

Evaluated Receipt Settlement (ERS): invoiceless settlement based on the goods receipt

Evaluated Receipt Settlement (ERS) is a supplier settlement method in which payment is generated not on the basis of a supplier invoice, but automatically from the goods receipt and the contractually agreed prices. In practice, the invoice is created by the recipient rather than the supplier – hence also the terms self-billing or invoice deduction. ERS is a proven element of modern Procure-to-Pay (P2P) processes and significantly reduces invoice processing effort.

Key facts

- ERS generates the invoice automatically from the goods receipt and master data rather than from a supplier invoice.
- The basis is a framework agreement or purchase order with an agreed price and defined ERS terms.
- Typical application areas are regular series deliveries, just-in-time supply and repeat parts with stable prices.
- The process eliminates common sources of error such as quantity or price discrepancies between purchase order and invoice.
- Prerequisites are high-quality master data, reliable goods receipt recording and suitable supplier classification.
- Scope and price bindingness must be clearly governed contractually, including tax advice on a case-by-case basis.

Definition: Evaluated Receipt Settlement

Evaluated Receipt Settlement (ERS) is a settlement method in procurement in which payment to the supplier is derived directly from the evaluated goods receipt. The ERP system multiplies the received quantity by the price stored in the contract or purchase order and generates a self-billing document from it, which serves as the basis for payment. The classic invoice dispatch by the supplier is dispensed with entirely.

Distinction from traditional invoice verification

In the standard process, purchase order, goods receipt and supplier invoice come together as three separate documents and are checked via a three-way match. Under ERS, the invoice document is eliminated; the match is reduced to two elements, namely purchase order and goods receipt. This lowers the review effort and systematically eliminates invoice discrepancies rather than clarifying them retrospectively.

Terminological classification

In English, ERS is often referred to as self-billing, invoice deduction or receipt-based settlement. Internationally, the term Pay Based on Receiving is also common. Within the scope of invoice automation, ERS is the most consistent form of invoice automation, as the document does not need to be created in the first place.

Methods and approach for introducing ERS

The introduction of ERS does not succeed across all material groups, but follows a structured selection of suitable transactions and suppliers. First, it is checked whether a stable, binding price is stored and whether the delivery can be clearly matched to the purchase order and the goods receipt. On this basis, the process is built up step by step.

Supplier selection and preparation

Suitable suppliers are typically those with a high degree of automation, reliable delivery capability and regular repeat settlements. Sound supplier classification helps to identify candidates for whom the process shows stable quantities and prices. In advance, contractual agreements on tax liability, payment terms, conditions and settlement periodicity must be clarified, in individual cases with tax advice.

- Select suitable material groups and suppliers
- Supplement contracts and conditions with an ERS agreement
- Review master data (prices, units of measure, taxes)
- Ensure goods receipt processes and recording quality

Process design in the system

In the system, an ERS indicator is set for each purchase order or contract. After the goods receipt has been recorded, the system generates the self-billing document, usually bundled at settlement intervals, for example weekly or monthly. Connection to the supplier is frequently established via e-procurement interfaces or supplier portals, so that transparency exists regarding settled quantities and amounts. The execution process should be documented with clear responsibilities in procurement and financial accounting.

Integration into Procure-to-Pay (P2P)

ERS is an integral part of an end-to-end Procure-to-Pay (P2P) design and relieves the interface between procurement and accounting in this context. The GR/IR clearing account in particular benefits, because purchase order, goods receipt and payment all originate from the same data set and discrepancies become apparent much faster. In just-in-time supply with short cycles, ERS is often the only practicable settlement form, as invoice run times would otherwise slow down the process.

Key KPIs for ERS

The success of ERS can be managed with a few practical key figures. The focus is on process costs, data quality and the degree of automation in the invoice area.

Process costs and cycle times

Typically, the processing cost per invoice in manually organised processes is significantly higher than in automated methods. ERS reduces these costs because the document is eliminated. In practice, cost

reductions in the range of 50 to 80 per cent compared with manual invoice verification are often cited as benchmarks; the actual amount depends strongly on the starting level.

Quality of master data and settlement accuracy

Since the settlement is generated from master data, the error rate of price and quantity maintenance is a key control variable. Regular reconciliations between goods receipt and payment status show whether the process is running stably. The reconciliation of the GR/IR clearing account also serves as an early warning indicator for suspense items.

- Proportion of ERS-capable line items of the total volume
- Error rate in master data prices
- Number of subsequent price changes

Relationship with other procurement metrics

ERS also affects overarching procurement metrics, such as delivery reliability and the quality of goods receipt recording. Errors in the goods receipt feed directly through to the payment under ERS, which is why recording discipline in the warehouse takes on heightened importance. Within procurement cost centre reporting, the relieved processing costs can be traced in a transparent manner.

Risks and controls in ERS

ERS shifts process risks from invoice verification to master data maintenance and goods receipt recording. Anyone with weaknesses here may post incorrect amounts or even pay twice. Effective controls and clear governance are therefore a prerequisite.

Data quality as the main risk

Outdated prices, incorrect units of measure or incomplete tax codes lead directly to incorrect payments. Price dynamics, for example in raw material or energy prices, require contractually agreed adjustment mechanisms or regular updating of contract data. Without sound catalogue management and master data processes, ERS is barely viable in practice.

- Regular price and condition audits
- Four-eyes principle for master data changes
- Reconciliation of settlement versus supplier information

Tax and legal aspects

Self-billing creates VAT particularities, especially with regard to the documented invoice details. The design is country-dependent and must be reviewed case by case; in practice, a binding clarification with the tax department and the supplier is frequently sought for this purpose. The contractual foundations, such as sourcing, price and settlement agreements, should be formulated unambiguously.

Supplier acceptance and process discipline

Not every supplier accepts the waiver of their own invoices, as they partly give up control of their receivables monitoring. Transparent supplier information about settled quantities and open payments is therefore important. Internal delivery lead time variation and the quality of the goods receipt must also remain controlled, as quantity errors in the goods receipt can more easily go unnoticed without an invoice match. A quality inspection system, for example in accordance with ISO 9001, supports the necessary traceability of recorded quantities.

Current developments around ERS

ERS remains a proven method that receives additional impetus from digitalisation and platform solutions. The trend is towards end-to-end automated P2P chains, in which ERS is integrated as a special form of invoice automation.

Digital connectivity and platforms

Modern e-procurement platforms and supplier portals make ERS easier to implement because they provide transparency across purchase order, goods receipt and settlement. Electronic exchange formats and standardised reconciliation lists replace the classic invoice dispatch. This also makes supplier changes easier, as new suppliers can be integrated into a standardised settlement process more quickly.

ERS in the context of strategic procurement topics

The selection of ERS-capable transactions can be combined well with strategic instruments, such as the commodity group board for managing material groups or structured tender management. When prices are calculated as binding using clean-sheet costing or a bid matrix, a solid data basis for self-billing settlement is created. Market monitoring also makes it possible to recognise when price adjustments require updates to the master data.

Typical metrics

Proportion of ERS-capable line items: typically 20–40 % of series business

Proportion of procurement volume that can be handled via ERS

Processing cost per settlement: often a 50–80 % reduction vs. manual invoice processing

Benchmark; strongly dependent on the starting level of the process

Master data error rate for prices: < 1 %

Key target figure, as price errors lead directly to incorrect payments

GR/IR clearing rate: > 95 % on time

Indicator of the stability of the ERS process

Practical example

A mid-sized mechanical engineering company supplies its production with series-bought-in parts from three main suppliers at two-week intervals. Previously, several hundred invoices per month with frequent quantity and price discrepancies had to be resolved at great effort. The company introduced ERS for these three suppliers and bundled settlement on a monthly basis.

- ERS agreement anchored in framework contracts and master data prices maintained as binding
- Goods receipt recording combined with scanning processes and quality inspection in accordance with ISO 9001
- Supplier portal set up with a monthly settlement overview
- Processing effort in accounting significantly reduced; GR/IR clearing continuously monitored

Conclusion

Evaluated Receipt Settlement is an effective method for systematically eliminating invoice processing

effort and streamlining the Procure-to-Pay process. It is particularly suited to series and repeat business with stable prices and reliable suppliers. Prerequisites are clean master data, disciplined goods receipt recording and clear contractual and tax provisions. Those who establish these foundations benefit from lower process costs and shorter cycle times. ERS does not replace strategic steering, but is a highly effective operational process variant within modern procurement.

Frequently asked questions

What does Evaluated Receipt Settlement (ERS) mean?

ERS is a settlement method in which payment to the supplier is generated automatically from the evaluated goods receipt and the contractually agreed prices. The supplier does not issue an invoice of their own. In practice, this is also referred to as self-billing or invoice deduction.

What prerequisites does ERS require within a company?

Key requirements are a binding price in the purchase order or contract, precise goods receipt recording and high-quality master data. In addition, contractual and tax issues should be clarified in advance. Supplier classification helps to select suitable partners.

Which procurement transactions is ERS suitable for?

Typically suited are series and repeat parts, just-in-time deliveries and suppliers with stable framework conditions. Unsuitable, by contrast, are projects, one-off orders or transactions with highly variable prices and quantities, as the review effort of self-billing outweighs the benefits here.

What advantages does ERS offer over traditional invoice verification?

ERS saves processing costs, reduces discrepancies and shortens cycle times because the invoice document is eliminated. The three-way match is reduced to purchase order and goods receipt. In addition, the error rate in financial accounting falls, as the same system data forms the basis.

How does ERS relate to the GR/IR clearing account?

Since purchase order, goods receipt and settlement all stem from the same data set, GR/IR clearing can be reconciled particularly cleanly and quickly under ERS. Suspense items are identified earlier. This facilitates period-end closing in financial accounting.

Are there tax particularities with ERS?

Yes, with self-billing, VAT requirements regarding the documented invoice details must be observed. The design is country-dependent and should be reviewed on a case-by-case basis with the tax department or external advisers. The contract should clearly govern the settlement terms.