

IES Purchasing: PO's and Financial Periods

Purpose

The purpose of this Document is to explain how Purchase Order processing interacts with IES Financial Period Transaction processing.

Introduction

The processing of events on a Purchase Order automatically results in Financial and other Transactions being generated in the IES Financial system. When a Proforma is authorized and becomes a Purchase Order, some Transactions are generated. Likewise, when Goods are Received, Invoices are processed, Credit Notes and Goods Returns, Price Adjustments and Landed Costs, all of these activities result in Transactions. And all Transactions are connected to IES Financial Periods.

Multi Periods

IES is a multi-open Period system. This means that more than 1 Financial Period can be open for processing at a time. The life of a Purchase Order can be completely within a single Financial Period, or can span multiple Financial Periods, as we will see.

Always Forward, but never Back


Period processing of a Purchase Order can, as already mentioned, happen in a single Period. Also, it can happen in multiple Periods, as long as Period change is always forward and never back. This means that if a PO is processed in January 2006, and then further processed in February 2006, then all further processing must be in February 2006 or later, i.e. once a Transaction is processed in a specified Period, no future Transaction can be performed on the Purchase Order for a lesser Period.

When the Proforma is Originated

When a Proforma is originated, it defaults to the current open Period for the User performing the Origination. At this stage, the User may change the Period if he / she has access to other open Periods.

When the Proforma is Authorized

When the Proforma is Authorized, the Authorizer is not prompted for a Period. If the original Period specified on the Proforma is in the OPEN state when Authorization takes place, then the initial Transactions (to record Order Items in the Ordered Column), are performed for the indicated Period, but if this Period is no longer OPEN, then the current active Period as indicated for the system at this time is used.

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When the Order is processed

The Purchase Order will naturally incline to the current active Open Period for the system when events on it are processed (i.e. the PO will automatically "flow" with current Period management), e.g. Goods Received, Invoicing, etc. In other words, if the Purchase Order is Authorized in January 2006, and the 1st Goods Received event is processed in February 2006, then the PO will by default suggest processing of the event for February 2006, BUT because the last Period used on the PO at this stage is still January 2006, the Operator will be allowed to change the Transaction to January 2006, IF that Period is still open at this stage and IF the Operator processing the event has access to that open Period (hint: only SOME Users may have access to some open Periods). If the Period is processed as suggested for February 2006, then the PO is adjusted to reflect February 2006 as it's latest Period, and subsequently will no longer allow any Transaction for January 2006, even though it may still be Open.

Full Invoice [3] (ENG)

| | |
|--------------|--------------------------------|
| Action | Full Item Invoice |
| Trans Date | 27/02/2006 |
| Period | 67 [Apr 2005] |
| Batch | |
| Order Number | CP2023 |
| Order Item | 3008412 |
| Item Code | C/1 |
| Description | OLYMPUS CAMEDIA MASTER PRO 4.2 |
| Unit | ea |
| Price | 10.00 |
| Quantity | 1.00 |

| Invoice Amount | Currency |
|----------------|-------------|
| 1 | 10.00 Local |

Next Pre Add Ins Ed Del

Invoice No:

Store: Main Store


Quit Process

When events on the PO are processed, the system defaults to the Current Active Period at the time of the event, so in almost all cases the Period is not touched but processed automatically. The presence of the Period field is only for the exception, i.e. to change it if specifically so required.

Note: Some shortcut activities like "Auto GRV" and "Auto Invoice" will not prompt for a Period, but will automatically use the current active Period.

When Landed Costs are processed

Landed Costs Transactions, while related to the PO, do not impact on the PO Period setting. In other words, even if Landed Costs are processed for the PO in

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February 2006, and the PO Period setting is January 2006, the setting will remain unchanged and PO events may still be processed for January 2006.

When the Order is Cancelled

When a PO is cancelled by using the RESET option, i.e. automatic cancellation, then the entire PO Transaction set is reversed in the current active Period, irrespective of the Periods in which Transactions may have been processed before.

If the PO is cancelled by using the Line Item cancellation options, i.e. cancelling the Line Items 1 by 1, then the Operator has some control over the Period, but the general rule of 'forward but not back' will still apply.


No Accruals at Year End!

It is common practice to do Purchase Order Accruals at Year End, i.e. in systems other than IES. When Goods are Received before Year End, but only Invoiced (paid for) after Year End, then Accountants perform Accruals for this, i.e. to keep the Budget and Accounting "straight". However, in IES there is no need for this. In IES, all Purchase Order processing takes place in 3 columns, e.g. Ordered, Received, Invoiced, and these are processed in the Financial System as Ordered (Memo), Committed (Balance Sheet) and Actual (Balance Sheet). Therefore, when Goods are Received before Year End (Committed), and Invoiced after Year End (Actual), there is absolutely NO impact on the Accounts (e.g. Budget, Balance Sheet) and therefore there is no need for Accruals to be done. (Hint: When a PO Invoice is processed, the Committed Column is credited and the Actual Column is debited, but since Committed PLUS Actual represents the Budget/P&L and Balance Sheet impact, the answer is always ZERO. See below.)

| | Ordered (Memo) | Committed (BS) | Actual (BS) |
|---|-------------------|-------------------|----------------|
| Place Order | 100 | | |
| Receive Goods | -100 | 100 | |
| Invoice | | -100 | 100 |
| At Goods Received stage, the Balance = 100 (although Supplier Balance not yet payable, e.g. Payment is from Actual rather than Committed column), and when Invoice is processed, the Balance = 100. As such, Goods Received "= Automatic Accrual" | | | |

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