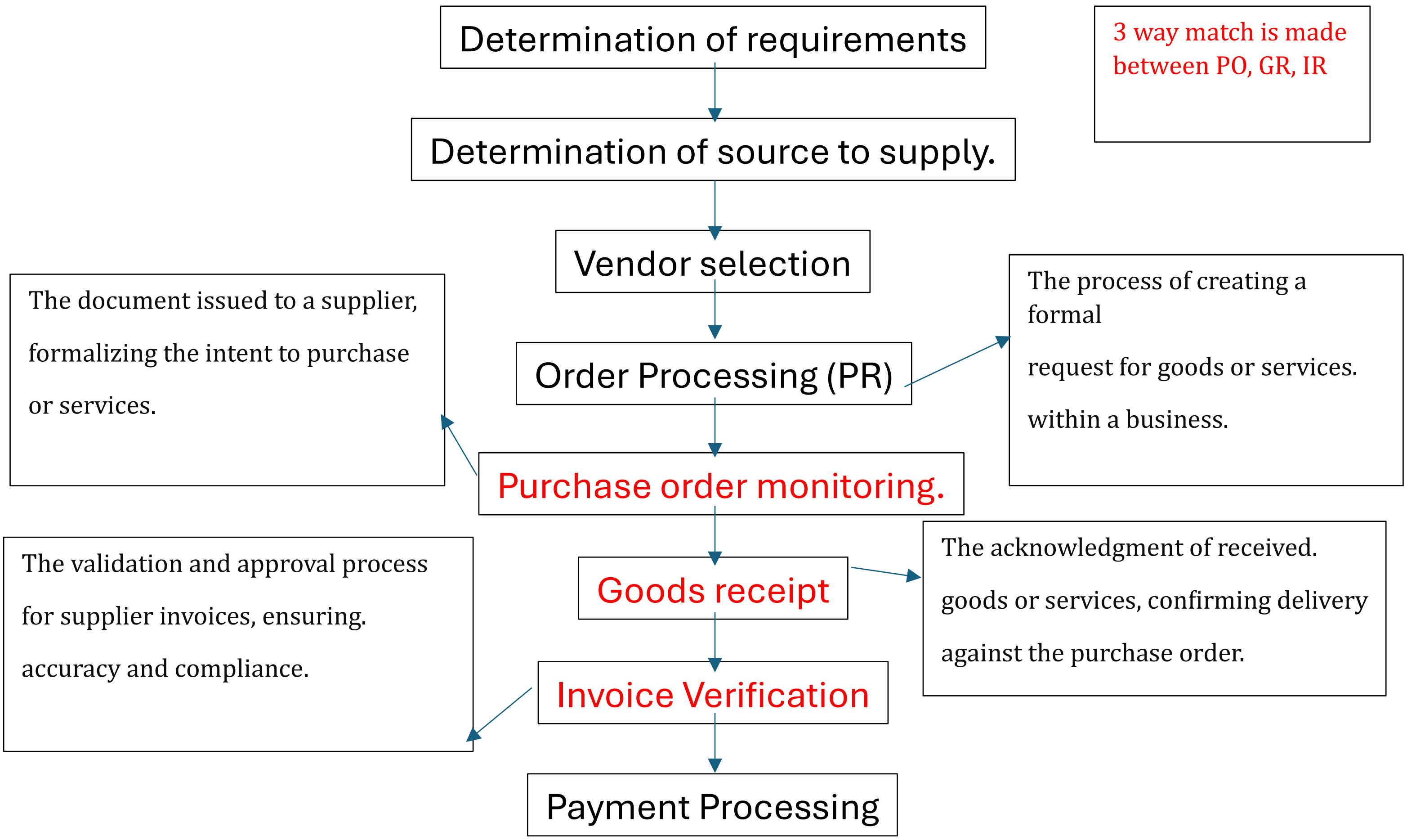
- **P2P cycle**

  The Procure to Pay (P2P) cycle is the comprehensive process within an organization, covering requisition, purchase order issuance, goods receipt, invoice verification, and payment, to efficiently acquire goods and services.

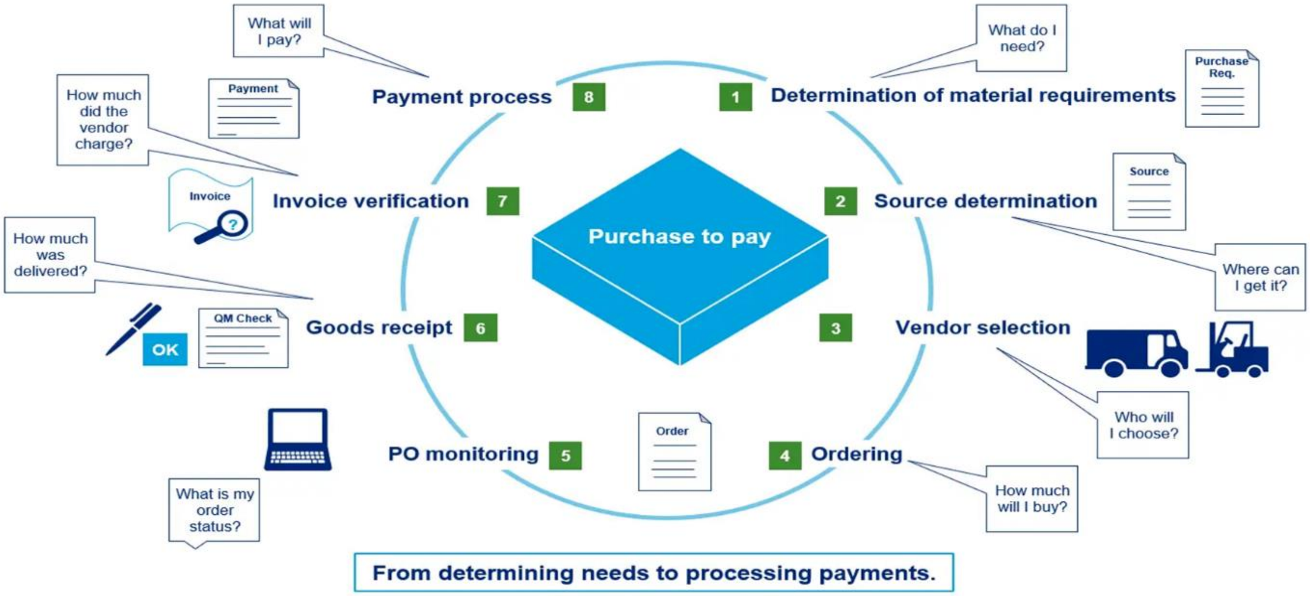


- **Why p2p cycle is important?**

A P2P process helps organizations manage their spending and reduce costs. It can also help you save costs by reducing manual and laborious tasks.

Besides these, here are some reasons why a P2P process is important:

- Streamlines the procurement process by clearly defining all the necessary actions.
- Allows buyers and suppliers to keep track of invoices and the payment progress.
- Strengthens relationships with suppliers by ensuring timely payment and resolving issues promptly.
- Prevents mistakes such as duplicate orders, overpaying, and payment errors



- **Benefits of p2p cycle**
- Cost-Savings: Streamlining the P2P process reduces operational costs associated with manual tasks, errors, and delays.
- Time-saving: Automating repetitive tasks, such as data entry and invoice matching, allows employees to focus on more strategic activities.
- Strategic Decision-Making: Companies can use the data and insights gathered from the P2P process to make informed decisions about supplier selection, contract negotiations, and sourcing strategies.
- Improved Vendor Management: An efficient P2P process streamlines a company's vendor management processes by helping you shortlist vendors quickly, negotiate prices, and track their performance.
- Customer Satisfaction: Streamlined procurement processes ensure that goods and services are readily available, which, in turn, helps meet customer demand and improve satisfaction.
- Competitive Advantage: Companies with an efficient P2P process can respond more quickly to market changes and opportunities, gaining a competitive edge.

- **3-Way Match:**

The 3-way matching process is a crucial step in the P2P cycle. It ensures accurate payments and prevents overspending or duplicate payments.

Here's how it works:

- Purchase Order (PO): When an organization needs goods or services, they create a purchase order. The PO captures details such as the buyer's name, date, specific supplies, quantities, prices, and a unique PO number.
- Receiving Reports or Goods Received Notes (GRNs): When the supplier delivers the goods, they provide an order number. The GRNs detail what's included in the order and confirm receipt.
- Supplier's Invoice: The vendor sends an invoice requesting payment for the delivered goods.

Matching Process: The accounts payable department verifies the supplier's invoice by comparing it to:

- The original purchase order: Ensures the price and quantity match the agreed terms.
- The receiving documentation (GRNs): Verifies that the goods were received in proper condition and match the quantities specified in the purchase order.
- The invoice itself: Reviewed for accuracy and completeness.

The goal is to prevent overspending and ensure authorized purchases are paid for.

- **2-Way Match:**

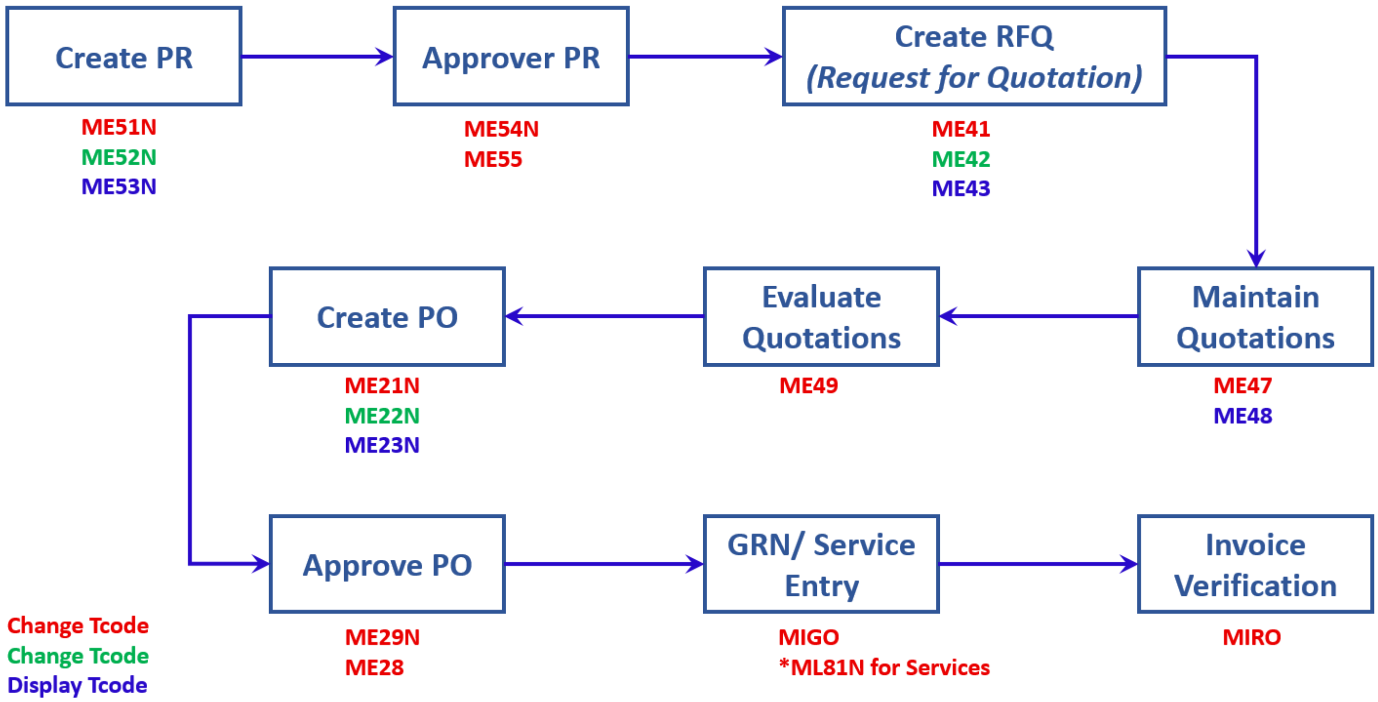
  In contrast, the 2-way matching process focuses on two documents:
- Purchase Order (PO): Compares the information in the supplier's invoice to the PO initially sent during ordering.
- Supplier's Invoice: Ensures alignment between the invoice and the PO.

The 2-way match doesn't involve the receiving documentation (GRNs) like the 3-way match does.

In summary:

- 3-way match: Verifies invoice, PO, and GRNs to ensure accurate payment.
- 2-way match: Compares invoice and PO without involving GRNs.

- **T-codes for p2p cycle:**



➔ Order to Cash (O2C):

O2C encompasses the end-to-end process by which a company receives, manages, and fulfills customer orders while ensuring timely payment.

Key Steps in O2C:

- Customer Order Placement: The cycle begins when a customer places an order for products or services.
- Order Fulfillment: The business swings into action, preparing goods for shipment or scheduling service appointments to meet customer needs promptly.
- Order Shipment: The ordered goods are carefully packaged and dispatched to the customer's designated location.
- Invoice Generation and Delivery: Following successful delivery, the business generates a detailed invoice reflecting agreed-upon pricing and terms.

➔ Key Differences:

- Focus:
  - O2C: Primarily focuses on managing customer orders and cash inflow.
  - P2P: Primarily focuses on sourcing, purchasing, and payment for goods and services.
- Direction:

    - O2C: Customer-centric (from order placement to payment collection).
    - P2P: Organization-centric (from requisition to payment).
- Purpose:
    - O2C: Ensures efficient customer order fulfillment and cash flow management.
    - P2P: Ensures efficient procurement and vendor payment processes.

Both cycles are integral to optimizing business operations, enhancing relationships, and ensuring financial efficiency