies into M-files, a system designed to store copies separately from the main ERP tool. It also discussed the approval process, which was conducted within the same software.

The document concludes with a version history section, which is designed to track any changes and updates, providing a clear record of the evolution of the SOP.

Version History

Version (Rev X)	Date (Date/month/year)	Author	Change Reason or CR No.	Modify Contents and Location
1.0	1 st of May 2024	E.Uusitalo	First release	

Figure 7. Version history. Screenshot from the final product

5.2 Feedback from the commissioning company

Upon completion of the Standard Operating Procedure (SOP), it was presented to the commissioning company. The supervisor of the thesis project had initially hoped to review and evaluate the SOP independently before engaging in a detailed discussion about it. To facilitate this evaluation, the author proposed the use of a feedback form, which was subsequently implemented. The form was designed to gather diverse perspectives relevant to the project, consolidating these into a structured questionnaire. This feedback form included a total of eleven questions, which could be rated on a scale of 1 to 5, and it also featured a section for open-ended comments at the end. The completed questionnaire, along with responses from the commissioning company, has been included in its entirety in the appendices as Appendix 2.

The author received the completed feedback form approximately one week after the SOP was submitted. The supervisor had provided ratings for all questions and also included additional comments in the open feedback section. The responses were overwhelmingly positive, with the commissioning company expressing high satisfaction with the SOP, awarding top ratings for all product-related questions. In the open feedback, they particularly noted the SOP's clear structure and its effectiveness in addressing frequently encountered issues. The feedback emphasized the SOP's importance for the company and recognized its utility for other stakeholders beyond the accounts payable department.

In terms of project management, the feedback was also highly positive, indicating that all initial goals were fully met. The supervisor appreciated the level of communication throughout the project and mentioned that any arising questions were collaboratively discussed. The thesis supervisor felt that the project was conducted professionally from their perspective. Although there was an acknowledgment of delays in the original timeframe, the feedback highlighted that the project was ultimately completed on time from their point of view.

6 Conclusion

This chapter concludes the thesis project. It reflects on the key findings, evaluates the project management, considers potential areas for future research, and contemplates the personal and professional growth experienced by the author throughout this academic endeavor.

6.1 Key findings

The thesis project has culminated in several significant findings that have implications both for the commissioning company and for best practices in financial management.

First and foremost, accuracy in VAT matters has improved significantly. By clearly defining procedures for handling different types of VAT scenarios, the SOP assists employees in applying the correct VAT treatments consistently. This has not only reduced the likelihood of financial discrepancies but has also ensured that the company remains compliant with the complex VAT regulations that govern international transactions.

The implementation of the SOP has made the accounts payable process more efficient and has provided the company's procurement team with valuable insights into the process. These insights have clarified their role and influence on ensuring a smooth operational flow. Feedback from the commissioning company indicates a positive impact on the organization as a whole.

The project has significantly contributed to the author's professional growth, enhancing her expertise in accounts payable processes and VAT management. This personal development aspect highlights the dual benefit of the thesis project, which serves both organizational and educational purposes.

The SOP has yet to be tested as training material since no new staff members have joined the accounts payable team since its creation.

6.2 Recommendations

To maintain the relevance and effectiveness of the SOP, it is recommended that the document undergo regular reviews and updates. This is particularly important as the commissioning company plans to transition to a new ERP system in the future.

The demonstrated success of the SOP within the accounts payable department highlights the potential benefits of implementing similar standardized procedures in other departments, such as accounts receivable, bookkeeping and procurement. Standardization across these key areas can streamline operations and enhance overall organizational efficiency.

During the project, issues were identified concerning the handling of certain international VAT scenarios, where past transactions were not managed correctly. It was recommended that the company adjust its practices to correct these past oversights and prevent future occurrences. This adjustment will ensure compliance and accuracy in international financial transactions.

With upcoming VAT rate changes announced by the Finnish government for later in 2024, it is advisable for the commissioning company to proactively consider how these changes affect them and if necessary, adjust the SOP to align with these changes. This foresight will prevent any disruptions in VAT handling and ensure that the company remains compliant with the updated tax regulations.

6.3 Evaluation of project management and outcomes

The completion of this thesis involved several phases of project management, from the initial concept through to the implementation and review of the Standard Operating Procedure (SOP). This evaluation reflects on the methodologies employed, the outcomes achieved, and the challenges faced throughout the project lifecycle.

Effective communication with the commissioning company is important in order to success in a project like this. On this particular project, communication was on sufficient level however in retrospective it was noticed that more intermediate feedback sessions could have been used. Also having more people working in accounts payable department would have offered broader feedback with different kind of views on areas of development.

Project coordination proved to be more challenging than anticipated. Especially, time management and resource allocation emerged as particularly weak areas, with frequent delays marking the project timeline. However, with robust support from both the commissioning company and the thesis advisor, these challenges were eventually navigated, allowing the project to meet its final deadline.

It is recommended that future projects of this nature should ideally be undertaken by individuals who can dedicate focused time to their studies, preferably before embarking on full-time employment. This approach would likely facilitate a smoother project flow and ensure timely completion without the added stress of juggling professional responsibilities.

Despite the challenges, the project successfully delivered a comprehensive SOP that has been integrated into the commissioning company's operations. The feedback from the company has been positive, with particular appreciation for the clarity and applicability of the procedures outlined. Personally, the author has expressed her satisfaction with the final outcome and values

the extensive learning experience gained through the process regardless the challenges experienced on the way.

6.4 Further research and projects

Future research could explore the integration of emerging technologies like blockchain and artificial intelligence in the accounts payable process to enhance efficiency and accuracy. By assessing the potential for automated systems to reduce human error and improve processing times, future studies could provide actionable recommendations for enhancing operational efficiencies. Exploring these areas, the research would also offer practical implications for improving the financial management practices within organizations. This could lead to more robust, technology-driven approaches in financial departments.

Given that this thesis focused solely on VAT bookings, it would be very useful to look in more depth at the VAT reporting aspects. A comprehensive study of how VAT is reported across different international transactions could reveal inconsistencies and areas for harmonization. Investigating the impact of these reporting standards on compliance and financial accuracy would also provide valuable insights. Additionally, exploring the challenges companies face in their VAT reporting could identify common pitfalls and best practices, offering practical guidance for businesses engaged in international business.

Understanding the broader impact of the accounts payable function on overall bookkeeping and financial reporting could also yield valuable insights. Examining how the workflows and decision-making processes within accounts payable influence financial outcomes and compliance with regulatory standards would add depth to our understanding.

6.5 Reflection on learning

The journey of this thesis project has been both challenging and immensely rewarding, offering profound personal and professional growth.

Throughout the project the author gained valuable knowledge in several key areas of financial management. Especially, her understanding of VAT compliance and accounts payable processes deepened significantly. The practical application of theoretical knowledge to create a functional and effective SOP allowed her to translate abstract concepts into concrete actions.

Managing this project sharpened the author's project management skills, particularly in areas such as planning, coordination, and execution. The challenges of balancing full-time employment with

academic responsibilities highlighted the importance of time management and prioritization. This experience taught her the value of structured project timelines.

The author feels that this project developed her knowledge base and skills regarding the accounts payable, the processes implemented and how different stakeholders effect on the mentioned processes. The most important part was clearly all value added tax matters as those were the skills that were recognized as lacking in the beginning of the thesis project. The author noticed also that her skills to find reliable sources got better during the project.

Working closely with the commissioning company and various stakeholders improved the author's communication skills. She learned the importance of clear, consistent, and open communication in ensuring project success. This process emphasized the need for regular feedback loops and demonstrated how collaborative efforts can enhance project outcomes.

Encountering and overcoming obstacles throughout the project reinforced the author's problem-solving abilities. Each challenge required a tailored solution, which often involved creative thinking and adaptability. These situations were invaluable in teaching her how to stay calm under pressure and think critically to devise effective solutions.

Overall, the author of this thesis feels that during the project she developed significantly and became a junior professional in finance with strong knowledge on accounts payable and VAT treatments of purchase invoices in a international context. She hopes to encounter future challenges where all this information can be put to practical use, allowing her to further refine her skills and continue contributing to her field.

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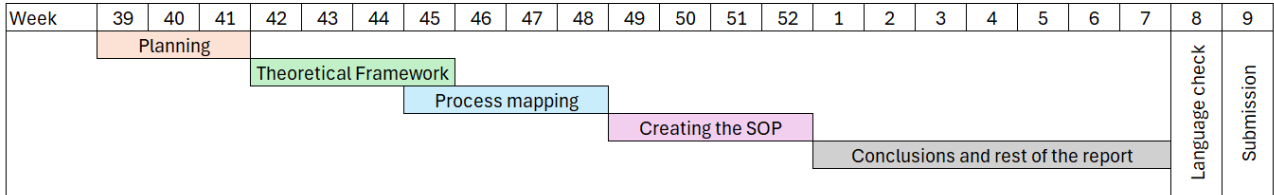
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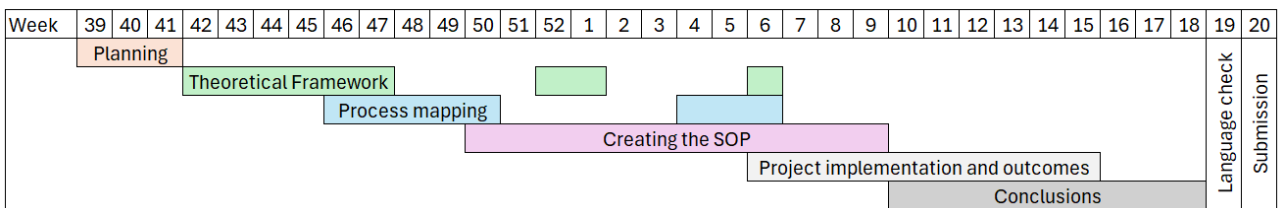
Appendices

Appendix 1. Initial and final Project Management Gantt Chart

Initial Project timeline



Final Project timeline



Appendix 2. Feedback from the Commissioning Company.

Feedback on the thesis project					
Please evaluate each section on scale 1 to 5. You can also leave any comments at the end of the questionnaire.					
Evaluation of the product created in the project.	Worst grade			Best grade	
	1	2	3	4	5
How relevant is the content of the SOP?					x
Does the SOP cover all necessary aspects of the accounts payable process?					x
Does the SOP cover all necessary aspects of the value added tax?					x
How clear are the instructions within the SOP?					x
How well is the SOP formatted and organized for ease of use?					x
Overall grading for the SOP					x
Evaluation of the project management.	Worst grade			Best grade	
	1	2	3	4	5
How effective was the communication between the thesis author and the company during the project?					x
How well was the project timeline managed in relation to your expectations?					x
To what extent do you feel the project goals (as initially defined) were achieved?					x
How professionally was the project managed and executed?					x
Overall grading on the project management					x
Open feedback and additional comments					
<p>The guide is well-constructed, clear, and very necessary. It effectively highlights typical cases, especially those that often cause interpretation problems. Based on the guide, it is easy for new staff or substitutes to start working. Other financial administration personnel can also benefit from the guide, for example, when considering VAT issues. The guide also incorporates processes well, giving invoice processors a clear picture of how invoice processing is linked to other aspects of the company's operations and how crucial it is to the business. The guide is implemented from the perspective of the invoice processors, and it is exactly what was initially agreed upon. Elisa has studied the matters thoroughly and has presented things well, and they have been discussed together as needed. She has led the project decisively and professionally to completion. Along a busy workload, it can be tough to meet self-imposed goals, but from the company's perspective, the work was completed just in time.</p>					