

A blue technical drawing of a mechanical component, possibly a compressor or motor housing, is overlaid on the left side of the image. It includes various dimensions and labels such as '13807 164 31', '16307 164 21', 'C-C (1:3)', 'Ø10', 'Ø79.8', 'Ø72', '41.8', '30.6', '18.5', and '10.5'.

CASH POOL

15-11-2022

František Adamec

Presenter and the Company

Who are we?

- František Adamec,
 - position: finance manager, Bank&Intercompany and Travel&Expense
 - regions of responsibility:
 - Europe and South America (direct)
 - North America and Africa (indirect)
 - education (fields):
 - finance (accounting, taxes and financial management), economy and insolvency (revitalization of economical units), law, secondary school teacher for professional subjects, European studies and public administration

- **Atlas Copco**

- good to know: Atlas Copco is everywhere!
- main areas: compressor technique, industrial technique, power technique and vacuum technique
- **Third quarter results:**
 - Revenues increased 37% to MSEK 38 074 (27 824), organic growth 18%
 - Operating profit was MSEK 8 378 (6 000), corresponding to a margin of 22.0% (21.6)
 - Profit before tax amounted to MSEK 8 448 (5 945)
 - Operating cash flow at MSEK 5 705 (4 664)
 - Return on capital employed was 29% (27)
- **More info:**
<https://www.atlascopcogroup.com/en>



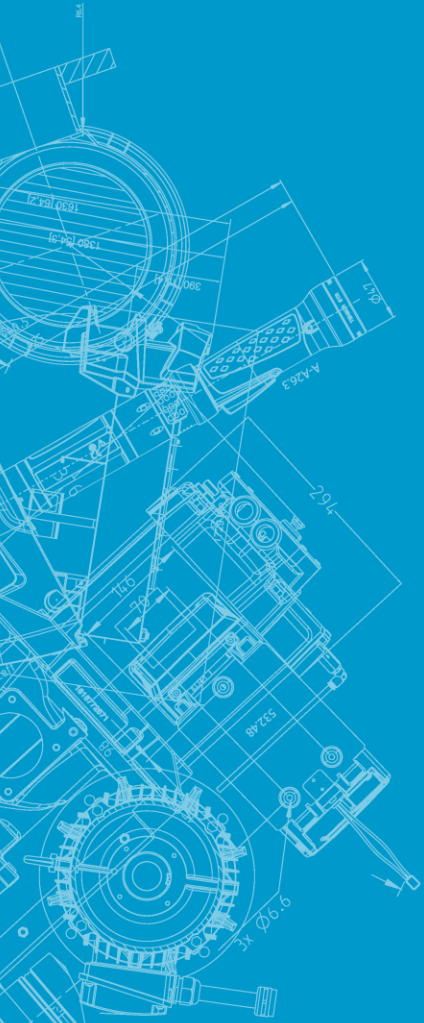
CONTENT

1. Cash pool
 - a. Definition
 - b. Account types
 - c. Importance
 - d. Governance
2. Cash Pool Booking
 - a. Duties
 - b. Booking conditions
 - c. Recons
3. Automation
 - a. How does it work
 - b. How you can use it



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What is it and who is who – Cash Pool?

- **optimization tool for:**

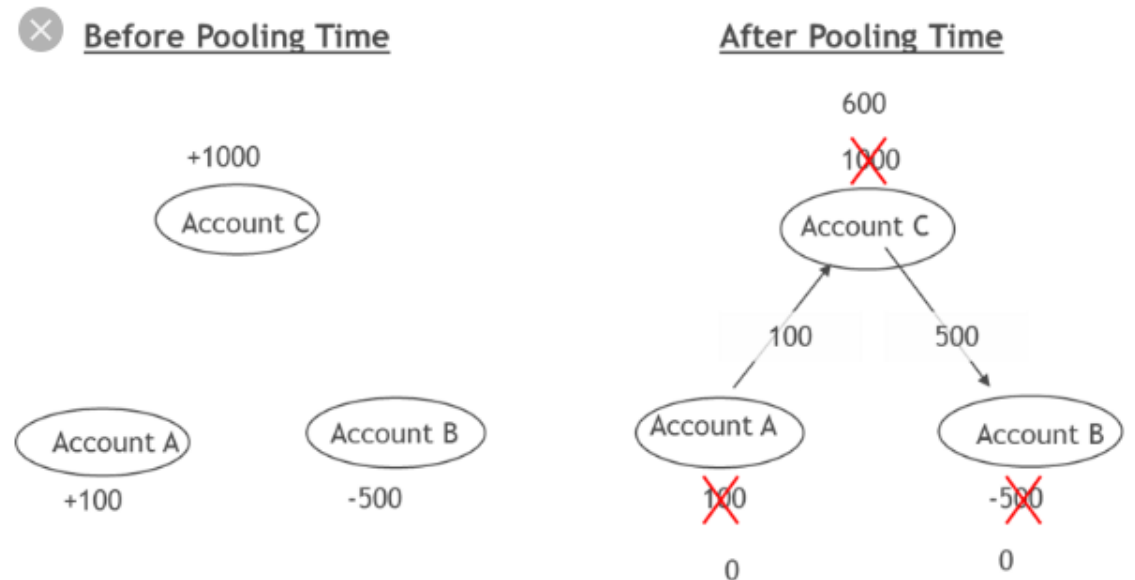
- ✓ business accounts
- ✓ cash flow
- ✓ P&L
- ✓ risks

- **cash pool master vs. cash pool holder:**

- ✓ cash pool master – collector for subordinate units and subordinate to cash pool holder
- ✓ cash pool holder – money owner

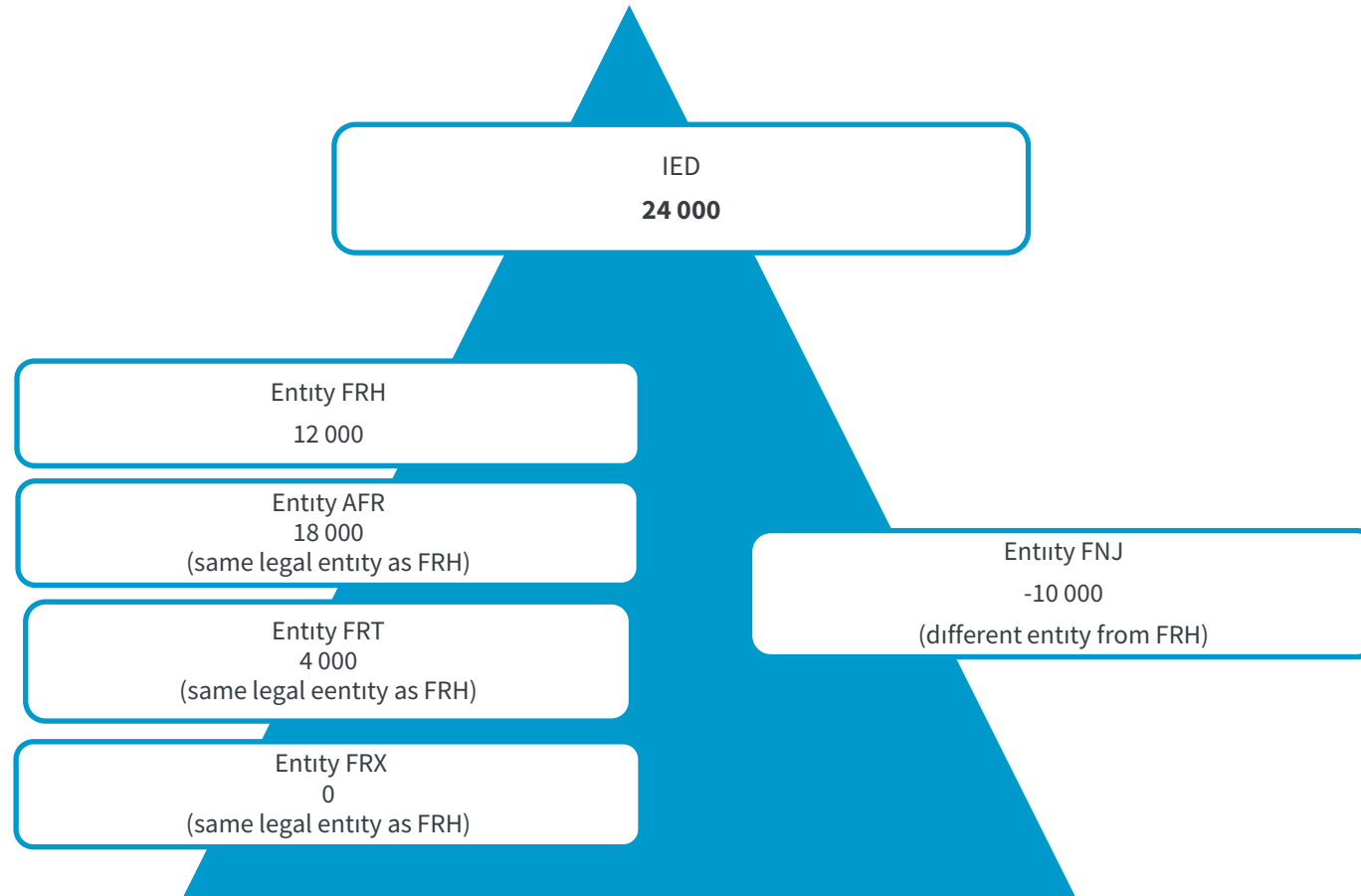
- **in-house vs. bank managed cash pooling**

- ✓ who is primary responsible for cash pooling procedures (each time you need an agreement with bank)
- ✓ in-house usually only for large companies, bank managed available for all



AC Cash Pool and liquidity

How does it work?



Cash Pool and importance for big companies

- **optimization tool for:**

- ✓ business accounts
- ✓ cash flow
- ✓ P&L
- ✓ risks

- Business accounts – many accounts in the group, but also in one legal entity or entity
- Cash Flow – better overview about money owner, total amount per country, net income (real money or only accounting money?), liquidity (very important)
- P&L – lower bank costs (no need to borrow money outside), transfers without fees among business accounts and on day when signed in bank (also for interbank transfers!), possibility to lend other (legal) entities
- Risks – mitigation (e. g. no risk for AC as group)

Governance

If you are big, corporate governance is a must

- Governance is a must if your shares are available for public (market).
- Governance system (rules) which defines rights and duties among stakeholders
 - coordination among inside bodies (executive management, employees, shareholders etc.) and external bodies (suppliers, customers, banks, public authorities etc.)
 - guide and principles
- Governance in cash pool is one of the most critical one:
 - operations with disposable money
 - international environment with all consequences
 - very individual in each company/group

- Practical example in AC
 - THE WAY (The Way We Do Things)
 - described relationships,
 - vision, mission, long-term goals,
 - standard (operation) procedures,
 - how to handle with exceptions,
 - who accountable when / for
 - Standard procedures for finance – cash pooling
 - if possible, bank accounts of each entity must be under cash pool (exceptions only after approval)
 - currency orientation in cash pool (more currencies, not only local/domestic one)
 - responsibilities of Atlas Copco Finance (treasury), Atlas Copco Board (presidents/vice-presidents), entities (general managers, business controllers, finance managers) etc.
 - who can see what, when

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 - b. How you can use it

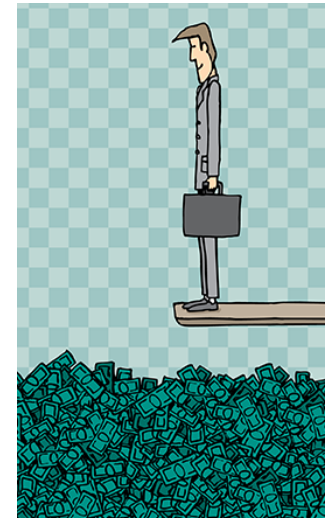
Types of Cash Pool – how does it work?

- **there are two main types of cash pool:**

- *financial (direct, real) cash pool*
 - real money transfers from one account to top account (cash pool account)
 - rule base (after each payment, one per day, week, month, after conditions meet
 - zero balance, target balance, fork balance)
 - special type: reversal cash pool
- *fictional (indirect, unreal) cash pool*
 - no real transfers
 - independent accounts
 - only for P&L

- **tricky fields – cash pool**

- internal or unfinanceable cash pool (no cash pool, only pretending – similar to liability and claims)
- exchange cash pool (if you are cash pooling foreign currency to home currency of top account)
- cash deposit pool – deposit on top account on behalf of subordinate account (entity)
- legal holder vs. real holder



AC Cash Pool - booking

Why should we book?



- accounting point of view and obligatory for real cash pool (there are real transfers on statement)



if you do not book it, then it is neglect of duty

not only wrong records,

but also can be classified as a crime



threat for a legal entity and entire group

Cash pool – accounting

- **real Cash Pool has to be booked in accounting**

- it is a standard operation in bank, so movement is booked on statement
- cash pool statement should be available for each account to check balance
- cash pool has to be booked as liability operation or claim (asset) operation

- **general booking**

- if amount on statement is positive, the same amount has to be deducted and sent to top account (and on the contrary)

- **fictional Cash Pool is only recon**

- can be booked in accounting or not (depends on business decision)
- can be booked only as non-financial operation! (another line in general ledger)
- no risks of sharing money (money are still under its real owner)

Treasury Management Systems (TMS)

- big companies have TMS which allows:
 - all activities related to areas on the picture next to
 - automated solutions for bank statements, cash pool statements, interest statements etc.
 - automatically identification of incomers and debtors
- practical example in AC
 - treasury system FIS/Quantum
 - immediate access to the latest date of liabilities, assets, positions of each company in cash pooling
 - creation/agreement for bank guarantees
 - request for intercompany loans and deposits
 - FX spot request
 - interest calculation



Examples from Quantum/FIS

SUBSIDIARY DEPOSIT REQUEST

New Subsidiary Deposit Request

New Save

My Company

Face Value

Loan / Deposit
Deposit

Maturity Date Mirror Request Status
New

Strategy
Financial

FX SPOT REQUEST BY BUY AMOUNT

New FX Spot Request by Buy amount

New Save

Deal Number Instrument
FX Spot

Counterparty My Company
IED

CCY and Amount to Buy CCY to Sell

Delivery Date Term

ACCRUALS — QUERY

INTREC Statement

3321549 a few seconds ago Run Query

AS AT DATE START DATE END DATE TRANSLATION LEVEL TRANSACTION TYPE EQUAL TO COUNTERPARTY NAME DOESNT CONTAIN COUNTERPARTY CODE EQUAL TO
12 Nov 2022 1 Oct 2022 31 Oct 2022 NONE Money Market ATLAS

DEAL NUMBER NOT ONE OF
169725, 169728

VIEW
INTREC Statement -

Konec hledání 1 z 2 100%

Hlavní sestava

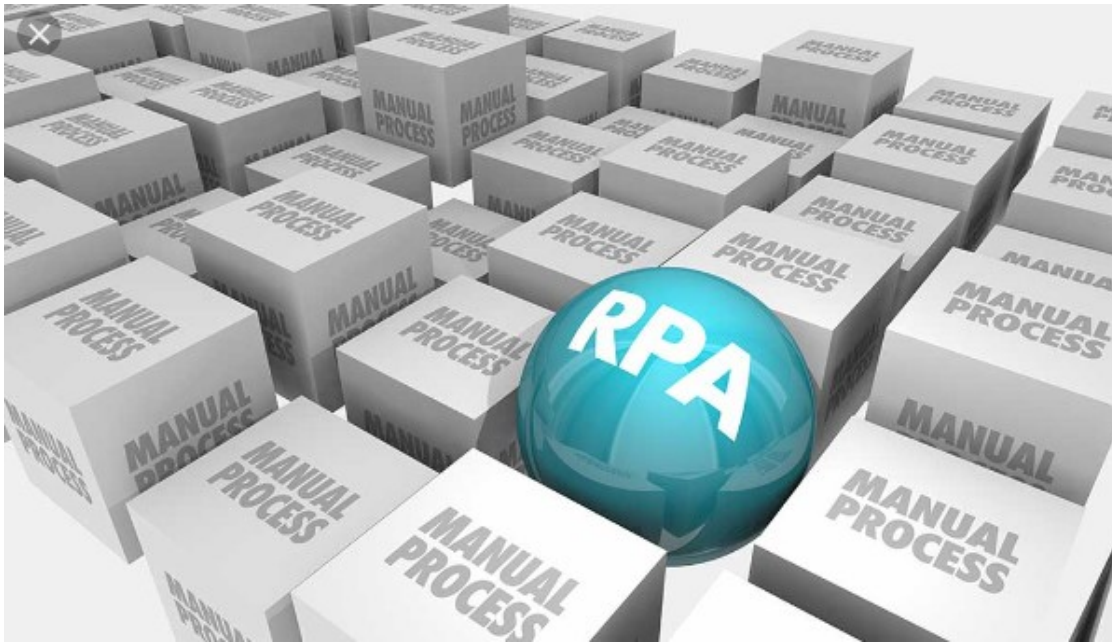
Run Date: 12-Nov-2022 02:51:18 PM User: Frantsek
From : 01-01-2022
To : 31-01-2022
As at : 12-01-2022

CPTY	Asset / Liability	Dealno	CCY	Instrument	Accrual Start Date	Accrual End Date	Type	Borrow or Invest	Face Value	Unrealised Interest	Realised Interest	Sum
CLK LIABILITY		289356	EUR	Short Term Loan Fixed	25.10.2022	03.11.2022	INTR	BORROWING	-280 000,00	-38,11	0,00	-38,11
					Total		EUR		-280 000,00	-38,11	0,00	-38,11
CLK LIABILITY		289323	USD	Short Term Loan Fixed	26.10.2022	03.11.2022	INTR	BORROWING	-1 368 659,00	-707,14	0,00	-707,14
					Total		USD		-1 368 659,00	-707,14	0,00	-707,14

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AC Cash Pool - booking



- **current status in Atlas Copco**

- cash pool movements are booked fully automatically via bank statements and cash pool statements
- recons and reporting are done fully automatically – own RPA solution; if difference > alert bank&intercompany specialist (balance check each day!)
- TMS collects all info from all core banks and transfer them into in-house banking system > visibility for all responsible people and automated solutions

Practical example



In-house Bank Balance

Parameters: Query: 1.22.1 REC Cashpool IED
Entity: equal to
Bank Account Type: one of Cashpool, IHB
Transaction Type: one of Bank Account Balance, Bank Account Transfers

Run Date: 12-Nov-2022 03:20:20 PM
From : 31-07-2022
To : 31-07-2022
As at : 12-09-2022

Balance Calculation Based On: Account Setting

Value Date	Bank Value Date	Deal No	T/T	Instrument	Amount	ccy	Balance
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Account Number : EUR Account Name : EUR
31.07.2022 31.07.2022 OB

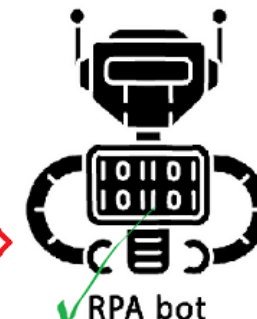
841,807.51 EUR
Closing balance : 841,807.51

Balance Display: G/L Accounts For the Ledger 0L

Document Currency Document Currency Document Currency Ind

Account Number 1960012 Cash Pool Account
Company Code
Fiscal Year 2022
Display More Chars
All Documents in Currency * Display Currency EUR Company cod

Period	Debit	Credit	Balance	Cumulative balance
Bal.Carryfor...				2,410,077,810
1	1,121,142,797	1,121,142,797	0,000,000	2,410,077,810
2	5,342,238,88	1,641,202,20	1,961,495,708	2,193,331,722
3	7,422,238,88	5,477,188,91	134,294,266	2,008,178,217
4	7,422,488,47	8,892,721,48	1,470,232,91	927,145,78
5	4,020,190,01	1,172,036,70	548,116,81	1,978,444,07
6	1,218,110,01	1,428,482,80	210,372,81	1,168,071,28
7	344.120,15	523.068,00	178.947,85	841.807,51
8				841.807,51



✓ RPA bot

Practical usage of TMS in FX risks

How it can work?

- **rule: hold only local currency, only minimal balances of other currencies (due to FX change risk)**

RPA solutions checks vendors items for upcoming payment run (within 2 business days) and identifies selected foreign currencies



raise a request in FIS/Quantum for exact amount of selected foreign currency (flow started)



payment date – RPA prepares the runs, foreign currency ready for release on the same date when runs is done (minimal FX risk)





Atlas Copco

Interested? Want to join?

<https://atlas-copco-services.jobs.cz/>



Atlas Copco

