

Purchase Order - Procurement Processes - SAP

Implementation

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Purchase Order

The purchase order is placed with reference to the quotation. However, a purchase order may be raised without any reference to a preceding document (Purchase requisition or RFQ).

A purchase order (PO) is a formal request or instruction from a purchasing organization to a vendor or a plant to supply or provide a certain quantity of goods or services at or by a certain point in time.

It forms part of the procurement process where requirement is converted to a commitment to purchase. However, it is not necessary to start the process from requirement processing as it can be created directly in the system dependent on the operation need.

The purchase order can be used for a variety of procurement purposes. In MyCompany, it is used for the following purposes:-

Scenarios	Remarks
Procurement of stock items – local	To record all local purchases includes engineering spare parts, raw materials and packaging materials.
Procurement of imported material	This includes all imports for raw material or semi finished and finished products. A PO is raised based on each consignment to track all follow-on processes.
Procurement of non-stock and promotional items	Items requested which are expensed off or charged out on receipt. Inventory tracking on quantity basis of these items is required.
Procurement of non-valuated items	Items requested which are expensed off or charged out on receipt. Inventory tracking of these items is not required.
Procurement of CAPEX	Request for assets.
Procurement of services	For services to be performed by contractor

Upon approval of purchase request (from the PR process flow), the Purchase Requisitions will be reviewed and processed by the purchasing. After completing the sourcing process, the PR will be converted into the PO.

Multiple purchase order types have been configured according to MyCompany's requirement. All purchase order types will follow the same internal number range (4200000000 – 4299999999).

Document type	Purchase Order Type
LPO	Local Purchase Order
FPO	Foreign Purchase Order
PPO	Promotional Materials PO
MPO	CAPEX Purchase Order
JSO	Job Service Order

There is some degree of variation in PO processing steps as documented below:

- The standard PO process is used basically for stock and non-stock purchases where it is differentiated by the 'Account Assignment' field in the PO line.
- Sales Tax to be claimed will be treated via the Input tax code. Sales tax becomes a part of the material and hence is to be entered via a sales tax condition.
- Delivery costs need to be incorporated for imports PO. The steps are detailed in the Imports Section.
- The vendor prices can be maintained in the purchase info records, and will be defaulted from there onto the purchase order.
- Purchase orders for services and subcontracting require different item categories to be maintained against the PO line items. (For details refer to the special procurement procedures section).
- Shipment date will be entered in a separate table manually from where it will be printed on the purchase order script.

The purchase order will be approved online using a two level release strategy depending on the total value of the purchase order, if it is less than one million the Purchase Manager and if it is exceeding one million the Head of Supply Chain. The release strategy will be applied at the overall value of the purchase order and will not be open to editing once it has been approved.

PO can only be edited by the final release authority – (PO approval will be revoked and initiator will change the PO)

The promotional purchase order will be approved online using a four level release strategy depending on the total value of the purchase order. It will be decided in the realization phase who will have the authority to release the purchase order and at which value it will be applied.

PO can only be edited by the final release authority – (PO will be revoked and initiator will change the PO)

The follow-on activities for PO, such as the receipt of goods and invoices are logged thus enabling the monitoring of the procurement process.

The goods are received against the purchase order. The vendor sends the materials along with a delivery challan. The goods receipt is maintained in the system. (Refer to the Inventory Section)

The vendor sends a copy of the invoice with the sales tax invoice to the accounts payable department and creates a liability against the vendor, depending upon the type of purchase (Refer to the Invoicing Section)

- Line will be consolidated on PO Script and multiple lines will be shown in System.
- Slab based pricing conditions will be catered through Purchasing info records.

Enterprise Resource Planning (ERP), Materials Management, Materials Management Implementation, Procurement - SAP, SAP Implementation

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