



# The Benefits of Custom GL Mapping Systems & How to Leverage the Process for Fraud and Disputes Management

The concept of a general ledger (GL) system in accounting is nothing new. Now financial institutions across the globe can take advantage of applying customized GL accounts to gain better financial insight into complex areas of their business operations, specifically when it comes to fraud and disputes. In this article, our experts break down the benefits of custom GL transaction mapping systems for the chargeback management process, best practices for integrating these accounts, and how leveraging these practices with Quavo's QFD automated dispute management software streamlines the fraud and disputes process for issuers.

General Ledger Coding describes a record-keeping system for all your financial data. These accounts are meant to include all transaction information needed to produce a myriad of financial reports such as income statements and balance sheets. General Ledger accounts are most often categorized by credit and debit accounts for various transaction types and filtered into accounts for assets, liabilities, revenues, expenses, etc. This allows your accounting team to better realize the allocation of capital into your business.

## General Ledger (GL) Mapping for Fraud & Disputes

GL code systems and the details behind each account vary per organization. However, there are ways in which financial institutions can optimize GL accounts to improve their fraud and dispute management processes. Establishing "loss" GL accounts, accounts that track financial losses from disputed transactions that are organized by transaction type, offers invaluable insight into account holder trends, credit programs, operational practices, and more. In addition to loss accounts, establishing "suspense" GL accounts with which provisional credit funds can be held also helps issuers prevent losses from incurring during the early stages of the investigation process. A provisional credit is just that, provisional and temporary, suspense accounts should always hold a zero dollar balance. This account is a temporary placement of funds before an investigation is resolved and a chargeback is issued or denied. Suspense accounts help financial organizations have more accurate balance sheets and thus more accurate financial forecasts.

The term "auto write-off" describes the practice by financial institutions setting a minimum dollar amount to disputed transactions that are automatically refunded to the account holder without investigation. This practice is driven by the notion that sometimes the cost of investigating a dispute and recovering funds from the merchant is more expensive than simply refunding the account holder. Simply put, the benefits from "writing off" disputed charges that fall under a specific dollar amount outweigh the operational costs of investigating and recovering said charges.

# The Benefits of Custom GL Transaction Mapping Systems & How to Leverage this Process in Fraud and Disputes Management

## Loss Accounts

The overarching strategy behind GL account mapping is to provide organized financial tracking and insight to further business strategies and product development. Financial institutions and Fintech organizations can apply the benefits of GL account mapping to the chargeback management process by further organizing GL loss accounts by transaction type and even by product offering. Establishing a loss account for each specific credit plan, for example, helps organizations evaluate each credit offering by analyzing the patterns and frequencies of losses from disputed transactions – Losses that can result from auto write-offs, inefficient task management, errors in the recovery process, and much more.

The insights from transaction-based GL account mapping rely on an organization's ability to integrate customized accounting practices with its dispute management process. Quavo co-founder and managing partner David Chmielewski recommends issuers at least have separate loss accounts for each type of transaction they support, separating accounts by credit, debit, and ATM transactions.

GL customizations are not limited to transaction types. Financial institutions may also segment broad GL loss accounts by fraud and non-fraud disputes and user and card types. An organized GL loss account allows FIs to gauge risk appetite and identify where heavy losses are occurring. For example, prepaid issuers organizing loss accounts by closed-loop and open-loop cards are better equipped to determine if one type is more susceptible to fraud and why that may be.

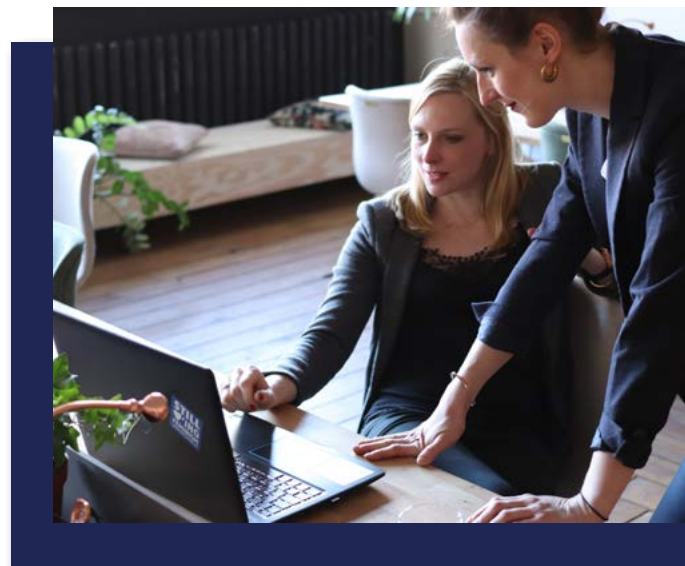
Establishing custom loss accounts helps businesses, provided that the custom GL system makes sense for the organization without becoming overwhelmingly complicated. Too many loss GL accounts with complex criteria can risk a disorganized and overwhelming GL integration that could do more harm than good to the chargeback management process.

Closed-loop prepaid cards are cards that cannot be reloaded with additional funds. Open-loop prepaid cards can be reloaded.

## Suspense Accounts

Suspense accounts allow operations and accounting teams to track ambiguous entries, helping teams track and organize provisional charges actively and efficiently. Adding a suspense account for provisional credit and merchant chargeback credit to your current ledger is vital for a streamlined fraud and dispute management process and your accounting and financial teams. A suspense account should always carry a zero balance, as it serves simply to hold disputed charges – credited or debited – during the investigation or arbitration process. Once a claim is approved or denied, the amount associated with it is reassigned to its final GL account.

Suspense accounts also help teams ensure the fraud and disputes process is running smoothly. Suppose a suspense account is holding a large positive or negative balance for a significant amount of time. In that case, it is clear that somewhere along, the dispute management process has broken down.



# The Benefits of Custom GL Transaction Mapping Systems & How to Leverage this Process in Fraud and Disputes Management

## Settlement Account

The third type of GL account that issuers can leverage in their chargeback management system is called a settlement account. This account is used to track the transfer and balance of funds between association networks (VISA®, Mastercard®, etc.) and issuing financial organizations.

## Advantages of Customized GL Accounts

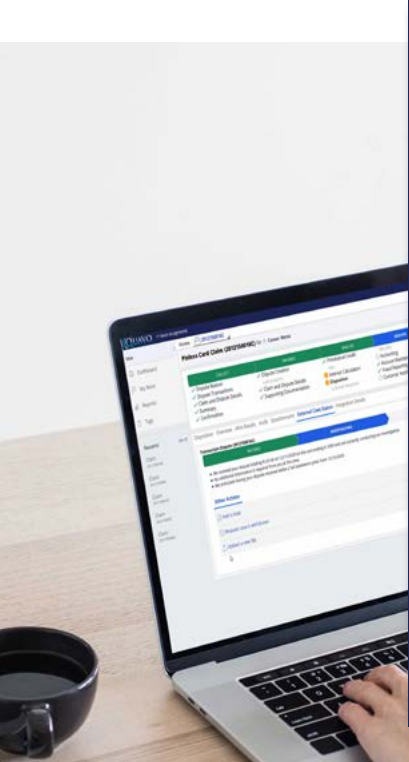
Customized GL transaction mapping carries a myriad of advantages for managing your fraud and disputes process. From business development to financial analysts and operations teams, these insights allow issuers to leverage best accounting practices to optimize their chargeback management process.

## Financial and Operational Visibility

One of the essential advantages of customizing GLs in transaction mapping is the financial and operational visibility it grants your team. Financial institutions can easily track losses, realize potential revenue, and allocate funds to various business processes without sifting through spreadsheets and thousands of transaction receipts. Fintech organizations can analyze loss rates and automatic write-offs to fraud in a “per transaction” fashion, helping to better tailor business strategies to increase client experience and optimize returns.

## Record-Keeping Practices

Applying a custom mapped GL system to a chargeback resolution software with automated technology enables automating traditionally manual record-keeping practices essential to a streamlined business process and sound fraud and dispute management solutions. This helps compliance teams be prepared for audits and fiscal reporting.



Quavo's entire Disputes as a Service offering allows financial institutions to automate the entire fraud and disputes process while supporting completely custom GL transaction mapping systems. Our QFD™ dispute resolution software integrates with loss, suspense, and settlement accounts, supporting whatever types of GL loss account an organization requires. Our automated software and AI technology features continued support after onboarding, adapting to customized accounting changes without requiring downtime or help from your internal IT teams. Pairing our automated fraud and dispute SaaS solutions with GL transaction mapping provides better support for all departments involved in the chargeback management process for improved cross-departmental operations.

Quavo's chargeback management solutions feature automation, AI technology, and back-office investigation services that assure compliance with built-in regulatory requirements that are continuously updated by our dedicated team of experts. To learn more about Quavo's fraud and dispute SaaS solutions, visit us online or via email at experts@quavo.com. Start automating for tomorrow, today.