

## IES Purchasing: PO Transaction and Tax Flow

### Purpose

The purpose of this Document is to demonstrate the Transaction flow generated by Purchase Orders, and how the automatic Tax Transactions are initiated.

### Summary of Order Types

CP = Central Purchasing  
 ASO = Automated Stock Orders  
 DDP = Delegated Direct Purchasing  
 MOD = Manufacture On Demand

### CP Order Example: CP1010

In this example, we will process Purchase Order CP1010, with 4 Line Items. In order to demonstrate how the system senses the need (or not) for Tax Transactions, we will use 2 Stock Items (1 Taxable and 1 not Taxable) and 2 Direct Items (1 Taxable and 1 not Taxable). We will place the Order on Supplier Code C0012.

On our Proforma, we use a Tax object that indicates that some Items on this Order may be Taxable and some not, depending on Stock Items included, and how Direct Items are flagged for Tax or not.

Order Number:	CP1010
Date Ordered	13/01/2006
Tax Type	15 Non-Capital Goods (Input) Vat
Re-Charge Tax	0 No Tax Record
Operator	Data Manager
Batch #	
Auth Code	
Fin Period	66 [Mar 2005]
Originator	dm Data Manager
Buyer	dm Data Manager

The Tax Type we use indicates that this Order may process Tax, i.e. some Items may include Tax, others perhaps not.

After preparing the Proforma, we show the following 2 Direct Items on it: -

### Direct Items

	Unit	Tax Incl Price	Quantity	Actual		Descr
1	ea	15.00	2.00	30.00		Non-Taxable Widgets
2	ea	10.00	1.00	10.00		Taxable Widgets

1 Direct Item will include Tax, the other not. There is no need to put it in the Description, we are just doing that for clarity in the example.

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And we show the following 2 Stock Items: -

Stock Code	Description	Stock Unit	Tax Incl Price	Quantity	Actual
00020001	CAUTION NOTE BOOK (BOOK)	01	EACH	1.50	20.00
00010003	FRAME TENSION POST PERREL	01	EA	25.00	3.00

Supplier Code	CO-0012
	Commercial Suppliers Inc
For Attention	
Currency	Local
Delivery Code	DEF Main Warehouse
Exp Delivery Date	12/02/2006
Stock Total	105.00
Direct Items	40.00
Order Total	145.00
Target Authoriser	dm Data Manager

The Order totals balance to the Direct and Stock Items included.



Indent Order ?

When capturing the Taxable Direct Item, it looks like this: -

Claim Tax Y/N	Y
Originator	dm Data Manager
Pr #	CP1010
Unit	EACH
Description	Taxable Widgets
Quantity	1.00
Incl Unit Price	10.00
Ledger Debit	10101010

For the Taxable Direct Item, we say "Y" to claim INPUT tax !

The Price we state is ALWAYS the Price we expect the Supplier to Invoice us for, regardless of whether Tax is included or not!



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When capturing the non-Taxable Direct Item, it looks like this: -

Claim Tax Y/N	n
Originator	dm Data Manager
Pr #	CP1010
Unit	EACH
Description	Non-Taxable Widgets
Quantity	2.00
Incl Unit Price	15.00
Ledger Debit	10101010

This time, for the non-Taxable Direct Item, we state "N" for Tax ...

The Price we state is ALWAYS the Price we expect the Supplier to Invoice us for, regardless of whether Tax is included or not!

The Stock Items are marked on the Stock Master as to whether Taxable or not, and when included on a Purchase Order, there is no need to re-visit the Stock Master, since this aspect is discerned automatically by the system.



Stock Master Key 00020001

### Ordering

Auto Landed Cost Levy

- Obsolete, do not Order !
- Attracts Import Duties ?
- Taxable ?
- Order From Any Supplier ?

Recommend	
1	c9-000 On
2	c0-0001 A:
3	c0-0002 Al

Stock Code 00020001 is marked for claiming Input Tax when included on a Purchase Order that at the same time uses a Tax Type. In other words, when included on a Purchase Order with a 'No Tax' indicator, it will not generate a Tax claim.

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Stock Master Key



## Ordering

Auto Landed Cost Levy

- Obsolete, do not Order !
- Attracts Import Duties ?
- Taxable ?



Recommended	
1	

Stock Code 00011003 is NOT marked for Tax, so in other words, it does not matter what kind of Purchase Order it is included on, it will never raise an Input Tax claim.

On a Purchase Order events processing screen, we will always see Order, Received and Invoice sections. Items that are still on Order (not yet received), will reflect on the ORDER grid. Items that have been already received, will reflect on the RECEIVED grid. Items that have been received AND invoiced will reflect on the INVOICE grid. In the normal sense (and excluding potential Credit Notes, Returns, etc.), an Order is fully processed when the ORDER and RECEIVED grids are empty, i.e. all Items are INVOICED.

PO NUMBER

>>> On Order	Code	Descr	Unit	Price	Quantity	Actual
1						

PO flow -

>>> Received	Code	Descr	Unit	Price	Quantity	Actual
1	00020001	n/1 CAUTION NOTE PO	EACH		1.50	20.00
2	00011003	n/2 FRAME TENSION F	EA	25.00		3.00
3	1389335426B	n/1 Non-Taxable Wid	ea	15.00		2.00
4	1389335269	n/2 Taxable Widgets	ea	10.00		1.00

>>> Invoiced	Code	Descr	Unit	Price	Quantity	Actual
1						

**ON ORDER**

GRV / Price Adj / Cancel

Supplements

Landed Costs

**RECEIVED**

Invoicing / Goods Return

**INVOICED**

Credit Notes

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PO NUMBER

>>> On Order	Code	Descr	Unit	Price	Quantity	Actual
1	00020001	c/1 CAUTION NOTE BO	EACH		1.50	20.00
2	00011003	c/2 FRAME TENSION P	EA		25.00	3.00
3	1389335426B	n/1 Non-Taxable Wid	ea		15.00	2.00
4	1389335288	n/2 Taxable Widgets	ea		10.00	1.00

Above, we show the Items on our Order after the Proforma is authorized. All Items reflect on the ORDER grid.

>>> Received	Code	Descr	Unit	Price	Quantity	Actual
1	00020001	c/1 CAUTION NOTE BO	EACH		1.50	20.00
2	00011003	c/2 FRAME TENSION P	EA		25.00	3.00
3	1389335426B	n/1 Non-Taxable Wid	ea		15.00	2.00
4	1389335288	n/2 Taxable Widgets	ea		10.00	1.00

Above, we show all Items received, and all reflecting on the RECEIVED grid. (Hint: Order processing is not always ideal as shown in this example. It is quite feasible for some Items to show on the ORDER grid, some on RECEIVED, and others already on INVOICED ...)

>>> Invoiced	Code	Descr	Unit	Price	Quantity	Actual
1	00020001	c/1 CAUTION NOTE BO	EACH		1.50	20.00
2	00011003	c/2 FRAME TENSION P	EA		25.00	3.00
3	1389335426B	n/1 Non-Taxable Wid	ea		15.00	2.00
4	1389335288	n/2 Taxable Widgets	ea		10.00	1.00

Above, we show all Items fully received and INVOICEd. We are doing the example in this manner to demonstrate the Transaction flow clearly, as we will see below.

Now we show a view from a drill into the Supplier Account C0012. The Supplier Account is credited with all that takes place here, while the Charge Accounts (Stock, Ledger, etc.) will be debited.

Document	Ordered	Committed	Actual	Description
cp1010	-30.00	0.00	0.00	[ORD] CAUTION NOTE BOOK (MOORE
cp1010	-75.00	0.00	0.00	[ORD] FRAME TENSION POST FERREI
cp1010	-30.00	0.00	0.00	[ORD] Non-Taxable Widgets
cp1010	-10.00	0.00	0.00	[ORD] Taxable Widgets
CP1010	30.00	-30.00	0.00	[GRV] CAUTION NOTE BOOK (MOORE
CP1010	75.00	-75.00	0.00	[GRV] FRAME TENSION POST FERREI
CP1010	30.00	-30.00	0.00	[GRV] Non-Taxable Widgets
CP1010	10.00	-10.00	0.00	[GRV] Taxable Widgets
CP1010	0.00	30.00	-30.00	[INV] CAUTION NOTE BOOK (MOORE
CP1010	0.00	75.00	-75.00	[INV] FRAME TENSION POST FERREI
CP1010	0.00	30.00	-30.00	[INV] Non-Taxable Widgets
CP1010	0.00	10.00	-10.00	[INV] Taxable Widgets

Above, we can see clearly that as each Item goes 'on order' (when the Proforma is Authorized), the Supplier is credited in the Order column for each Item. Then, as we 'receive the goods' (GRV = Goods Received Voucher), for each Item, the Supplier is credited in the Committed column, but at the same time (because the Item is no longer on order), a debit is passed into the Order column to off-set the

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initial credit. Then, as we Invoice an Item, the credit flows into the Actual column, with an off-set in the Committed column.

At the same time that this is happening, the debit side takes place as well, so we can see that all related parts in the financial system are integrated and all updates and postings happen simultaneously in real time.

Below, we show a Ledger Account 10101010 drill (that is the Account where we directly cost the Direct Items to, since they do not go into Stock – see higher up where we captured the Direct Items, and the charge account we used!).

	Transkey	Document	Ordered	Committed	Actual	Description
8	1389336059C	cp1010	30.00	0.00	0.00	[ORD] Non-Taxable Widgets
9	1389336059H	cp1010	10.00	0.00	0.00	[ORD] Taxable Widgets
10	1389336181F	CF1010	-30.00	30.00	0.00	[GRV] Non-Taxable Widgets
11	1389336181D	CF1010	-10.00	10.00	0.00	[GRV] Taxable Widgets
12	1389336262Q	CF1010	0.00	-30.00	30.00	[INV] Non-Taxable Widgets
13	1389336262X	CF1010	0.00	-10.00	9.09	[INV] Taxable Widgets

In the Ledger 10101010 shown above, note that the non-Taxable Item was ordered at value = 30, received as such, and invoiced as such. However, the Taxable Item was ordered at value = 10, received likewise, but when invoiced it was finally charged to the account at only 9.09. Why so? When the Invoice step is processed, the system senses that the Item may 'claim back' the Tax, automatically calculates it, and deducts it from the final cost being debited to GL 10101010. (Hint: The tax is journalised by the system against the Tax account specified for the Tax Type used on the Order.)

Now, below, we look at a drill into Stock 00020001 (which higher up we show as Taxable), and here we see a similar Tax event. Although the Item is ordered at value = 30, and received and invoiced likewise, it suddenly shows a Tax Credit transaction in addition, as the system claims back the Tax.

	Transkey	Document	Ordered	Committed	Actual	Description
1	1389336059	cp1010	30.00	0.00	0.00	[ORD] CAUTION NOTE BG
2	1389336181	CF1010	-30.00	30.00	0.00	[GRV] CAUTION NOTE BG
3	1389336262B	CF1010	0.00	-30.00	30.00	[INV] CAUTION NOTE BG
4	1389336262E	CF1010	0.00	0.00	-2.75	TAX: [INV] CAUTION NOTE

The next drill view is for Stock 00011003, which is NOT taxable, and therefore we see no tax being claimed.

	Transkey	Document	Ordered	Committed	Actual	Description
1	1389336059B	cp1010	75.00	0.00	0.00	[ORD] FRAME TENSION
2	1389336181E	CF1010	-75.00	75.00	0.00	[GRV] FRAME TENSION
3	1389336262I	CF1010	0.00	-75.00	75.00	[INV] FRAME TENSION

So far, we have looked at 1-sided views, i.e. drills into related Accounts affected by our Purchase Order. But we can also drill deeper into any of these Transactions and see the 'whole' picture for each event. We start with 1 of the 'Order' events.

Below, we show partial view of the Transaction generated by the system for the non-Taxable Widgets. This happened when the Proforma was Authorized, and the ORDER column updated for all related events. (Hint: The Order column is memo value, i.e. information only, and does NOT affect P&L or Balance Sheet at this stage.)

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## TRANSACTION VIEW

Accounting View	Fin Ordered
101-01010 EXPENSES: GENERAL	30.00
100-00040 CREDITORS CONTROL (1) : PRIVATE LEDGE :AP CO-0012 Commercial Suppliers Inc	-30.00
	<hr/>
	0.00

Since it is a Direct Item (not Stock), we had to choose a Charge Account to expense the Direct Item against, and we chose GL 101010 when we 1<sup>st</sup> prepared the Proforma. Therefore, above we can see that GL 101010 is being Charged / Debited, while the Supplier Account is being Credited.

Next, we look at an example where a Stock Item is being received.

## TRANSACTION VIEW

Accounting View	Fin Committed
100-00021 STORES CONTROL (3) : PRIVATE LEDGERS :IV 00011003-01 FRAME TENSION POST FERRELL FR	75.00
100-00040 CREDITORS CONTROL (1) : PRIVATE LEDGE :AP CO-0012 Commercial Suppliers Inc	-75.00
	<hr/>
	0.00

Note that we show the 'Fin Committed' view here, and each Transaction has many more views, but we are simply 'homing in' on what we want to show here. The (bigger picture of the) Transaction is always showing the Quantities, Description, Document, etc. (even though we do not show it here).

So, in this case, it is the Stock Item itself that is being debited (in the Committed column), while once again, the Supplier Account is being credited.

## TRANSACTION VIEW

Accounting View	Actual
101-01010 EXPENSES: GENERAL	9.09
100-00008d VAT / GST CONTROL : PRIVATE LEDGERS	0.91
100-00040 CREDITORS CONTROL (1) : PRIVATE LEDGE :AP CO-0012 Commercial Suppliers Inc	-10.00
	<hr/>
	0.00

This time (above), we show an Invoicing event, for the Taxable Widgets. Now it is the Actual column being updated (allow us to actually pay the Supplier!). Note that we have 3 legs to this Transaction. Although the Supplier is still credited with the full \$10, only \$9.09 is being charged to GL 101010, because the other \$0.91 is being claimed back from the Tax Account.

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That then constitutes the general flow of a Purchase Order as seen through the Transactions generated by the system. Remember that as the Purchase Order is being processed, the Operator only indicates RECEIVE and INVOICE events, at the same time capturing a few parameters like Invoice Number, etc., but the Transactions are initiated and completed automatically by the system. Also, the Tax processing is transparent and seamless.

To be sure, this is not the whole story. There are more sophisticated and advanced options available which will become apparent when processing Forex Orders, with automatic sensing of Tax Office directed Exchange Rates vs Internal Company P&L Exchange Rates (the system provides for all of these), Goods Returns, Increased Invoice Amounts vs Order Amounts, etc., but the purpose of this Document is achieved in the examples shown.

Clearly there are Price Change, Goods Return, Cancellation and Credit Note events as well (all of which can be clearly seen as to the Transaction effects by drilling into a related Account), and we will conclude here with a simple example of a Credit Note for the Invoice example we used above.

## TRANSACTION VIEW

Accounting View	Actual
100-00040 CREDITORS CONTROL (1) : PRIVATE LEDGE	10.00
:AP CO-0012 Commercial Suppliers Inc	
100-00008d VAT / GST CONTROL : PRIVATE LEDGERS	-0.91
101-01010 EXPENSES: GENERAL	-9.09
	<hr/>
	0.00

Note that this event is the converse of the Invoice event shown before. This time, the Tax Account is automatically being 'handed back' the \$0.91 which was previously claimed, due to the Credit Note being processed (hint: the Operator processing the event is oblivious to this and does not necessarily have to understand much about the Accounting implications, i.e. which debits and credits will be raised). Likewise, the GL 101010 gets \$9.09 back.

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