Order to cash (O2C)

Process Definition Document (PDD): template and worked example

Example company (fictional): Kalderveen Packaging Systems B.V., a maker of industrial packaging machines and spare parts in Eindhoven, Netherlands (about 650 employees).

Document control

Field	Value
Process name	Order to cash (O2C)
Process owner	[Name, role]
Prepared by	[Name]
Reviewed by	[Names of the people who do the work]
Approved by	[Name, date]
Version	1.0 (as-is)
Status	Draft

How to use this template

This is a complete process definition document (PDD) for the order to cash process, also called O2C, order-to-cash cycle or the sales order process from order to payment. It covers the full cycle, from a customer order arriving to the cash being applied against the invoice, and describes how it runs today at a fictional machine builder. Narrower templates such as quote to sales order or invoice disputes cover a single part of this flow. This one links them end to end.

Use it as a starting point. Replace the company details, keep the sections, and walk through each step with the people who do the work, from sales administration to the credit controller. Most teams change the credit limits, the invoicing trigger and the dunning days. The structure stays the same.

- Replace the company and systems with yours. If you invoice from a different trigger, such as delivery confirmation or milestone, change steps 13 to 15.
- Set your own credit rules, the price deviation limit and the dunning days. These differ more than anything else between companies.
- Check the percentages with real data. One month of orders usually shows how many are changed, blocked or short shipped.
- If you sell services or subscriptions, replace the pick and ship steps with the delivery or usage step that triggers billing.
- Walk through the steps with the order desk and the collectors, not only the managers. The workarounds are where the time goes.
- Keep the as-is version even after you redesign the process. It is your baseline for measuring the change.

1. Purpose and scope

This procedure describes how Kalderveen Packaging Systems turns a confirmed customer order into cash in the bank. It gives sales administration, credit control, logistics, billing and accounts receivable one shared description of who does what, so that orders ship complete, invoices go out on the day of shipment and customers pay on time.

In scope

- Customer purchase orders for spare parts and standard machines, received by email, EDI or the web portal
- Credit check, order confirmation and delivery planning

- Picking, shipping, invoicing and credit notes for returns
- Collections, dunning and cash application

Out of scope

- Quotation and tender preparation
- Installation and commissioning projects billed by milestone
- Intercompany sales
- Warranty claims and field service contracts

2. Process at a glance

Item	Description
Trigger	A customer purchase order arrives in the order desk mailbox, by EDI or through the web portal.
Starts when	The Sales Administrator registers the order in Dynamics 365.
Ends when	The customer payment is applied and the invoice is closed in Dynamics 365.
Inputs	Customer purchase order, Approved quotation or price list, Customer master record and credit limit, Stock and production availability, Payment terms
Outputs	Order confirmation, Delivery note and shipment, Customer invoice, Dunning letters, Applied cash and a closed receivable
Volume	About 22,000 orders a year, roughly 90 per working day
Working hours	Monday to Friday, 07:30 to 17:00. Shipments leave at 14:00 and 16:30.

3. Roles and responsibilities

Role	Responsibilities
Sales Administrator	Registers customer orders, checks them against the quotation, issues the order confirmation and answers customer questions about status.
Account Manager	Approves price deviations and non-standard terms and is the commercial contact for large customers.
Credit Controller	Checks credit limits, releases blocked orders, sends reminders and agrees payment plans with overdue customers.
Planner	Confirms stock and production availability and sets the delivery date.
Warehouse Operator	Picks, packs and ships the order and posts the goods issue.
Billing Clerk	Creates and sends invoices and credit notes after shipment and checks them for tax and price errors.
Accounts Receivable Accountant	Applies incoming payments, clears open items and reports the ageing of receivables.
Finance Manager	Approves credit limit increases, bad debt write-offs and credit notes above 5,000 EUR.
Customer (external)	Sends the order, receives the goods and the invoice, and pays.
Carrier (external)	Transports the goods and delivers proof of delivery.

4. Systems

- Microsoft Dynamics 365 Finance and Supply Chain: orders, stock, invoicing, receivables
- Customer web portal and EDI gateway: electronic orders
- Microsoft Outlook: order desk and collections mailboxes
- Carrier portal: shipment booking and tracking
- Excel: overdue account follow-up list
- ING Business bank statements (MT940): payment import

5. Process map

Process diagram goes here

Draw one lane per role from section 3, the steps from section 6 in order, and a diamond for each decision in section 7.

6. Procedure, step by step

#	Step	Who	What happens	System	Output
1	Receive the order	Sales Administrator	Collects orders from the order desk mailbox, the EDI gateway and the portal. About 55% arrive by email, 30% by EDI and 15% through the portal.	Outlook, EDI, portal	Order ready to register
2	Validate customer and items	Sales Administrator	Checks that the customer exists and the item numbers, quantities and delivery address are valid. Incomplete orders (about 8%) go back to the customer with a question.	Dynamics 365	Valid order, or question sent
3	Enter the sales order	Sales Administrator	Keys the order lines and picks up prices from the customer price list or the approved quotation. EDI orders create the sales order automatically and only need review.	Dynamics 365	Sales order in draft
4	Approve price deviations	Account Manager	Reviews orders where the price differs from the price list or quotation by more than 3%, or where the customer asks for non-standard terms (about 7% of orders).	Outlook, Dynamics 365	Approved or corrected prices
5	Run the credit check	Credit Controller	The system compares open receivables plus the new order against the credit limit. Orders within limit and without overdue items over 30 days pass automatically; the rest (about 6%) are blocked.	Dynamics 365	Order released or credit blocked
6	Resolve a credit block	Credit Controller	Calls the customer, asks for prepayment or a payment on the overdue items, then releases the order. A limit increase goes to the Finance Manager (step 7).	Dynamics 365, phone	Order released, held or limit request
7	Approve a limit increase	Finance Manager	Reviews payment history and decides whether to raise the credit limit. Without approval the order stays blocked and the customer is told.	Dynamics 365	New credit limit, or refusal
8	Check availability and promise a date	Planner	Reserves stock and checks the production schedule for items not in stock. Spare parts in stock get a delivery date of the next working day; machines are promised from the production plan.	Dynamics 365	Confirmed delivery date
9	Send the order confirmation	Sales Administrator	Sends the confirmation with prices, quantities, delivery date and payment terms. A customer who disagrees triggers a change to the order.	Dynamics 365, Outlook	Order confirmation sent
10	Handle order changes	Sales Administrator	Applies customer changes to quantity or date before picking starts and re-confirms. Changes after picking go to the Warehouse Operator	Dynamics 365, Outlook	Updated order and confirmation

#	Step	Who	What happens	System	Output
			first. About 12% of orders change at least once.		
11	Pick and pack	Warehouse Operator	Prints the pick list on the day before the delivery date, picks the items, checks quantity against the list and packs them. Short picks (about 4%) are reported to the Planner.	Dynamics 365 warehouse app	Packed order
12	Book the shipment	Warehouse Operator	Books the carrier, prints the label and the delivery note and hands over at the 14:00 or 16:30 pickup.	Carrier portal	Shipment booked, delivery note printed
13	Post the goods issue	Warehouse Operator	Posts the packing slip so that stock is reduced and the order becomes ready to invoice. Partial shipments are posted as they leave.	Dynamics 365	Goods issue posted
14	Create the invoice	Billing Clerk	Runs the invoicing batch every day at 17:00 for all shipped orders. Checks the invoice proposal for tax code, currency and price.	Dynamics 365	Invoice proposal
15	Post and send the invoice	Billing Clerk	Posts the invoice and sends it as PDF or through the customer's e-invoicing network. Invoices on the day of shipment reach about 90% of orders.	Dynamics 365, Outlook	Posted invoice sent to the customer
16	Issue a credit note for a return	Billing Clerk	Creates a credit note when goods are returned or a price error is confirmed. Credit notes above 5,000 EUR need the Finance Manager. About 3% of invoices are credited.	Dynamics 365	Posted credit note
17	Import bank statements	Accounts Receivable Accountant	Imports the MT940 bank file every morning and lets the system propose matches by invoice number and amount. About 75% match automatically.	Dynamics 365, ING bank file	Matched and unmatched payments
18	Apply unmatched cash	Accounts Receivable Accountant	Matches the remaining payments by hand, asks the customer for remittance advice where needed, and posts short payments as open differences.	Dynamics 365, Outlook	Cash applied, invoice closed
19	Send reminders	Credit Controller	Sends a first reminder 7 days after the due date, a second at 21 days and a call at 30 days. Disputed items go to the Account Manager.	Dynamics 365, Outlook	Reminders sent, calls logged
20	Escalate or write off	Credit Controller	Places customers over 60 days overdue on a stop list and hands over to the collection agency after 90 days. Write-offs need the Finance Manager.	Excel, Dynamics 365	Stop list updated, write-off request
21	Report receivables	Accounts Receivable Accountant	Produces the ageing report on the first working day of the month and checks that the receivables ledger agrees with the general ledger.	Dynamics 365, Excel	Ageing report and reconciliation

7. Decision points and business rules

- Is the order complete and valid? No: ask the customer and keep the order in draft (step 2).
- Does the price deviate more than 3% from the price list or quotation? Yes: the Account Manager approves (step 4).
- Is the customer within the credit limit with no item over 30 days overdue? No: block the order (step 5).
- Can the Credit Controller release the blocked order? Only after payment, prepayment or an approved limit increase (steps 6 and 7).
- Is the stock available for the requested date? No: the Planner offers a later date or a partial delivery (step 8).
- Does the payment match the invoice by number and amount? No: apply by hand or ask for remittance advice (step 18).
- Is the customer more than 60 days overdue? Yes: stop deliveries, and after 90 days hand over to collections (step 20).

8. Exceptions

- Rush order (about 5%): the Planner confirms the date the same day and the Warehouse Operator picks outside the normal schedule. Credit check still applies.
- Partial shipment (about 9%): invoice what has shipped and keep the rest of the order open.
- Goods damaged in transit (about 1%): the customer reports within 3 working days, the carrier claim is opened and a credit note or replacement follows.
- Customer pays several invoices in one transfer: apply by remittance advice and post any difference as open.
- Credit controller absent: the Finance Manager names a deputy for releases of blocked orders.

9. Controls

- Segregation of duties: whoever enters an order cannot release a credit block or post the cash against it.
- Automatic credit check on every order before it can be picked.
- Price deviation approval above 3% by the Account Manager.
- Invoices can only be created from posted goods issues.
- Credit notes above 5,000 EUR and all write-offs approved by the Finance Manager.
- Monthly reconciliation of the receivables ledger to the general ledger.
- Invoices and order documents kept for 7 years under Dutch tax law.

10. Known issues today

- Email orders are retyped, which causes most of the incomplete or wrong orders.
- Credit blocks are found late in the day, so shipments miss the 14:00 pickup.
- Changes arrive by email and phone, and warehouse and sales do not always see the same version of the order.
- Unmatched payments are chased by email because customers do not quote invoice numbers.
- The overdue follow-up list in Excel is kept by hand and differs from what the system shows.

11. RACI matrix

R = responsible (does the work), A = accountable (owns the outcome), C = consulted, I = informed.

Activity	Sales Admin	Account Mgr	Credit	Warehouse	Billing	AR / Finance
Register and confirm orders	A/R	C	I			
Approve price deviations	R	A				
Credit check and release	I	C	A/R			C
Pick, pack and ship	I			A/R	I	
Invoice the order	I			C	A/R	
Issue credit notes	C	C		C	R	A
Apply incoming cash			C		I	A/R
Collections and dunning	I	C	A/R			C

12. KPIs

KPI	Definition	Target
Order entry time	Average working hours between the order arriving and the order confirmation being sent.	[set]
On-time in-full delivery	Share of order lines shipped complete on or before the confirmed	[set]

KPI	Definition	Target
	delivery date.	
Invoicing on shipment day	Share of shipped orders invoiced on the same working day. Today about 90%.	[set]
Days sales outstanding (DSO)	Open receivables divided by credit sales, times the number of days in the period.	[set]
Overdue receivables over 60 days	Value of invoices more than 60 days past due, as a share of total open receivables.	[set]
Auto-match rate	Share of incoming payments matched to invoices without manual work. Today about 75%.	[set]

13. Revision history

Version	Date	Author	Change
1.0	[date]	[name]	First as-is version

Free template from processfix.ai. You may copy and adapt it. The company in the example is fictional.