Purchasing 101

The purchasing process in Agvance can be started in three different ways - the Purchase Order (PO), Purchase Receipt (PR), or the Purchase Invoice (PI). The end result of these transactions is the A/P Bill or the consumption of Vendor Prepay.

With three possible starting points, it is highly recommended to select and implement the process that works best for the company. Utilizing multiple starting points can impact inventory incorrectly.

For example, if starting with a Purchase Receipt then entering a Purchase Invoice independently, inventory will be impacted twice and an open, unprocessed Purchase Receipt will remain.

Purchase Orders

A Purchase Order is an agreement with the Vendor on the Product's quantity and price. POs give the ability to secure quantity and dollars with the Vendor and do not impact inventory. POs can optionally be marked as paid to increase the Vendor prepaid balance and create an A/P Bill to be paid. The PO is optional but provides benefits such as tracking the quantity that has been ordered, received, and invoiced to show how much product is yet to be delivered and at what price.

Company-wide POs allow for receiving product and updating inventory at multiple sites.

Drop shipments can be handled by using direct Ship POs to tie a Customer to the Purchase Order.

To set up auto numbering for Purchase Orders, edit the Location at *Accounting / Setup / Locations* and go to the *Preferences* tab. If this option is unchecked, a PO number can be entered manually per Purchase Order.

Purchase Receipts

The Purchase Receipt is then entered to relieve the Purchase Order. This updates inventory and the Estimated Average Cost if the Product is in an Estimated Average Cost department. The PR is optional but when added in a timely manner, it is possible to know exactly how much product is on hand at any given time.

Note: If not entering a PO, a direct Purchase Receipt is entered when product is received which updates the amount on hand and Estimated Average Cost (if applicable).

When the Product is received on a Purchase Receipt against a Direct Ship Purchase Order, a Delivery Ticket for the Customer is automatically created. This alleviates billing issues and ensures all product is correctly billed.

Purchase Invoices

The PR is then pulled into a Purchase Invoice to create the Vendor A/P Bill and updates Average and Last Cost.

With a direct Purchase Invoice, the Purchase Order and Purchase Receipt steps are skipped. The direct PI updates inventory and Average and Last Costs and creates an A/P Bill. This step is mandatory if tracking inventory because it updates the amount on hand and creates the Vendor A/P Bill.