

SAGE 100 TIPS AND TRICKS

Purchase Order

Presented by
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PURCHASE ORDER

OVERVIEW OF PURCHASE ORDER WORKFLOW AND IMPLICATIONS

The purchase order module ties together accounts payable and inventory. Although the inventory module can be used without the purchase order module, dual entry would be required to record the accounts payable invoice and record the receipt of inventory. In addition, the purchase order module allows you to keep track of items currently on order.

Purchase orders are entered into the system to record purchases in progress. Entering a purchase order DOES NOT create any postings to accounts payable, inventory or the general ledger. A purchase order is effectively a memo although you can inquire from inventory and see what items have pending purchase orders.

When the inventory items are received, they are recorded through receipt of goods. If the invoice is received at the same time, the invoice may be recorded and updated to accounts payable thus creating a one step process. If the invoice is not received, it can be subsequently recorded via receipt of invoice.

If you do receipt of goods and receipt of invoices as a two step process you will create a balance which is called purchases clearing. Understanding and keeping track of purchases clearing is extremely important.

WHAT IS PURCHASES CLEARING?

Simply put, purchases clearing is accounts payable for inventory which you have received the goods but not yet received the invoice from the vendor. This would be the case if you did a receipt of goods without specifying the vendor's invoice.

If inventory worth \$1,000 is received but the invoice is not yet entered, the following entry will be posted:

Inventory	\$1,000	
Purchases Clearing		\$1,000

When the invoice is received and record through receipt of invoice the following entry is posted.

Purchases Clearing	\$1,000	
Accounts Payable		\$1,000

Running the purchases clearing reports (found in purchase order | period end) will give you a listing of what is in purchases clearing at the time it is run. For versions 4.3 and prior run the purchases clearing report by item. For later versions any of the purchases clearing reports should balance to the general ledger..

PROBLEM: Your CPA wants to know what is in the balance of purchases clearing. The purchases clearing report by item is only good for the moment in time it is printed. It cannot be printed as of December 31 and even if you print it on December 31, the information will change as you post more receipt of goods or invoices to your system.

TRAP: Ignoring the balance in purchases clearing and then accruing the invoices through accounts payable invoice data entry. Doing this will result in double recording cost of goods sold.

TRAP: Making a general journal entry to zero the purchases clearing account ledger account and crediting your cost of goods sold. This will result in an understatement of payables and cost of goods sold (and a higher tax bill).

TRAP: When setting up your product lines general ledger accounts, users often supply cost of goods sold as the purchases clearing account. Doing this will send a credit to cost of goods sold and understate it. Make sure that an accounts payable account is used. (Theoretically, you could do this then do a manual accrual of the invoices, but be careful not to double up your invoices).

TRAP: Recording inventory receipts through transaction entry in inventory management will bypass the purchases clearing report, but will post to the general journal purchases clearing account causing the reports not to agree.

GOAL: Make purchases clearing have a zero balance at the end of the year.

Since purchases clearing is really just accounts payable, don't do period end of accounts payable immediately.

Make sure that when you do a receipt of goods without an invoice, that when you later do the receipt of invoice that you post to the same G/L date as when you did the receipt of goods.

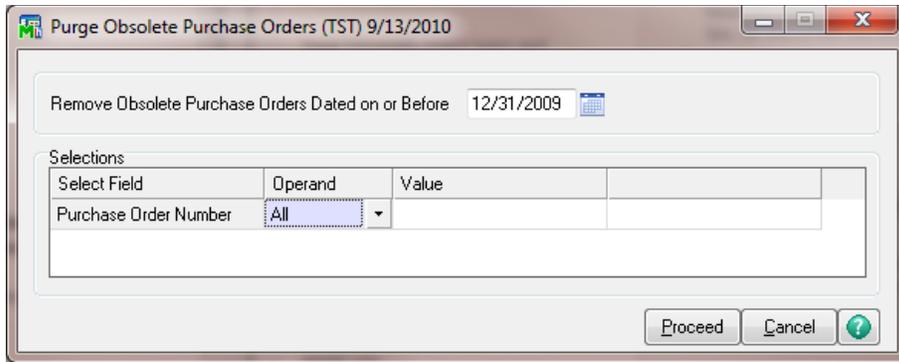
This should make the G/L balance -0- at the end of a given month once all invoices have been entered. Note that the purchases clearing report by item is unlikely to ever be totally empty, but you can make the general ledger account zero out.

TRAP: Not reviewing the purchases clearing report by item periodically to clean up old items. It is not uncommon to have a vendor send you more or less than what was on your original purchase order. A purchase order will not clear out of the system until the amounts ordered, received and invoiced match.

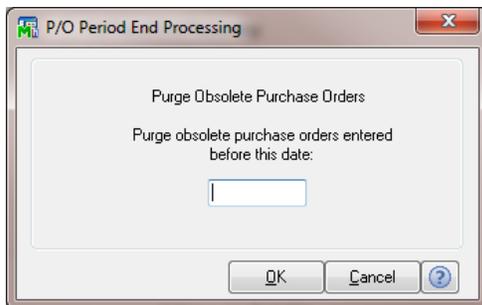
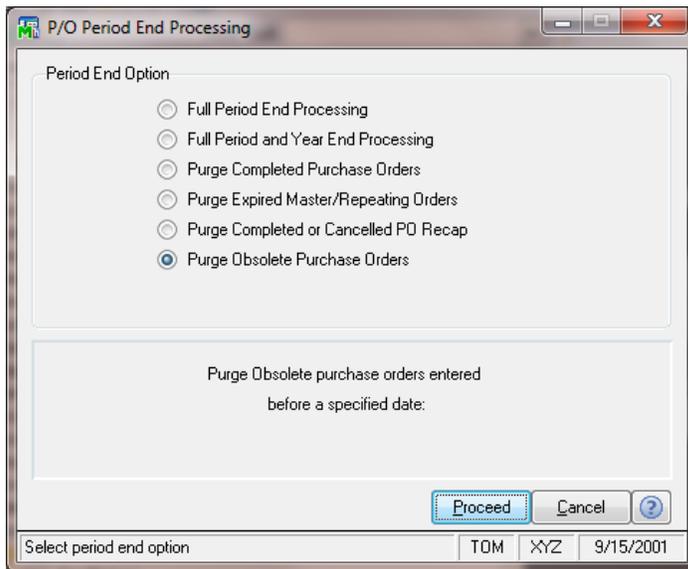
CLEANING UP HANGING PURCHASE ORDERS- BRUTE FORCE METHOD

If you have a large number of older purchase orders which are clearly not valid (a year or more old) you can use purge obsolete purchase orders to delete old unfinished purchase orders.

In version 4.4, this utility is on the purchase order | utilities menu.



Prior to 4.4, this function is found in the period end processing function.



TIP: If you use this method you must make an appropriate entry via general journal to adjust the balance of the purchases clearing account.

CLEANING UP HANGING PURCHASE ORDERS- SELECTIVE METHOD

If you need to be more selective in clearing old purchase orders, the method is dependent on the specific situation. First select the specific purchase order in purchase order entry:

Situation #1 - Quantity ordered is more or less than the amount received and invoiced.

Edit the amount ordered in the purchase order.

Situation #2 - Quantities received is different than the quantity invoiced.

Verify the quantity you have actually received. If incorrect adjust it through receipt of goods.

If that does not resolve it, talk with your vendor and have them issue a corrected invoice or credit memo.

COMPLETED ORDER SHOWS AS NOT BEING COMPLETE

Occasionally you may have a purchase order that shows all items (order, received, invoiced) as being equal and yet it still does not show as complete.

The trick here is to trip the routine that changes the status.

Open up the purchase order and change the ordered quantity of any line to a different value. Save the purchase order. Reopen the purchase order and change the ordered quantity back. Save the purchase order. Reopen the purchase order again. The status should have changed to complete.

DROP SHIP ORDERS – CAUTIONS

In Sage 100 you can mark items on sales order invoices to be drop shipped. This means that the vendor will send these items directly to you customer.

Drop ships will not show as having flowed through your onsite inventory in Sage 100.

TRAP: If you mark a sales order to be drop ship, you must make sure that the corresponding purchase order is also of type drop ship. This is one of the options for order types on the header tab.

A drop ship order does not allow for receipt of goods. It will only have a receipt of invoice.

If you forget to mark the sales order drop ship, the items will be pulled from inventory, however, remember that you never received it into inventory.

Alternatively if you make a purchase order a standard purchase order, it will be received into inventory but it will never be pulled from inventory during the drop ship sale.

DATA ENTRY DEFAULTS

At the top of the Purchase Order Entry is the Defaults button. Use this to set default values for various items. The defaults are saved by a combination of the workstation and the user.

The screenshot shows a dialog box titled "Default Values for Purchase Order Entry". It contains the following fields and controls:

- Next Order Number: 0095084
- Order Date: 10/25/2011 (with a calendar icon)
- Order Type: Standard Order (dropdown menu)
- Required Date: 10/25/2011 (with a calendar icon)
- Ship-To Address: 0000 (with a magnifying glass icon) and text "DEFAULT PURCHASE ORDER ADDRESS"
- Warehouse: 000 (with a magnifying glass icon) and text "MAIN WAREHOUSE"
- Print Purchase Order:
- Ship Via: [empty text box] (with a magnifying glass icon)
- FOB: [empty text box]
- Buttons: OK, Cancel, and a help icon (?)

TIP: Make sure you set all defaults that are appropriate or you may get unexpected defaults.

SPECIAL ITEMS

Do you have a one time inventory item that you special ordered for a customer and don't really want to set up an inventory item to track it?

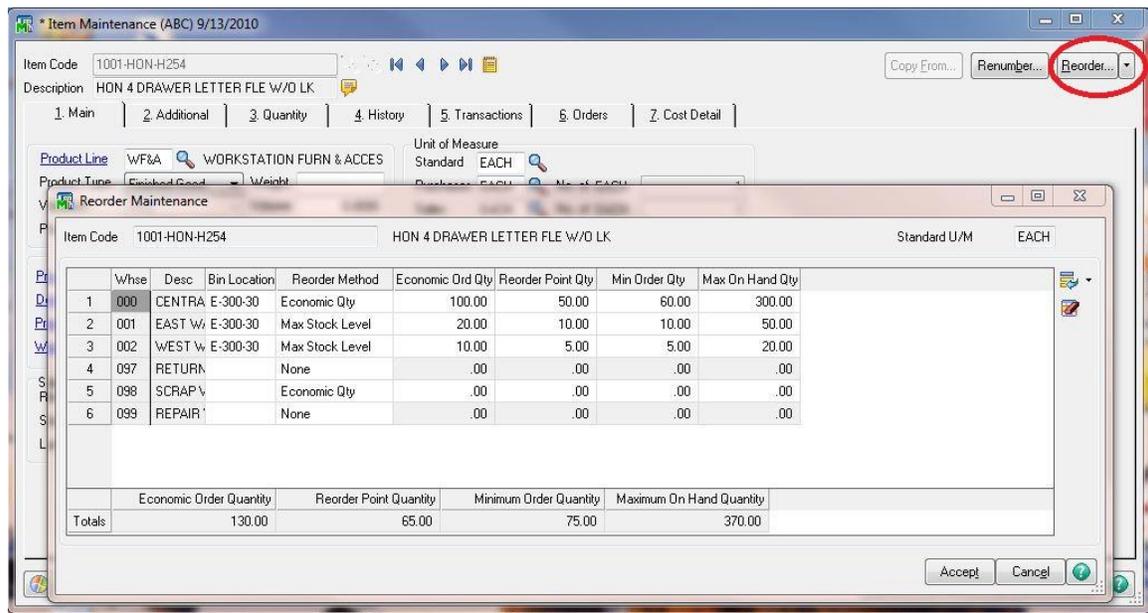
Enter your item code preceded by a *. For example *ABCSPECIAL. This is also available in sales order as well.

AUTOMATIC REORDER

You can have Sage 100 automatically create purchase orders for you based on rules for reordering established by you.

Once you have established your criteria for re-order, use Auto Reorder Selection under Purchase Order | Main to generate purchase orders. Do not confuse this with Auto Generate Orders Selection which lets you generate orders based on sales orders.

Version 4.4



The following is extracted from the Sage 100 help files.

Select the reorder method.

- Select Economic Quantity to reorder by the most economic quantity. If the available quantity falls to or below the reorder point, the recommended reorder amount is the quantity entered at the Economic Qty field.
- Select Maximum Stock Level to maintain an available stock level that does not exceed a set maximum. If the available quantity falls to or below the reorder point, the recommended reorder amount is the difference between the maximum on-hand amount and the quantity available.
- Select Reorder Point to maintain the available quantity at the reorder point. The recommended reorder quantity is the difference between the reorder point and the quantity available.
- Select None when no record exists for the warehouse.

The reorder method is used to generate a recommended reorder quantity on the [Inventory Reorder Report](#). The recommended reorder quantity is based on the actual quantity available (the on-hand quantity increased or decreased by the quantity on sales order, on purchase order, on work order, and required for work orders, and on back order) and your entries at the Economic Qty, Reorder Point Qty, Min Order Qty, and Max On Hand Qty fields. This field is available only for the default warehouse if the Require Multiple Warehouses check box is selected and the Reorder by Warehouse check box is cleared in [Inventory Management Options](#).

Economic Qty

Type the number of the most economical order quantity for this item, or click the Calculator button to enter an amount using the calculator. This amount is the quantity normally reordered when the available stock falls to or below the reorder point. This field is available only for the default warehouse if the Require Multiple Warehouses check box is selected and the Reorder by Warehouse check box is cleared in [Inventory Management Options](#).

Reorder Point Qty

Type the minimum available quantity at which to reorder this item, or click the Calculator button to enter an amount using the calculator. As an aid to purchasing, you can print a report showing every item for which the available quantity is at or below its reorder point. This field is available only for the default warehouse if the Require Multiple Warehouses check box is selected and the Reorder by Warehouse check box is cleared in [Inventory Management Options](#).

Min Order Qty

Type the minimum quantity to reorder at one time, or click the Calculator button to enter an amount using the calculator. If a minimum order quantity is entered, the recommended reorder quantity is never less than the minimum order quantity, regardless of the reorder method. This field is available only for the default warehouse if the Require Multiple Warehouses check box is selected and the Reorder by Warehouse check box is cleared in [Inventory Management Options](#).

Max On Hand Qty

If Maximum Stock Level is selected at the Reorder Method field, type the maximum level for this item, or click the Calculator button to enter an amount using the calculator. You must type an amount that is as large as, or larger than, the amount entered at the Reorder Point Qty field plus the smallest order quantity you would ever order.

If Economic Quantity or Reorder Point is selected at the Reorder Method field, type a quantity that will print on the [Inventory Reorder Report](#). This field is available only for the default warehouse if the Require Multiple Warehouses check box is selected and the Reorder by Warehouse check box is cleared in [Inventory Management Options](#).

GENERATE PURCHASE ORDERS FROM SALES ORDERS

You can generate purchase orders automatically from a selected group of sales orders. Information from the selected sales orders is copied to the new purchase orders. The new order number and order date information is written to the relevant sales orders.

The quantities ordered can be based upon three options:

- Select Sales Order Quantity to set the ordered quantity on the purchase order to equal the quantity entered on the sales order.
- Select Quantity On Hand to order only the quantity you actually require, based on the quantity on hand and outstanding orders. This option sets the ordered quantity to be equal to the result of the following equation: the ordered quantity on the sales order minus the quantity on hand and the quantity on purchase order.
- Select Reorder Quantity to use the item's reorder method selected in the Item Warehouse file.

Select Field	Operand	Value
Sales Order Number	All	
Sales Order Date	All	
Customer Number	All	
Salesperson	All	
SO_CUSTPO	All	

INSURING THAT INVENTORY RELATED VENDOR INVOICES ARE POSTED THROUGH PURCHASE ORDER

A common mistake is that inventory related invoices are posted through accounts payable invoice data entry. The problem here is that inventory will not be updated.

On a vendor by vendor basis you can force invoices to be entered through purchase order receipt of goods/invoice by checking this box in vendor maintenance.

