

Procurement Module Summary and P2P Cycle:-

Purchase requisition -> approve → PR

Purchase order -> legal document → PO

Receipts / receiving methods

Invoice

Payments

Supplier1 ←-----> Organization(Buyer)
(Purchase order/PO)

1. **Procurement (or) purchasing (or) core procurement** → procure the goods/services from the supplier / internal within our warehouse
2. **Supplier qualification management (SQM)** → We will qualify the supplier. Questionnaires, responses. Etc.
3. **Sourcing (RFQ, RFI, AUCTION)** → Agreements, RFQ/RFI/ Auctions
4. **Procurement contracts:** - We are creating contracts with the supplier.
5. **Supplier portal** → Creating suppliers, Supplier will respond to our RFQ's through supplier portal. (quotations)
6. **SSP (Self-Service procurement):** Self Service Procurement delivers a user experience similar to the best consumer web sites. Employees can easily search, use shopping lists, browse categories, and find what they need. (Create the Requisition)

Supplier ← Buyer (Organization)

P2P Cycle flow: - (Procure to pay)

Procurement---> Purchase Requisition (PR)--> (RFQ(sourcing) --> Quotation(Responses, bid)--> Quote analysis)--> PO create--> Receipts → Invoice → Payment

P2p cycle starts with requisition

Purchase Requisition (Internal: Internal Requisitions, (IR) / External- supplier) (procurement requester/ Procurement preparer/advanced procurement requester)

(Internal requisition: Within the org/ external: outside organization/external supplier)

Approvals: (Employee supervisor hierarchy/position-based hierarchy/job level hierarchy/approval groups/single approval). Once approved we will create the PO

RFQ (Request for quotation):- here We are Requesting for quotation.

1. Standard quotation: one time purpose we will use this RFQ
2. Bid quotation: For special items
3. Contract quotation: for large items, govt long term purpose.

We are sending this request to all the suppliers through RFQ.

Quotation: - (Response) Supplier responds to our quotation.

1. Standard Quotation
2. Bid Quotation
3. Contract quotation:

RFQ

RFQ → Line item → laptop → 100 qua → 2000 USD starting price →

Response → supplier 1 → 1900 supplier 2 → 1950 supplier 3 → 1930

Quote analysis → Supplier 1 (identified)

Quote analysis: - we will analyse the quotations received from the suppliers, and find out the best quotation in terms of price, quality, delivery record. We will find the supplier.

Purchase order: - we will convert the quote analysis into PO. PO is a legal document.

1. **Standard Purchase order.** → one time purpose, if we know item, qty, price, terms and conditions, schedule dates.
2. **Blanket Purchase Agreement** → if we know these details **Item, Terms and conditions** we will use the blanket purchase agreement. Recurring process. Here Price breaks are available. (discounts)
3. **Contract Purchase agreement.** → if we know **terms and conditions** we will create PO. Long term purpose.

Once PO is created and submitted it went for approvals. Once Po is received by the Supplier, he will send the Goods to the Buyer.

Receiving/Receipt routing methods: -

1. **Direct delivery:** - it is one step process to receive and deliver into the inventory.
2. **Standard Receipts:** - it is two step process to receive, and deliver items into inventory. (receive the goods → deliver to the sub inventory)
3. **Inspection required:** - it is three step process, process to receive and inspect the items, if the item quality is good, we will accept then will deliver to the inventory, if its get rejected then will return to the supplier

Receive → Inspect → deliver to the Inventory. (quality is Accepted)

Supplier ← Inspect (Quality is not good)

Invoice: - we will create the invoice against the PO

We can create one or multiple invoices for the same PO.

Payment: - we are creating payment for the invoice. Payment should be made to the supplier through bank, cash, cheque(channels).

Here we have to provide supplier details like bank name, branch, account and other details.