

Ebook

Cash Application Made Simple

A Practical Guide to AI-Powered
Payment Matching





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About this ebook

In times of great change and uncertainty, Accounts Receivable (AR) departments play an instrumental role in helping the business remain proactive, resilient and competitive. This ebook aims to shed light on one crucial AR process — cash application — and provide a clearer understanding of how technologies such as AI and automation play a key role in transitioning away from tedious, labor-intensive tasks, improving employee productivity and retention, and accelerating payment processing.



Here are four takeaways you can expect:

- What the cash application process is and why it's important
- Challenges associated with manual cash application processes
- How AI and automation add value to the process, AR team and business
- Esker's role in AI-powered cash application and successful use cases

What is cash application?

The unsung hero of your AR department

Cash application is the process of matching an incoming customer payment to the correct customer account and the corresponding invoice or invoices. This task is performed by an individual on the AR team — typically a Cash Application Specialist — who relies on the remittance advice (sent by the customer) to determine which invoices are being paid using the incoming funds being transferred.

This critical AR process of verifying payment details (e.g., amount and customer account information), recording the information and allocating the payment enables businesses to keep their financial records and customer accounts as current and precise as possible. The faster the cash is applied, the better. Because here's the real headline: Only once a payment is verified can it be used to fund the business. That means essential business functions — funding payroll, disbursing profits to shareholders, pursuing growth investments on behalf of the Office of the CFO — are all dependent on cash application.

Now that we've defined cash application and highlighted its importance, let's explore the process in further detail, examining key steps and some of the more problematic areas affecting today's AR teams



Why it matters

The increasing amount of diverse payment options has made cash application more complex and labor-intensive. Without an optimized process, AR teams can expect:

- Slower, error-prone reconciliation
- Unapplied cash and delayed payment posting
- Negative downstream effects on credit management, collections, etc.
- Reduced customer satisfaction
- Lengthened DSO
- Complications with cashflow, audits, financial forecasting and other Office of the CFO priorities

Cash application: A 3-step process

When a B2B transaction takes place, goods are commonly purchased on credit. An invoice is provided for the credit purchase, acting as the original bill for the payment. Once the company who made the purchase on credit receives the invoice and submits the actual payment and (hopefully) remittance, the cash application process begins. And while the process differs from company to company — often dictated by internal controls established by leaders within the AR team — the following three steps are fundamental to every cash application workflow:

01 | Remittance aggregation

A remittance advice is a document that notifies the Cash App Specialist which AR invoice or invoices the incoming payment is for. Remittances must be aggregated from various channels and matched with the payment once the payment is funded. Typically, remittance documents:

- Include dates, invoice numbers, the amount paid per invoice and any other information that may be relevant (customer discounts, etc.).
- Are sent via email, EDI or through an accounts payable (AP) portal, while payments are made by check, ACH, credit cards or via direct debit methods (SEPA, etc.).
- Don't go through the same channels as the payment, despite accompanying most payments.

An important note: In terms of cash application efficiency, the inclusion of remittances is a game-changer for AR teams because they clearly indicate what the customer is paying for. Unfortunately, remittance advices are not mandatory or systematically sent out with payments.



02 | Invoice matching & deductions management

Once payment is received, the Cash App Specialist matches payments to outstanding invoices and credits — an often tedious and time-consuming process, even when the remittance advice is included.

For example, a single payment can involve multiple invoices. What's more, certain variables (e.g. short pays, customer discounts, order-related inconsistencies) mean the payment amount is mismatched against the open amount of the invoices. Consequently, the AR team is on the hook to inspect the matter and facilitate accurate allocation and timely resolution.

03 | Cash posting

As soon as all the "t's" are crossed and "i's" are dotted with invoice matching, the cash can be applied to the company's ERP system, officially closing the open AR. Conducting this process manually — a common occurrence in many AR teams — is a slippery slope, as human error and other inefficiencies are nearly unavoidable.



Did you know?

1 payment
x
20 invoices
=
over 1 million
matching options



Manual processes

Examining the root cause of cash application bottlenecks

The 3-step process outlined earlier seems simple in theory. In practice, however, it frequently requires large amounts of time and effort on behalf of Cash Application Specialists. Without a centralized, digital solution, daily entries are carried out manually, making speed, efficiency and visibility hard to come by. Some of the most common cash application tasks plagued by manual inefficiencies include:

Matching remittances to payments

Because remittances are typically sent via emails, EDI or hosted in AP portals, matching them to electronic payments can be a process rife with inaccuracies and inefficiencies. Such a variance of sources and file formats requires large amounts of manual effort on behalf of Cash App Specialists — reducing their daily productivity and, ultimately, impacting overall AR performance.

Identifying short pays & posting cash

Short payments occur for a variety of reasons, including error on behalf of the payer, deductions related to early payment discounts or trade promotions, disputes over the amount owed, and even payment processing issues. Identifying short pays and harmonizing the customer-provided reason for the short pay with the specific reason codes used in the company's ERP system(s) is ... yet again ... a manual task reserved for Cash App Specialists.

Matching invoices & handling exceptions

When customers fail to provide a remittance, especially when multiple invoices and credits or exceptions (early payment discounts, withholding tax, etc.) are involved, it's nearly impossible for Cash App Specialists to allocate them at the invoice level — leading to allocation to the customer account. What's more, the lack of remittance creates additional manual work to request and validate the omitted information.



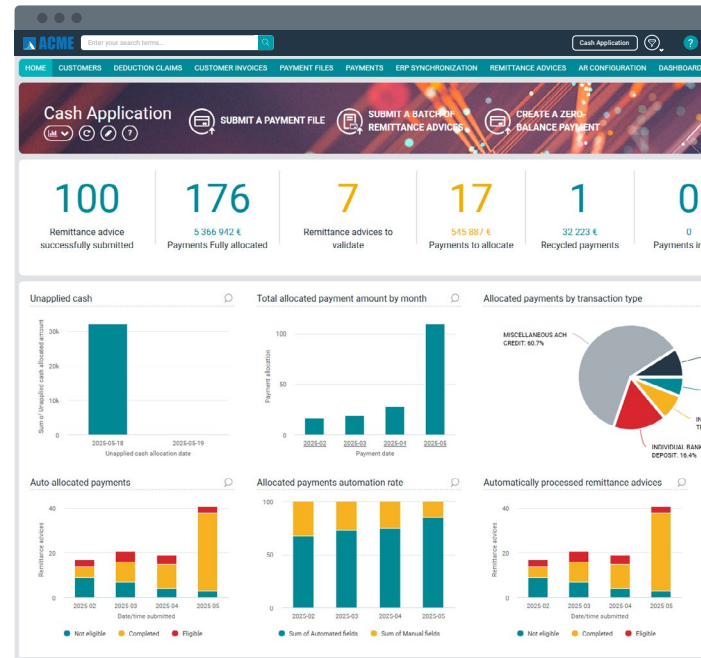
Don't forget about lockbox services ...

Lockbox services help manage incoming check payments securely and efficiently. Banks process these payments and send an electronic file to the AR team. However, lockbox teams charge \$0.01 per keystroke. Not only is this an expense, Cash App Specialists are often on the hook for reviewing scanned checks and remittance images to correct any mistakes.

Optimizing cash application with AI-powered automation

Cash application is as complex as it is essential – but that doesn't mean the challenges of manual processes are unavoidable. Powered by the latest in AI technology, automation solutions are quickly becoming the go-to alternative for AR teams looking to save time, reduce errors and support the goals of the Office of the CFO. By reducing and even eliminating the manual-intensive tasks involved in cash application, AR teams benefit from:

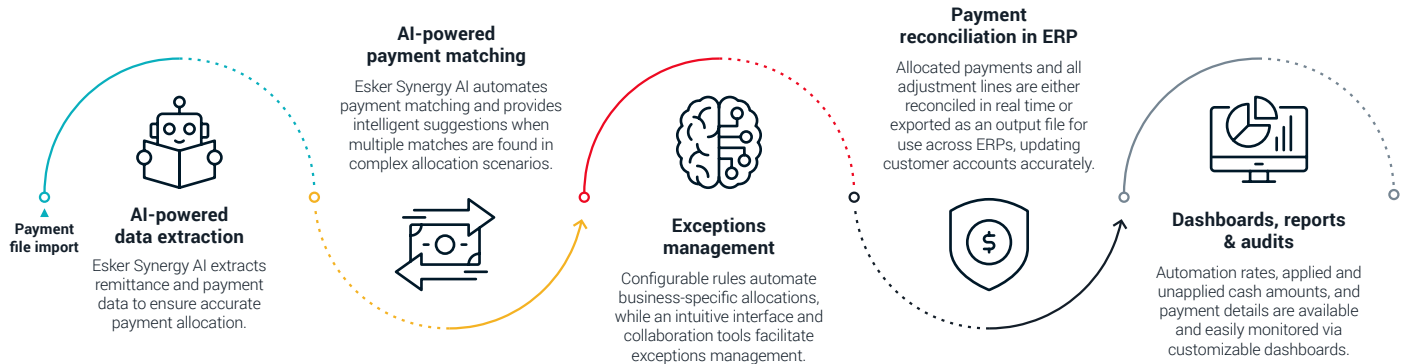
- Centralized payment information for easier access and management
- Faster, more accurate cash application to secure revenue
- Increased receivables visibility (cashflow, treasury, etc.)
- Improved productivity and job satisfaction for Cash Application Specialists
- Simplified audit and tracking process
- Optimized credit and collections process
- Ability to automatically approve discounts with pre-defined tolerance levels
- Better collaboration with both customers and other AR team members



Solution spotlight

Esker Cash Application is a comprehensive, AI-powered solution built to automate every step of the cash application process — from capture of the remittance to the reconciliation of matched invoices into the ERP. Let's now dig deeper into how the solution works and its impact on cash application efficiency.

How Esker Cash Application works



Esker Synergy: We do AI differently

Built on 15+ years of research and development, Esker Synergy AI is the powerful set of technologies designed to address the evolving questions about AI usability, security and sustainability. Here's why Esker stands out in a sea of AI providers:



- **Your data stays yours.**

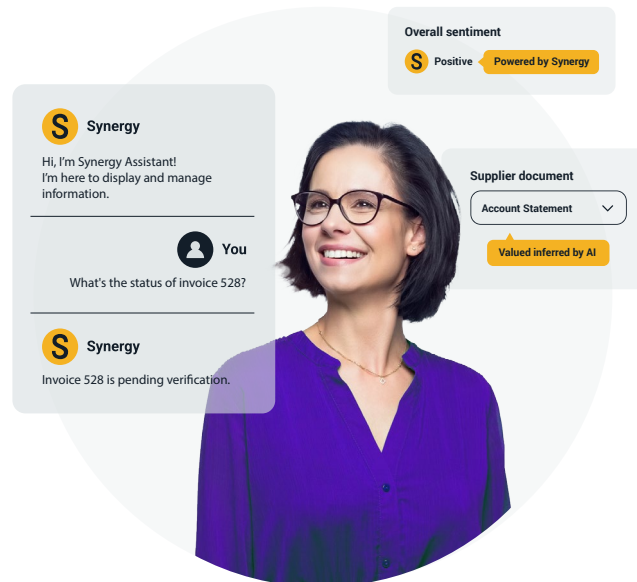
All Esker solutions and Synergy GPT functionalities are designed to ensure data security and privacy, ensuring your data cannot be used, saved or shared by third parties.

- **Our AI is purposeful and responsible.**

We train our own LLM for targeted, purposeful and high-value AI use, while larger models run on shared servers. Our GenAI is continuously optimized for performance and sustainability.

- **We offer LLM as a Service.**

Esker Synergy GenAI is seamlessly integrated into our solutions, so you don't need a separate LLM provider. We handle prompt engineering, updates and secure scaling, lowering your total cost of ownership.



Simplified remittance management



For emails

Esker Synergy AI — a set of advanced AI technologies — is used to intelligently route email remittances to the solution and automatically extracts remittance data, while supporting multiple file types (Excel, PDF, CSV, etc.) and languages. For example, when paying invoices for the prior month, customers can attach a PDF of the entire statement and Esker Cash Application quickly and accurately analyzes the invoice and payment information.



For checks

Information from the remittance is automatically extracted — helping to instantly identify key details. For example, a large customer can include a multi-page remittance that identifies both invoices being paid along with a list of multiple deductions. Esker Synergy AI can automatically detect the invoices and match them to the appropriate AR and even identify the deductions and route them to the appropriate team (when Esker Deductions Management is activated).



For websites & customer portals

Esker Cash Application can also retrieve remittance information that's hosted on portals. Once retrieved, Esker Synergy AI ensures that all relevant data or deductions are identified and extracted for automatic payment posting.

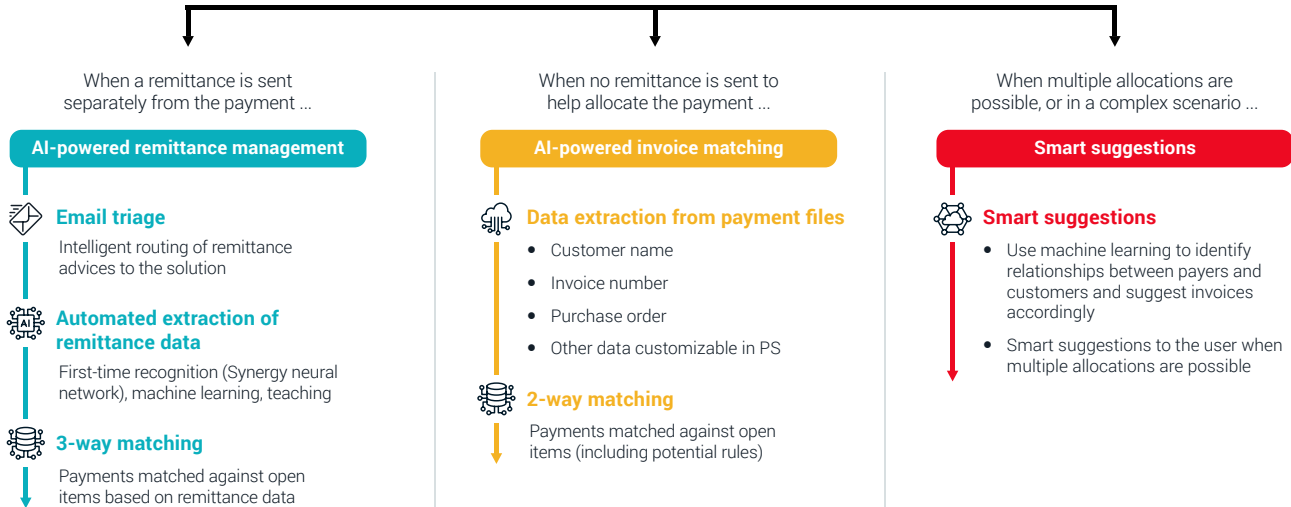
■ ■ ■ **“One significant change since implementing Esker is that the Banking team is under much less pressure to complete payment allocations each day. They have more time to focus on their other duties and learn new tasks because Esker is saving us hours every day.”**

Pamela Rochester | Operational Team Leader, Laminex

[Read case study](#)

Powerful AI tools for any situation

Esker Cash Application combines a set of advanced AI technologies such as deep learning, machine learning and natural language processing (NLP) to achieve maximum remittance recognition rates and significantly speed up cash allocation. Below are some of the most beneficial scenarios where Esker Synergy AI works its magic:



Automating complex scenarios

Every business process has its quirks and idiosyncrasies — cash application just happens to have a lot of them. Thankfully, Esker Cash Application is one AI-powered solution that's designed to handle (i.e., automate) any complex scenario so your team can focus their attention on more value-added activities. Examples include:



Early payment discounts

Esker Synergy AI can extract discounts from the remittance or compute discounted payment scenarios based on Open AR data. The discount amount and expiration date are automatically checked against the invoice details.



Configuring tolerance on over/under payments

Esker Cash Application also helps AR teams save time on small adjustments such as configuring tolerance on over/under payments by defining underpayment threshold unit by percent of paid amount or via a fixed amounts and sending alerts/warning messages for manual validation when threshold is exceeded.



Withholding tax management

Esker facilitates faster exception management by helping users set up withholding tax rate for each customers in a dedicated configuration table and allocating payments automatically even if the amount differs from the open invoice.



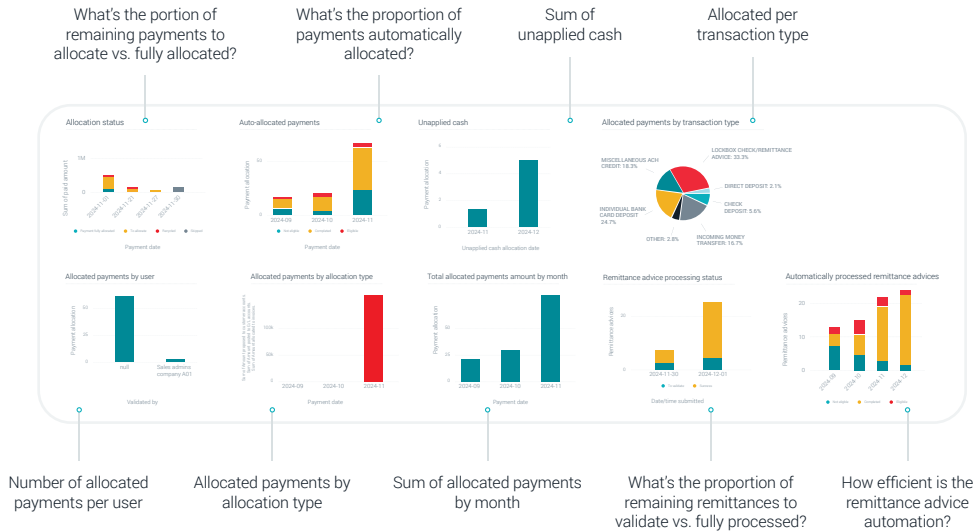
Payment in different currencies

Esker easily solves the challenges of allocating a cross-company payment by configuring cross company code payments for a G/L account, automatically allocate a cross-company code payment from the interface, and reconciling the cross-company code payment to each invoice across all ERPs.



Improved visibility into cashflow & allocation performance

You can't improve what you can't measure. That's why Esker Cash Application empowers users with fully customizable dashboards displaying real-time KPIs that matter most. From monitoring team performance to analyzing recurring issues, Esker brings the most accurate data to light so you can make the best possible business decision — every time.



■ ■ ■ **“A remittance that would take 3 to 4 hours to clear to due to complexity now takes 15 minutes or less thanks to Esker.”**

■ ■ ■ Noel David | General Manager, Finance & Administration, True Alliance

[Read case study](#)

ERP reconciliation

Worried how an AI-driven automation solution might integrate with existing ERP systems? Not with Esker. Fast, flexible and secure allocation for all customer payments are ensured thanks to Esker's ERP Connectivity Suite, which streamlines integration across multiple systems and with any ERP. Simply pick the integration method that fits best:

- **Reconcile allocated payments in real-time for SAP customers** — Pre-built SAP connector for Cash Application, using BAPI calls for an instant and secure connection.
- **Esker Rest API** — Communication through web services, for a modern and reliable connection.
- **Output reconciliation file** — With all reconciled payments can be extracted and picked up by the customer to clear the accounts in their ERP.

AR deductions management

Deductions are yet another challenging piece of cash application puzzle. Fortunately, Esker Cash Application allows your team to initiate the AR deduction investigation process with no delay.

Here's how it works:

- Esker Synergy AI extracts automatically deductions from remittance advices.
- Cash App Specialists can now quickly and easily check if claims exists to return ID, type and status.
- A claim can now be created to verify from the remittance advice form.

The screenshot displays the Esker Cash Application interface for processing a remittance advice from Meca Systems Ltd. The interface is divided into several sections:

- Summary:** Displays key figures such as Total paid (35,526.67), Discrepancy (0.00), and Document number (2001530008).
- Payer information:** Shows the payer's name (Meca Systems Ltd) and postal code (ID MEGASYSTEMSLTD).
- Details:** A table listing individual invoices with columns for Type, Date, Number, Description, Amount, Field amount, and Customer ID.
- Remittance Advice:** A detailed view of the remittance advice, including the account number (90011002), creation date (12/10/2021), and a list of invoices with their respective amounts and dates.

Type	Date	Number	Description	Amount	Field amount	Customer ID
Invoice	12/16/2021	4850041		22,680.83		23776823
Invoice	12/15/2021	4850050		16,845.84		23776823
Invoice	12/15/2021	4850057		23,713.91		23776823
Invoice	12/28/2021	4850060		23,713.91		23776823

Success story

[Read case study](#)

Fletcher Building is a leading player in building products and distribution, with operations across New Zealand, Australia and the Pacific Islands. Fletcher Steel is Fletcher Building's steel distribution division and encompasses the Easysteel, Fletcher Reinforcing, Fletcher Wire Products, ColorCote, Dimond Roofing, Dimond Structural and CSP Pacific businesses, operating distribution and manufacturing sites across New Zealand.

Challenges

Needing to process between 200-1,000 transactions a day, Fletcher Steel struggled with missing remittances that resulted in large amounts of unapplied payments. Increased volumes and time-consuming manual processing of complex remittance advices with hundreds of lines meant a 5:00 a.m. start for the team at month-end closing. This highly manual cash application process not only impacted team productivity, efficiency and morale, but also resulted in inaccurate customer accounts.

Solution

Esfer Cash Application eliminated Fletcher Steel's need for manually matching payments received from multiple sources and provided increased efficiency. Automation has significantly reduced processing time for large remittances with 800+ line items from 2+ hours to mere minutes. Esfer not only optimized the allocation of incoming cash but also downstream processes such as collections by centralizing all the payment information.

Results:



Decreased unallocated payments by 30%



Accelerated remittance processing time by 95%



Reduced processing time by 40%



Freed up team members for other tasks



Increased staff well-being

Conclusion

Transform cash application into a money-making machine with AI

In 2025, uncertainty remains the name of the game. External pressures such as market volatility, wars, tariffs, rising costs and supply chain disruptions, demand that AR teams ensure accountability that every dollar coming into the company is accounted for and used appropriately.

Effective cash application means businesses can use their money sooner, cover their expenses, and give the Office of the CFO greater clarity and confidence to explore new investments and growth opportunities. All too often, however, manual processes stand in the way — not only preventing the aforementioned actions, but opening the door to dissatisfied customers, unfulfilled and overworked employees, and lack of agility at a time it's never been more essential to business resilience.

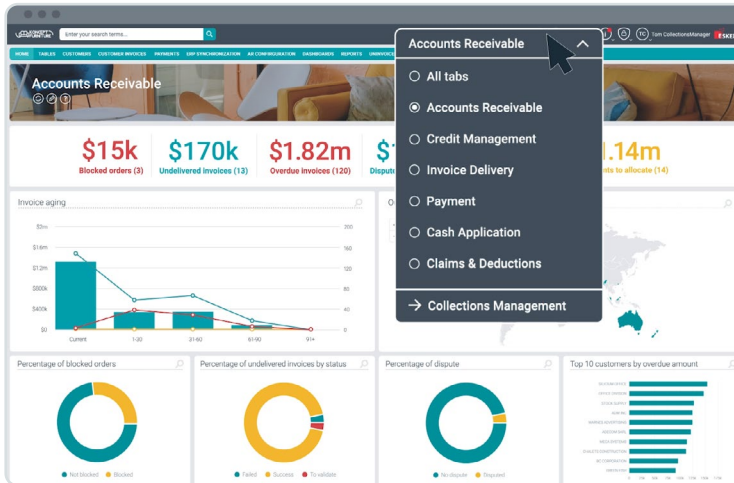
Enter: AI-powered automation. By eliminating manual inefficiencies and effortlessly handling complex scenarios like deductions and remittance management, solutions like Esker's ensure faster reconciliation, reduced DSO and improved organizational financial health. This desperately needed efficiency empowers AR teams to transcend tedious tasks and drive strategic growth for the Office of the CFO and company.

Ultimately, automating cash application is more than a process or workflow upgrade — it's a true competitive advantage for their entire business.

Beyond cash application

Esker's Accounts Receivable solution suite

Managing cash application is just one aspect of the broader AR process. That's why Esker provides a comprehensive and scalable Accounts Receivable solution suite designed to optimize the entire invoice-to-cash cycle. By automating key functions such as credit management, customer invoicing, payment, cash application, deductions management and collections management, Esker drives efficiency across every stage. This end-to-end approach helps the Office of the CFO to accelerate cash collection, reduce DSO, improve cash forecasting and optimize working capital.



Credit Management

Secure revenue with optimized credit approval and risk monitoring.

Invoice Delivery

Ensure global compliance while automating the delivery of invoices.

Payment processing

Increase your chances of getting paid with online payment capabilities.

Cash Application

Allocate payments fast and accurately with AI-powered automation.

Claims & Deductions

Use AI assistance to quickly resolve disputes and curtail short pays.

Collections Management

Prioritize tasks with AI-driven predictions and risk analysis to collect cash faster.

Hi, we're Esker

Founded in 1985, Esker is the global authority in AI-powered business solutions for the Office of the CFO. Leveraging the latest in automation technologies, Esker's Source-to-pay and Order-to-Cash solutions optimize working capital and cashflow, enhance decision-making, and drive better collaboration and human-to-human relationships with customers, suppliers and employees.



40

years of experience
with 20+ years focused
on cloud solutions



1,100+

employees serving
1.12M+ users & 3,000+
customers worldwide



15

global locations
with headquarters in
Lyon, France



€205.3

million in revenue
in 2024



Business success is best when shared

At Esker, we believe the only way to create real, meaningful change is through positive-sum growth. This means achieving business success that doesn't come at the expense of any individual, department or company — everyone wins! That's why our AI-driven technology is designed to empower every stakeholder while promoting long-term value creation.



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