THE PROCUREMENT PROCESS
PART 2

Topics

The Procurement Process
Procurement Reporting
A Detailed Procurement Process

Requirements Determination

Typically triggered by the material planning process (MRP).
Purchase requisition is a planning document with no external obligation.
May result is requisition for item with no material master. If MM exists, can be referenced specifically in requisition.
No FI or CO impact to process steps (unless commitment management being used). No material documents generated or changed.
Purchase Requisition Data Elements

Vendor master
- Vendor number

Material master
- Material description
- Material group
- Unit of measure
- Valuation price

Organizational data
- Client
- Company code
- Receiving plant
- Purchasing group

Purchasing info records
- Info record number
- Vendor number

User input
- Item category
- Account assignment category
- Material number
- Quantity
- Dates
- Receiving plant

A Detailed Procurement Process

1. User input
2. Master data
3. Transaction data
4. FI Documents
5. CO Documents
6. Material documents
7. Transaction documents

Trigger
- Fulfillment process
- Production process
- Material planning process

Yes
- Source of supply known?

No
- Determine source of supply
- Request for proposal
- Quotation

End
- Payment processing
- Payment

Goods receipt
- Delivery document

Invoice verification
- Invoice

Payment processing
- Purchase order

Vendor selection and evaluation
- Purchase order

Purchase order processing
- Purchase order

End

Purchase Requisition to Purchase Order

**Source Determination:** Supplier must be designated to convert PR to Purchase Order. Potential suppliers come from source list.

If item to be purchased referenced in **outline purchase agreement**, source and pricing may be established.

Items are called off against contacts or scheduling agreements as purchased. As these fulfill contact obligations, orders are called **(contract) release orders**.

Purchase Order Process

Purchase orders can be created with or without reference to purchase requisitions, RFQs, quotations, or other purchase orders.

Purchase orders: source document used in goods receipt and invoice verification processes.

No FI or CO impact to process steps (unless commitment management being used). No material documents generated or changed.
Purchase Order Data Elements

- Master data
  - Material
  - Vendor
  - Conditions
  - Contracts and agreements
  - Purchasing info record

- Transaction documents
  - Requisition
  - RFQ
  - Quotation

- User input
  - Verify data

Purchase order

Purchase Order Structure

**Header**
- Purchase order number
- Purchase order data
- Payment terms
- Vendor
- Currency

**Items (detail)**
- Material
- Order quantity
- Delivery date
- Price
Purchase Order Communication

- Procurement process
- Purchase order
- Vendor

Communication medium:
- Mail, e-mail, fax
- Web services, EDI
- Send acknowledgement, rejection notice, shipping notice

A Detailed Procurement Process

- Requirements determination:
  - Purchase requisition

- Source of supply known?
  - Yes: Trigger
    - Fulfillment process
    - Production process
    - Material planning process
  - No:
    - Determine source of supply:
      - Request for proposal
      - Quotation
  - Vendor selection and evaluation
  - Purchase order processing:
    - Purchase order
  - Goods receipt:
    - Delivery document
  - Payment processing:
    - Payment
  - Invoice verification:
    - Invoice

User Input

Master data
Transaction data

IT Documents
CD Documents
Material documents
Transaction documents
Goods Receipt

Delivery Document or Packing List provided by supplier with shipment.

Material Document, Accounting Document

Material document
- Material doc: 500000757
- Date: June 4, 2010
- Delivery note: LS-1147

Accounting document
- Accounting doc: 5000000642
- Date: June 4, 2010
- Reference: LS-1147
- Currency: USD

Document items
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FI Impact of Goods Receipt

Inventory (Trading goods)
- Debit: $7,500
- Credit

GR/IR
- Debit: $7,500
- Credit

Bank
- Debit
- Credit

Vendor
- Debit
- Credit

A/P
- Debit
- Credit
What happens when goods are received?

Material master updated to show stock count and value (inventory)
   If consumable material may not have MM. If MM exists, no value reflected.

FI document (Inventory and GR/IR or Expense and GR/IR)
Material document (change in quantity in storage location) related to goods movement
Quality management inspection triggered (if assigned)
Transfer requirements to warehouse (if WM)
Hard copy of goods receipt slip generated
Notification of goods receipt sent to designated party
Purchase order and purchase order history updated.

A Detailed Procurement Process
Invoice Receipt and Verification

Three way match: purchase order, goods receipt document, invoice.

Purchase-order-based invoice verification: settle all items regardless of partial deliveries.

Goods-receipt-based invoice verification: use goods receipt as basis for invoice entry.

Invoice Verification Data

Material document: PO Number, Materials delivered, Quantity delivered

Invoice: Vendor number, Date, Quantity, Amount

Purchase order: PO Number, Vendor number, Materials ordered, Quantity ordered, Price

User input: Verify data

Invoice verification
What happens when an invoice is posted?

Material master valuation information updated.
Purchase order and purchase order history updated.
FI document (GR/IR and Vendor)
Payment Process

- Trigger: Verified invoice
- Data: Master data, Transaction documents, User input
- Task: Select method, Select bank, Select items, Calculate amount, Post payment, Print
- Outcomes: Payment (check or electronic), FI Document

Payment Process Data

- Invoice: Payment terms, Payment method, Payment address
- Vendor master: Vendor number, Date, Amount
- User input: Verify data
FI Impact of Vendor Payment

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Goods receipt Invoice verification Payment processing

A Detailed Procurement Process

Yes

Source of supply known?

Determine source of supply
- Request for proposal
- Quotation

Vendor selection and evaluation

Purchase order
- Purchase order

Goods receipt
- Delivery document

Payment processing
- Payment

Invoice verification
- Invoice

No

Requirements determination
- Purchase requisition

Trigger
- Fulfillment process
- Production process
- Material planning process

End

User input

Master data
Transaction data

FI Documents
CO Documents
Material documents
Transaction documents

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# Procurement Reporting

**Data sources:**
- Organizational data
- Master data
  - Material Master
  - Vendor Master
- Transaction data
  - Purchasing documents
  - Material documents
  - Accounting documents
  - Invoice documents

# Report Types

**Instance reporting**
- Status of the process. Reflected on Purchase Requisition and Purchase Order documents.

**Online Lists**
- List of purchase orders, invoices, etc.

**Work Lists**
- Requisitions, Invoices to be Paid

**Logistics Information Systems**
- Based on information structures from purchasing activities (and other processes)