

IES Purchasing: Zero Quantity Line Items

Purpose

The purpose of this Document is to explain the use of "Zero Quantity Line Items" on Purchase Order processing.

Introduction

All Line Items included on a Purchase Order are either Stock or Direct, i.e. Items that do not go into physical Stock when the Goods Received event is processed are called Direct Items.

Direct Items can be ordered for the purposes of actual physical goods (although not part of Stock) as well as Services, e.g. Capital Projects, non-Capital Projects, Professional Services, and so on.

Typically, when Goods Received and Invoice events are processed for a Line Item, a Quantity is also processed. For example, if a certain Item is ordered at a Quantity of 10, then all 10 may be received at once, or the goods may arrive first with a quantity of 5, and then the other 5 later, or perhaps even 11 (over delivery) may be received. Each Line Item is also processed at a Price, and the Value of the Transaction Event is usually based on the formula of Value = Quantity * Price. However, there are scenarios where this formula does not work well.


For example, consider a Contract, where an official Purchase Order is placed, and where there is a down payment, followed by a number of interim payments, and then a final payment. In fact, it is even possible that the final price will not be known until the work is complete, and therefore adjustment will be necessary. Now if we order the contract with a Quantity = 1 (Quantity does not suit this scenario well in the 1st place), then we have a problem to process the necessary events in order to make a down payment, let alone interim payments, unless we go to extremes and calculate fractions for the Quantity each time we process an event. So this is where the "Zero Quantity Line Items" option should be used.

How "Zero Quantity Line Items" work

Stock cannot be ordered with a Zero Quantity, because Stock is always controlled by Quantity. On the other hand, Direct Items will allow this option.

Below, we show a Direct Item when captured to the Proforma. We use the example of the Annual Audit being ordered, and we will have Progress Payments on this Order, which will take place over a number of months.

Note that the final price for the Order Item is not yet known, and only an Estimate is used (e.g. based on the previous Year), and that the Quantity is stated as Zero. (Hint: Our example Order includes only 1 Line Item, but it could be combined with many other Items.)

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IES Purchasing: Zero Qty Line Items

Ledger Direct [3] (ENG)

Charge To: Ledger

Type: 1
 Capture Date: 27/02/2006
 Auth Code: *
 Originator: dm Data Manager
 Pr #: CP2026
 Unit: EACH
 Description: Annual Audit

Quantity: 0.00
 Incl Unit Price: 15,000.00

Order Quantity = Zero

Price is an Estimate only

Before we process the 1st Payment, the Item on the Order looks like this: -

>>> On Order	Code	Description	Unit	Price	Quantity	Actual
1	1393811625	n/1 Annual Audit	ea	15,000.00	0.00	15,000.00

ON ORDER

Note that the Price and Total (Actual) are the same, and no Quantity is expected. For this reason, the system understands that we can process this Order Item in parts by specifying only the Financial amount to process each time, without stating any Quantity. See the Goods Received event below.

Code	Description	Unit	Price	Quantity	Actual
1393811625	Annual Audit	ea	15,000.00	0.00	15,000.00

ON ORDER

GRV / Price Adj / Cancel

Supplements

Invoicing / Goods Return


SINGLE SELECT: Please Select -

Select just 1 ...

- 1 Item Full Delivery
- 2 Item Short Delivery
- 3 Item Surplus Delivery
- 4 Item Price Adjustment
- 5 Item Cancellation
- 6 Auto Grv All Order Items

Select ALL Show Full Line Cancel OK

To process a Part Payment, we choose "GRV" and then "Item Short Delivery" -

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Zero Quantity Direct Item Processing

When you process Transactions on Direct Items with Zero Quantity, you cannot change the Quantity as you would with all other Line Items. Therefore, you will now be prompted to specify an Adjusted Financial Value. Following that, you may still QUIT the next Screen if you do not wish to proceed with the Adjustment.

Next

The system announces that it understands what is happening -

And then prompts for the Amount to process now (i.e. we must process Goods Received in order to be able to process an Invoice Payment)

User Text Input

Reduced Amount

3000

OK Cancel

Under Delivery [3] ((ENG))

Action Short Delivery

Trans Date 27/02/2006

Period 67 [Apr 2005]

Batch

Order Number CP2026

Grv / Deliv No CP2026/1

Order Item 1393811625

Item Code n/1

Description Annual Audit

Unit ea

Price 3,000.00

Quantity 0.00


	Actual	Currency
1	3,000.00	Local

Store *

Quit Process

And then the system prompts the event screen for capturing of the Delivery Note no and acceptance of the detail (Price / Amount cannot be changed on the event screen in this case)



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PO NUMBER

	>>> On Order	Code	Descr	Unit	Price	Quantity	Actual
1	1393811625	n/1	Annual Audit	ea	12,000.00	0.00	12,000.00
<p style="color: red;">And this is what the Order Item looks like afterwards, i.e. an amount of 12,000 remains On Order, with 3,000 having been Received, which allows processing of an Invoice event for 3,000 in order to pay it ...</p>							

	>>> Received	Code	Descr	Unit	Price	Quantity	Actual
1	1393811625	n/1	Annual Audit	ea	3,000.00	0.00	3,000.00

We can continue to make part payments in this fashion, until the final Payment step is reached. At such time, we choose "Item Full Delivery" instead of "Item Short Delivery", and if the estimate is under / over, then at the Invoice step the final Payment amount can be adjusted. In the case that the final adjustment is out of the limits allowed on the PO Processing Profile, then for a remaining Amount the Order Item can simply be cancelled, or for an additional Payment Amount a Supplement can be done.

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