

## CHAPTER 4: PURCHASE ORDER MANAGEMENT

### Objectives

The objectives are:

- Review the setup of Purchase Order Management, including vendors, receiving options, vendor posting groups, and purchasers.
- Explain and process purchase transactions, including quotes, blanket orders, and purchase orders.
- Review the concept of purchase prices and discounts in relation to item costs.
- Explain purchase price setup and processing.
- Explain the setup defining the general rules of how discounts post and review invoice and line discount setup and processing.
- Explain how to process prepayments on a purchase order.

### Introduction

Timely purchases made at the best price not only improve the efficiency of the company's inventory management and reduce requisition costs, but also have a direct impact on the company's ability to keep their customers satisfied.

Companies must ensure that each purchase transaction is based on the most favorable terms, such as delivery time and price, and that the associated inventory and financial information is registered correctly. Because many aspects of a future purchase agreement with a vendor are negotiated and agreed upon in the pre-purchase stage, it is helpful for purchasing agents to record the relevant agreement details once and reuse this information when making a purchase.

The following functionality in Microsoft Dynamics® NAV supports purchase transaction handling:

- Purchase Order Management: This includes documents, such as quotes, blanket orders, and purchase orders that support purchasing agents in efficiently managing purchases. It also provides the facility for:
  - Partial order receipt
  - Separation between receiving and invoicing
  - Combined invoicing
- Alternative Order Addresses: This facilitates managing purchase orders for vendors with several alternate shipping addresses.
- Alternative Vendors: This supports purchase situations where the same item is supplied by several different vendors.

- Salespeople/Purchasers: This enables a company to collect purchase statistics at an individual purchasing agent level.
- Purchase Line Pricing: This helps maintain and manage alternative purchase prices negotiated and agreed upon with individual vendors.
- Purchase Invoice and Line Discounting: This helps maintain and manage purchase discounts that are percentage-based, negotiated, and agreed upon with individual vendors.

## Purchase Order Management Setup

This lesson elaborates on setup options that define the functionality of purchase order management. This shows the most common tasks found in purchase management and focuses on the physical flow of purchase transactions instead of on the financial flow. The latter is addressed in more detail in the "Finance in Microsoft Dynamics® NAV 2009" training materials.

The purchase setup consists of the following elements:

### ***Purchases & Payables Setup***

Based on their established practices, companies must specify how they want the program to support them in managing different aspects of their purchase transactions. These are the general setup options applied to all purchase transactions regardless of which item and vendor are involved.

### ***Vendor Setup***

Managing vendor information is an important part of managing the total purchases and finances of a company. Basic information (such as name, address, and so on) and details (such as credit limit, invoicing, discount and payment terms, currencies, and list of regularly supplied items) are recorded for each vendor on a vendor card.

### ***Vendor Posting Groups***

The setup of vendor posting groups defines a connection between a vendor and the accounts in the general ledger. Set them up by assigning a vendor to a posting group for which balance sheet and income statement accounts are then set up.

## **Demonstration: Review Purchases & Payables Setup**

**Scenario:** At CRONUS International Ltd., management has a registration of all the receipts that enter their inventory. In the same manner, they want the program to automatically create a shipment note when they have to return items to the vendor. They also want to make sure that no purchase document can post unless several corresponding external documents are entered.

The business requirements listed above have led to the following Purchases & Payables setup for CRONUS.

Follow these steps to open the **Purchases & Payables Setup** page:

1. On the navigation pane, click **Purchase**.
2. On the **Purchase** page, click **Administration** and then click **Purchases & Payables Setup**.

Figure 4.1 shows the 'Edit - Purchases Payables Setup' window. The 'General' tab is active, displaying various configuration options for purchase order management. The 'Discount Posting' is set to 'All Discounts'. Several checkboxes are selected, including 'Receipt on Invoice', 'Return Shipment on Credit Memo', 'Invoice Rounding', 'Ext. Doc. No. Mandatory', and 'Copy Comments Blanket to Order'. The 'Default Posting Date' is set to 'Work Date', and the 'Default Qty. to Ship/Rcv.' is set to 'Remainder'. The 'Numbering' section is visible at the bottom of the tab.

FIGURE 4.1 PURCHASES & PAYABLES SETUP

Setup of the fields on the **General** FastTab specifies the program's facilities for purchase order management.

Selecting the **Receipt on Invoice** and **Return Shipment on Credit Memo** check boxes indicates that the company wants to automatically create posted receipt and posted return shipment documents at the time of posting purchase invoices and purchase credit memos respectively.

If these check boxes are clear, only posted invoices/credit memos are created. (This setup option is only relevant if, in addition to the Purchase Invoicing functionality, a company also uses the Purchase Order Management and Return Order Management.) Selecting the **Receipt on Invoice** check box is necessary if item charges are used because they are applied to the receipt. For more information about item charges, refer to "Item Charges" in this training manual.

Selecting the **Ext. Doc. No. Mandatory** check box indicates that users cannot post purchase documents (order, invoice, and a credit memo) as invoiced without an external document number in the **Vendor Invoice No.** field on a purchase header.

Selecting the **Exact Cost Reversing Mandatory** check box indicates that the company wants the program to automatically align the cost of every item returned to the vendors with the original purchase entry.

Refer to online Help for the definition and setup options of the other fields on the **General** FastTab. In addition, fields determining costing reversing options are described in detail in "Returns Management" in this training material.

### Vendors and Receiving Options

The vendor card and the type of information and vendor details that can be recorded are explained in other courses and are not repeated here.

A situation where a vendor may have alternative sites, in addition to its main business address, from where it delivers items to its customers is not uncommon. For example, companies may have various warehousing and production sites that have addresses different from their main office.

Alternative Order Address supports companies when they deal with such vendors. If the company receives orders from different vendor addresses, those addresses can be recorded as alternative order addresses in the program and then chosen by the purchasing agent when making an order/invoice for the vendor in question.

Alternative order addresses are entered in the Order Address table, which can contain an unlimited number of addresses for each vendor. A code representing information such as vendor number and name is linked to each address.

### Procedure: Review Order Addresses

Follow these steps to review the Order Addresses set up on vendor 10000:

1. On the **Purchase** page, click **Order Processing** and then click **Vendors**.
2. Open the vendor card for vendor 10000.
3. On the **Related Information** menu, point to **Vendor** and then click **Order Addresses**.
4. Double-click the second line to see the address details.

When this code is selected in the **Order Address Code** field on orders (invoices and credit memos), this order address information appears on document printouts.

5. Close the order addresses pages.

### Procedure: Review Receiving Fields

Follow these steps to review the receiving fields on the vendor card for vendor 10000:

1. On the vendor card for vendor 10000, expand the **Receiving** FastTab.

The screenshot shows the 'Edit - Vendor Card - 10000 - London Postmaster' window. The 'Receiving' FastTab is expanded, displaying the following fields:

- Location Code:** (Empty dropdown)
- Shipment Method Code:** CIF (Selected)
- Lead Time Calculation:** (Empty text field)
- Base Calendar Code:** (Empty dropdown)
- Customized Calendar:** No

The 'General' FastTab is also visible, showing the following fields:

- No.:** 10000
- Name:** London Postmaster
- Address:** 10 North Lake Avenue
- Post Code:** N12 5XY
- Country/Region Code:** GB
- Phone No.:** (Empty text field)
- Primary Contact No.:** (Empty dropdown)
- Contact:** Mrs. Carol Philips
- City:** London
- Search Name:** LONDON POSTMASTER
- Balance (LCY):** 114,096.40
- Purchaser Code:** RL
- Responsibility Center:** LONDON
- Blocked:** (Empty dropdown)
- Last Date Modified:** 11/5/2008

FIGURE 4.2 RECEIVING SETUP OPTIONS ON VENDOR 10000

For several reasons, for example to ensure that certain types of items are stored in the same warehouse, companies may use a decentralized location strategy. Such a strategy suggests that shipments from vendors are received in local warehouses instead of in a central one.

To reflect these considerations, a company can link certain vendors to specific locations. Do this by specifying a default location in the **Location Code** field for the individual vendor. More information about the multiple locations setup is in the "Inventory Management In Microsoft Dynamics® NAV 2009" training material.

2. Click the drop-down arrow in the **Shipment Method Code** field, and then click **Advanced** to see the entire list of shipment methods.

Depending on their profile, industrial practices, and location, vendors may have different agreements regarding who transports orders to customers (vendors themselves, shipping agents, or customers) and according to which terms. The program offers the possibility to record all the different terms of purchase and shipment methods (often based on standard international trade definitions) that can then be associated with each specific vendor.

When assigned to a vendor, the shipment method code copies to purchase documents toward that vendor.

3. Close the **Shipment Methods** page.

The two other setup options on the **Receiving** FastTab affect the way the program calculates different purchase order receipt dates:

- The program uses the value in the **Lead Time Calculation** field to calculate the order planned and expected receipt dates if no lead time calculation value is set up on the card for the item being purchased or in the item vendor catalog.
- The two calendar fields relate to the program's facility to calculate various receiving and delivery dates on the purchase documents. These setup options are described in "Order Promising" in this training material.

### Procedure: Review Alternative Vendors

If a company has more than one vendor supplying the same item, purchasing agents may want these vendor-item combinations registered. To do this, they must create a Vendor Item Catalog that lists items that are purchased regularly from a specific vendor.

Follow these steps to review the vendor item catalog for vendor 30000:

1. Open the vendor card for vendor 30000.
2. On the **Related Information** menu, point to **Purchases** and then click **Items**.

In addition to specifying items typically purchased from the vendor in question, the vendor item catalog also contains information about the delivery lead time and whether there are any special price and discount agreements with that vendor. The setup and functionality of the latter is described in the "Purchase Prices and Discounts" lesson.

## Vendor Posting Groups

The financial value of any purchase transaction must be posted to dedicated accounts in the general ledger. Where companies do not find it possible to establish accounts for each vendor, they can put several vendors into one posting group and then specify accounts for such a group.

After the company has decided on criteria for how its vendors can be grouped, it must set up the respective groups in the program in the **Vendor Posting Groups** page.

In this page, the user can assign a code to each identified posting group and specify general ledger accounts for different amount categories, such as:

- Payables
- Service charges
- Payment discount amounts
- Interest
- Additional fees

## Procedure: Review Vendor Posting Groups

Follow these steps to review the vendor posting group set up for vendor 10000:

1. On the navigation pane, click **Financial Management**.
2. On the **Financial Management** page, click **Administration** and then click **Vendor Posting Groups**.

Code	Payables Account	Service Charge Acc.	Payment Disc. Debit Acc.	Payment Disc. Credit Acc.	Debit Curr. Appln. Rndg. Acc.	Credit Curr. Appln. Rndg. Acc.	Debit Rounding Account	Credit Rounding Account
DOMESTIC	5410	8910	9135	9130	9150	9150	9150	9150
EU	5420	8910	9135	9130	9150	9150	9150	9150
FOREIGN	5420	8910	9135	9130	9150	9150	9150	9150

FIGURE 4.3 VENDOR POSTING GROUPS

Entering a code in the **Vendor Posting Group** field on the **Invoicing** FastTab of a vendor card implies that the vendor is assigned to a specific posting group.

3. Open the vendor card for vendor 10000 and then expand the **Invoicing** FastTab.
4. Confirm that DOMESTIC has been selected in the **Vendor Posting Group** field.

Each vendor can only be assigned to one vendor posting group.

When a purchase transaction (order, invoice, or credit memo) involving this vendor is posted, the program uses the accounts specified for the posting group to which the vendor belongs.

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**NOTE:** General business posting groups must also be assigned to vendors. The business group code is used in combination with a general product posting group code in the general posting setup to specify the accounts to which certain transactions are posted. You can learn more about general setup rules in the "Application Setup in Microsoft Dynamics® NAV 2009" training materials.

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Each vendor posting group can have different general ledger accounts or the same accounts set up for it. An advantage of having different groups that have the same accounts is that it gives accountants flexibility in how they group vendors together for reporting and analysis purposes. For example, a total payables amount can be presented and analyzed for each of two groups representing domestic and foreign vendors.

### Purchasers Setup

If several purchasing agents work in the same company, they can each be set up and assigned a code. Companies can use the codes to prepare statistics and to filter information in printed reports.

To set up purchasing agents in the program, follow the procedure for setting up Sales Representatives explained in the "Set Up Salespeople" topic in "Sales Order Management" in this training material.



### Manage Purchase Transactions

Manage Purchase Transactions elaborates on the facilities that support the most common tasks in purchase transaction management. The workflow includes the following steps:

- Registering a purchase quote or blanket agreement with a vendor.
- Converting the agreement into a purchase order.
- Receiving and invoicing the purchase order.

This lesson takes you through a workflow, from making a quote/blanket order to reviewing the posted order.

#### Purchase Quotes

A purchase quote can be described as a "draft order" in which purchasing agents can register the vendor's offer specifying:

- Price
- Terms of sale
- Description of items

If the offer matches the purchasing agent's requirements and they want to buy the items on the quote, they can convert it into an order. Similarly, when items on stock need replenishment, inventory managers can send a request to the purchasing department, who create a quote (which is later submitted to a vendor as a purchase order).

#### Procedure: Create and Convert a Purchase Quote

Follow these steps to create a purchase quote:

1. On the **Purchase** page, click **Order Processing** and then click **Purchase Quotes**.
2. Click **New** and then press ENTER or TAB.
3. In the **Buy-from Vendor No.** field, enter the vendor number.
4. On the **Lines** FastTab, in the **Type** field, select Item.
5. In the **No.** field, enter the number of the item to be quoted.
6. In the **Quantity** field, type the number of items to appear on the quote.

Follow these steps to convert the quote to a purchase order:

1. Update the purchase quote as needed.
2. On the Action Pane, click **Make Order**.
3. Click **Yes** to convert the quote to an order.

## Blanket Purchase Orders

A blanket purchase order represents a framework for an agreement between you and your vendor. Use blanket orders when you have committed to buying large quantities of an item that you will receive in several smaller shipments over a certain period of time. Often blanket orders cover only one item with predetermined delivery dates.

On the blanket order, you can set up each separate receipt as an order line, which you can then convert into a purchase order at the time of ordering.

An example of when a Blanket Purchase Order could be used is when you have a standing order with your vendor to purchase 100 units of an item every month for a year.

## Demonstration: Create a Purchase Blanket Order

**Scenario:** Alicia, the purchasing agent at CRONUS, places an order with vendor 10000 for 1000 units of item 70000, to be delivered in 250 units every week over the next month.

Follow these steps to create a blanket order for vendor 10000:

1. On the **Purchase** page, click **Order Processing** and then click **Purchase Blanket Orders**.
2. Click **New** and then press ENTER to assign a number.
3. In the **Buy-from Vendor No.** field, enter 10000.
4. Leave the **Order Date** field blank. When the separate purchase orders are created from the blanket order, the program will set the order date of the purchase order equal to the actual work date.

The **Purchaser Code** field on the **General** FastTab contains the default code for the purchaser assigned to vendor 10000. This code, and the other vendor details, are retrieved from the vendor card.

Follow these steps to create four lines of 250 units of item 70000:

1. Use the Choose Columns feature to add the **Expected Receipt Date** field to the **Lines** FastTab.
2. On the **Lines** FastTab, in the **Type** field, select Item.
3. In the **No.** field, enter 70000.
4. In the **Quantity** field, type 250.
5. In the **Expected Receipt Date** field for each line, enter the receipt dates of 02/01/10, 02/08/10, 02/15/10, and 02/22/10, respectively.
6. Repeat steps 3-5 to create a total of four order lines.

The **Qty. to Receive** field is automatically filled in by the program to indicate the quantity that the purchase orders are to be created for on the respective receipt dates.

7. In the **Qty. to Receive** field, leave the quantity of 250 for the first line and delete the quantity to receive in the three other lines.

Type	No.	Description	Location Code	Quantity	Unit of Measure Code	Direct Unit Cost Excl. VAT	Line Amount Excl. VAT	Qty. to Receive	Expected Receipt Date
Item	70000	Side Panel		250	PCS	15.70008	3,925.02	250	2/1/2010
Item	70000	Side Panel		250	PCS	15.70008	3,925.02		2/8/2010
Item	70000	Side Panel		250	PCS	15.70008	3,925.02		2/15/2010
Item	70000	Side Panel		250	PCS	15.70008	3,925.02		2/22/2010

FIGURE 4.4 COMPLETED BLANKET PURCHASE ORDER

Follow these steps to convert the blanket order into a purchase order:

1. On the Action Pane, click **Make Order**.
2. Click **Yes** to create an order.
3. Click **OK** to close the message stating that the blanket order has been assigned an order number. Note that the blanket order has not been deleted.

The program retains the link between the blanket order and the purchase order, enabling the purchasing agent to view unposted and posted purchase order (invoice) lines.

Follow these steps to open and modify the purchase order:

1. Click the first line on the blanket order.
2. On the **Lines** FastTab, click **Actions**, point to **Line**, then to **Unposted Lines**, and then click **Orders**.
3. On the **Purchase Lines** page, click **Show Document**.

The purchase order contains all the lines from the blanket order. The lines where you deleted the quantity in the **Qty. to Receive** field appear, but with blank quantity fields. The purchase order line quantity must not exceed the quantity of the associated blanket order line. Otherwise, posting of the purchase order will be impossible.

4. Delete the last three lines in the purchase order.

The blanket order number and line number are recorded as properties of the purchase lines when created from a blanket order.

Follow these steps to review the link to the blanket order:

1. Add the **Blanket Order No.** and the **Blanket Order Line No.** to the **Lines** FastTab using the Choose Columns function.
2. On the **Purchase Lines** page, click **Show Document**.
3. Review the **Blanket Order No.** and the **Blanket Order Line No.** fields, noting the corresponding references.

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**NOTE:** When purchase orders are not created directly from the blanket order but still relate to it, you can establish a link between a purchase order and a blanket order by entering the associated blanket order number in the **Blanket Order No.** field on the purchase order line.

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When the purchase order is posted as received and/or invoiced, the **Quantity Received** and **Quantity Invoiced** fields update on the related blanket order.

Once the purchase order(s) has been created for the total quantity of a blanket order line, the program ensures that no other purchase order(s) is created for the same line by preventing users from entering a quantity in the **Qty. to Receive** field.

## Purchase Orders

The purchase order is a cornerstone of purchase management functionality in Microsoft Dynamics NAV. In parallel with sales orders, the program supports the purchasing agents in their task of:

- Processing a purchase transaction by automatically copying the default setup information to the order header and lines
- Performing necessary calculations
- Ensuring a correct update of the company's financial records

Most of the properties of the purchase order (such as delivery details, location, quantity, unit of measure, and so on) are identical to those on the sales order. Therefore, only the features distinctive to the purchase order processing tasks are addressed in the "Set Up the Purchase Order for Receiving" demonstration.

### ***Planning Flexibility***

By selecting a certain value in the **Planning Flexibility** field on the purchase order line (use the Choose Columns feature to make the field visible), the purchasing agent defines if the order in question is included in the program's planning calculations. The value must be set to None, if the purchasing agent does not want the program to alter either the receipt date or the quantity of the ordered items.

If the purchase order was created because of the requisition planning (and must remain available for possible changes), the **Planning Flexibility** field is set to Unlimited. This makes it possible to change or move the order date and adjust the quantity as long as the order has not been posted. The default selection is Unlimited. Learn more about purchases planning and managing in "Requisition Management" in this training material.

### ***Posting Orders***

The purchase order posting principles are identical to those applied to sales orders (described in "Sales Order Management" in this training material). The key points in purchasing are summarized in the following list:

- The posting function consists of two parts: receipt (quantity change) and invoice (value change) posting.
- The **Qty. to Receive** and the **Qty. to Invoice** fields on a purchase order represent the quantities referring to the posting function.
- Orders can be partially received/invoiced.
- When you post an invoice, the two parts occur at the same time, without an option to separate them in time.
- You can post an order by registering the order receipt first, while the order invoicing can occur later.
- Related to the previous point are the facilities to:
  - Combine several receipts in one invoice.
  - Undo a quantity record for a posted but not invoiced receipt.

### **Demonstration: Update the Purchase Order**

This demonstration is a continuation of the "Create a Purchase Blanket Order" demonstration.

**Scenario:** Alicia is processing the purchase order created from the blanket order for 250 units of item 70000.

She has discovered that vendor 10000 has a warehouse close to CRONUS. Because this is not the location from where they usually ship their orders, Alicia has agreed with the vendor to ship the items from the alternative location. She also checks the item vendor catalog to ensure this is her best option for these items.

Follow these steps to update the purchase order:

1. On the **Purchase** page, click **Order Processing** and then click **Purchase Orders**.
2. Locate the purchase order to vendor 10000 created in the "Create a Purchase Blanket Order" demonstration.
3. On the **General** FastTab, in the **Order Address Code** field, enter HOPE. The program updates the buy-from address details.

If the company has more than one vendor supplying the same item, the purchasing agent may want to check if this is the case when creating and processing an order for specific items.

Follow these steps to preview the Item Vendor Catalog for item 70000 from the purchase order line:

1. In the **No.** field for item 70000, click the drop-down arrow and then click **Advanced**.
2. In the Item List, click the **Related Information** menu, point to **Purchases** and then click **Vendors**.

The Item Vendor Catalog shows that vendor 30000 is also a supplier of this item.

In addition to specifying vendors, the item vendor catalog also contains information about whether any special price and discount agreements exist with the vendor. Access this by clicking the **Related Information** menu and pointing to **Item Vendor** and then select the relevant pricing information to view.

3. Escape back to the purchase order.

### Demonstration: Receive the Purchase Order

This demonstration is a continuation of the "Update the Purchase Order" demonstration.

**Scenario:** Vendor 10000 delivers 200 units of 70000 on 01/29/10. John, the warehouse worker at CRONUS, posts the partial receipt in the program. On 02/01/10, the remaining 50 are received so John posts the receipt in the program.

Follow these steps to receive the partial shipment from vendor 10000:

1. Open the purchase order updated in the "Update a Purchase Order" demonstration.
2. In the **Posting Date** field, enter 01/29/10.
3. In the **Qty. to Receive** field, type 200.
4. On the Action Pane, click **Post**.
5. Click **Receive** and then click **OK**.

A posted purchase receipt is created and the purchase line is updated as follows:

- **Qty. to Receive** field shows the unreceived quantity of 50
- **Quantity Received** field shows the received quantity of 200
- **Qty. to Invoice** field shows the uninvoiced quantity of 250
- **Quantity Invoiced** field is empty because no invoicing has occurred

The remaining shipment has been received from vendor 10000. Follow these steps to receive the shipment:

1. In the **Posting Date** field, enter 02/01/10.
2. Confirm that the **Qty. to Receive** field is set to 50.
3. On the Action Pane, click **Post**.
4. Click **Receive** and then click **OK**.

A posted purchase receipt is created and the purchase line is updated as follows:

- **Qty. to Receive** field is empty because all item have been received
- **Quantity Received** field shows the received quantity of 250
- **Qty. to Invoice** field shows the uninvoiced quantity of 250
- **Quantity Invoiced** field is empty because no invoicing has occurred

Follow these steps to view the posted purchase receipts:

1. On the **Related Information** menu, point to **Order** and then click **Receipts**.
2. Select the first posted receipt and on the **Actions** menu, click **View**.
3. Note that the **Quantity** field matches the first receipt and the **Quantity Invoiced** field is blank. The **Quantity Invoiced** field updates when the order is invoiced.
4. Close the receipt and then review the second posted receipt.
5. Escape back to the purchase order.

### Demonstration: Invoice the Purchase Order and Review the Posted Documents

This demonstration is a continuation of the "Receive the Purchase Order" demonstration.

**Scenario:** Alicia receives and approves vendor invoice number 77321 and forwards it to Cassie, the accountant, who then invoices the order after she matches the order total to the invoice total.

Follow these steps to confirm the totals and then invoice the order:

1. In the **Vendor Invoice No.** field, type 77321.
2. On the Action Pane, click **Statistics** to confirm the order total matches the invoice.
3. Click **OK** to close the **Purchase Order Statistics** page.
4. On the Action Pane, click **Post**.

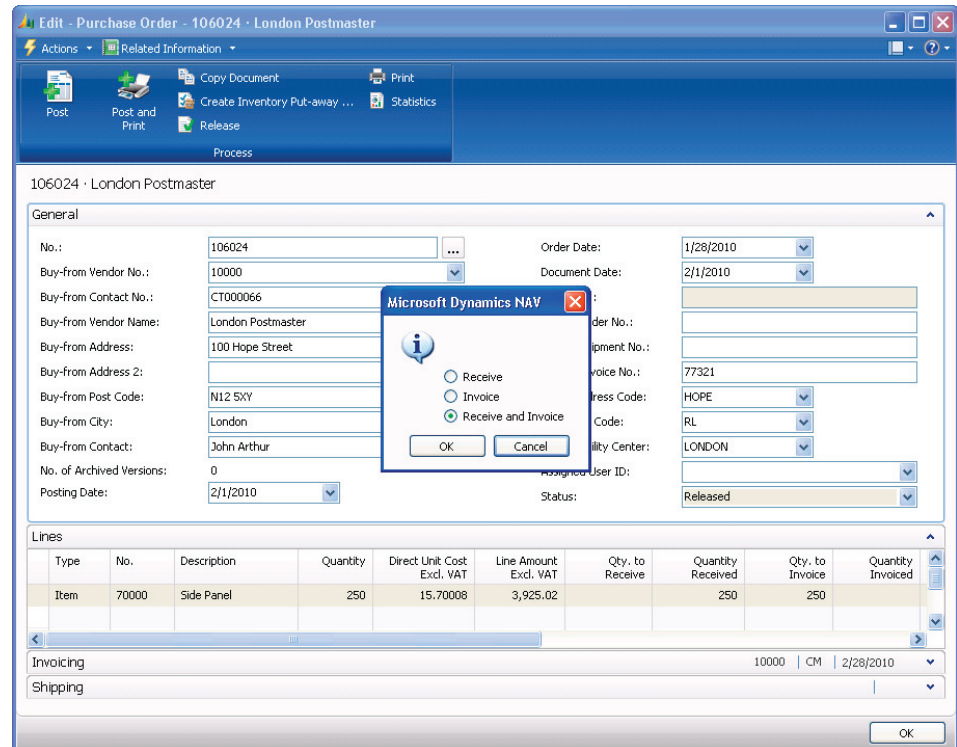


FIGURE 4.5 FULLY RECEIVED PURCHASE ORDER READY FOR INVOICING

5. Click **OK** to post the order.

The order is deleted, the linked blanket order line is updated, and a posted purchase invoice is created. Follow these steps to view the updated blanket order:

1. Open the Blanket Purchase Order created in the "Create a Purchase Blanket Order" demonstration.
2. Review the **Quantity Received** and **Quantity Invoiced** fields on the first line of the blanket order. Note that both show the full quantity received and invoiced.
3. Click **OK** to close the blanket order.



Follow these steps to view the posted purchase invoice and receipts:

1. On the **Purchase** page, click **History** and then click **Posted Purchase Invoices**.
2. Open the invoice posted to vendor 10000 for 250 units of item 70000 and review the lines.
3. Close the posted purchase invoice.
4. On the **History** page, click **Posted Purchase Receipts**.
5. Re-open the posted purchase receipts and confirm that the **Quantity Invoiced** fields are updated.

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***NOTE:** For more information about other purchase management tasks, refer to the relevant topic in the online Help. To learn more about payables functionality, refer to the "Finance in Microsoft Dynamics® NAV 2009" training material.*

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## Lab 4.1 - Process a Purchase Quote to an Order

### Scenario

CRONUS is interested in purchasing 100 units of items 70010 and 70011, respectively. As the purchasing agent, you contact vendors 10000 and 30000 for quotes to find the best offer.

Considering the quantity to be purchased, the prices are as follows:

- Vendor 10000
  - Item 70010: quantity 100-500 at 24.00 LCY per unit
  - Item 70011: quantity 100-500 at 35.00 LCY per unit
- Vendor 30000
  - Item 70010: quantity 100-1000 at 26.00 LCY per unit
  - Item 70011: quantity 100-1000 at 34.00 LCY per unit

You create a purchase quote for each of the vendors so the offers are registered and the total purchase prices can be compared. From the total amount, it is clear that vendor 10000 gives the best offer. You convert the quote for vendor 10000 into a purchase order.

You receive all the items on 02/01/10, along with vendor invoice number 81449. Receive and invoice the purchase order simultaneously. You do not need to review posted documents.

### Challenge Yourself!

1. Create the purchase quotes to vendors 10000 and 30000.
2. Convert the quote to vendor 10000 into an order.
3. Post the order.

### Need a Little Help?

1. Create the purchase quotes to vendors 10000 and 30000 for 100 units each of items 70010 and 70011, respectively.
2. Convert the quote to vendor 10000 to an order.
3. Open the purchase order to vendor 10000.
4. Update the posting date and enter the vendor invoice number.
5. Review the order statistics to compare to the invoice total.
6. Receive and invoice the order.

### Step by Step

Follow these steps to create the purchase quotes:

1. On the **Purchase** page, click **Order Processing** and then click **Purchase Quotes**.
2. Click **New** and then press ENTER or TAB.
3. In the **Buy-from Vendor No.** field, enter 10000.
4. Leave the **Order Date** field blank.
5. On the **Lines** FastTab, in the **Type** field, select Item.
6. In the **No.** field, enter 70010.
7. In the **Quantity** field, type 100.
8. In the **Direct Unit Cost Excl. VAT** field, type 24.
9. On the next line, in the **No.** field, enter 70011.
10. In the **Quantity** field, type 100.
11. In the **Direct Unit Cost Excl. VAT** field, type 35.
12. On the Action Pane, click **Statistics** and review the **Purchase (LCY)** amount.
13. Close the **Purchase Quote Statistics** page.
14. Click the drop-down arrow on the **OK** button and then click **OK & New**.
15. Press ENTER or TAB.
16. Repeat steps 3-13 for vendor 30000 using the quoted amounts.
17. Click **OK** to close the **Purchase Quote** page.

Follow these steps to convert the quote to a purchase order:

1. Open the purchase quote to vendor 10000.
2. On the Action Pane, click **Make Order**.
3. Click **Yes** to convert the quote to an order.
4. Click **OK** to close the message stating that the quote has been assigned an order number.

Follow these steps to receive and invoice the purchase order:

1. Open the purchase order created from the quote.
2. In the **Posting Date** field, enter 02/01/10.
3. In the **Vendor Invoice No.** field, type 81449.
4. On the Action Pane, click **Statistics** to confirm the order total matches the invoice.
5. Click **OK** to close the **Purchase Order Statistics** page.
6. Confirm that the **Qty. to Receive** field on each line is set to 100.
7. On the Action Pane, click **Post**.
8. Click **OK** to receive and invoice the order.

## Purchase Prices and Discounts

Companies have the possibility to specify cost information for each item on the item card, and are given a functionality that facilitates the task of purchase price management. The program automatically retrieves information about the last direct cost stored on an item card to copy it to the purchase order line for the item in question.

This direct cost information is the same in all purchase situations regardless of whether individual price and discount agreements exist between the company and its vendor. These agreements and policies can be based on several conditions, such as:

- Item variant and quantity bought
- Currency paid
- Order date

Maintaining alternative purchase prices and discounts can be challenging for the company's purchasing department. Without suitable price management tools, price agreements and information about special sales are stored in private folders, spread sheets, and so on. This frequently creates problems because discount/special pricing opportunities are missed or not taken advantage of.

The Purchase Line Pricing and Purchase Line Discounting offer a pricing functionality beyond the standard item card. The functionality is described in this lesson, which is divided into two parts:

- Purchase Prices
- Invoice and Line Discounts

## Purchase Prices

Apart from the default purchase price that calculates by multiplying the item's unit price with the order quantity, alternative purchase prices will be granted if a combination of vendor, item, minimum quantity, unit of measure, starting/ending date is set up as a criteria for a certain purchase price.

### Procedure: Review Purchase Prices

To record purchase prices that the purchasing agents have agreed upon with their vendor/group of vendors, they must use the **Purchase Prices** page.

Access the **Purchase Prices** page from either the vendor card or item card. Follow these steps to review purchase prices for vendor 30000:

1. On the **Purchase** page, click **Order Processing** and then click **Vendors**.

2. Open the vendor card for vendor 30000.
3. On the **Related Information** menu, point to **Purchases** and then click **Prices**.

Vendor No.	Item No.	Unit of Measure Code	Minimum Quantity	Direct Unit Cost	Starting Date	Ending Date
30000	70000		0.00	17.30		
30000	70001		0.00	22.70		
30000	70002		0.00	16.10		
30000	70003		0.00	16.60		
30000	70010		0.00	29.20		
30000	70011		0.00	40.60		
30000	70040		0.00	60.70		
30000	70041		0.00	13.20		

FIGURE 4.6 PURCHASE PRICES SET UP FOR VENDOR 30000

Here a purchasing agent can specify the conditions that must be met before a vendor offers a unit price for an item. For example, the conditions can require that a purchase is made within a certain period. A special purchase price can also depend on the following:

- Unit of measure
- Item variant
- Minimum quantity
- Currency

The following demonstration illustrates a situation where a company must set up individual prices based on a price agreement reached with one of its vendors about some selected items.

### Demonstration: Set Up Purchase Prices Based on Price Agreement

**Scenario:** Purchases from vendor 40000 have been increasing lately. Until now, CRONUS has made purchases that have been based on vendor 40000's standard price rates. Now they want to purchase items at more favorable prices.

Based on an agreement with vendor 40000 that takes effect on 02/01/10, CRONUS can save 50 LCY for any purchase of item 1976-W if the quantity is at least 15 units. The current cost for each unit of item 1976-W is 150.60 LCY.

Inga, the purchasing manager, must set up this price agreement in the program.

Follow these steps to set up the purchase prices for vendor 40000:

1. On the **Purchase** page, click **Order Processing** and then click **Vendors**.
2. Open the vendor card for vendor 40000.
3. On the **Related Information** menu, point to **Purchases** and then click **Prices**.
4. In the **Item No.** field, enter 1976-W.
5. In the **Minimum Quantity** field, type 15.
6. In the **Direct Unit Cost** field, type 100.60, which is the reduced price.
7. In the **Starting Date** field, enter 02/01/10.
8. Click **OK** to close the **Purchase Prices** page.
9. Do not close the vendor card.

At this point, Inga does not need to enter an ending date as a condition in the price agreement with the vendor. If an agreement is re-negotiated at a later date, Inga can enter a new purchase price line with a new starting date. This then takes over the previous agreement.

### Demonstration: Create a Purchase Order with Purchase Prices

**Scenario:** Alicia, the purchasing agent, places an order for eight units of 1976-W from vendor 40000 on 01/28/10. The vendor's representative reminds Alicia that the new price agreement goes into effect on 02/01/10 and asks if she wants to wait until that date and also order 15 units instead.

Alicia agrees and changes the order date to 02/01/10 and the quantity to 15.

Follow these steps to create the purchase order:

1. On the Action Pane of the vendor card, click **Purchase Order**.
2. Press ENTER or TAB.
3. On the **Lines** FastTab, in the **Type** field, select Item.
4. In the **No.** field, enter 1976-W.
5. In the **Quantity** field, type 8.

The current **Direct Unit Cost Excl. VAT** is 150.60 LCY.

6. In the **Order Date** field, enter 02/01/10.
7. Click **OK** to close the message.
8. In the **Quantity** field, type 15 and then press ENTER or TAB.

The current **Direct Unit Cost Excl. VAT** is changed to 100.60 LCY to apply the purchase agreement.

### Pricing Functionality

The purpose of setting up alternative prices in the program is to support the purchasing agents in their task of always buying at the best prices. The best price is defined as the lowest possible price with the highest possible line discount on the order date.

When a purchasing agent creates an order from a specific vendor, the program checks whether:

- Alternative purchase prices are set up for the vendor.
- The purchase header and line details meet the conditions for applying an alternative price.

If all the conditions are met, the applicable price from the **Purchase Prices** page copies to the **Direct Unit Cost (Excl./Incl. VAT)** field on the purchase line.

If no alternative purchase prices are recorded in the program or the conditions for applying an alternative price are not satisfied, the program uses the regular unit cost specified on the item card as a suggestion on the purchase document.

## Lab 4.2 - Manage Alternative Purchase Prices

### Scenario

On 01/28/10, CRONUS enters into a purchase agreement with vendor 10000 on items 1900-S and 1920-S according to the following conditions:

- For item 1900-S, if CRONUS buys this item in pallets (that contain ten pieces) instead of pieces, 10.00 LCY can be taken off the regular price of 92.62.
- For item 1920-S, when CRONUS buys this item and pays in local currency (EUR), 15.00 LCY can be taken off the item's regular price of 311.60.

As the purchasing agent, you need to set up these purchase agreements.

On 01/28/10, you create a purchase order to vendor 10000 for two pallets of item 1900-S and five units of item 1920-S. Confirm that the purchase prices appear correctly and then post the order as received and invoiced with vendor invoice number 41001.

---

**HINT:** Add the *PALLET* unit of measure that contains ten pieces to item 1900-S's units of measure list when you set up the line in the **Purchase Prices** page, and add the **Currency Code** field for set up of item 1920-S.

---

### Challenge Yourself!

1. Enter the purchase agreement for items 1900-S and 1920-S on vendor 10000.
2. Create the purchase order to vendor 10000 for two pallets of item 1900-S and confirm the discounted direct unit cost is used.
3. Add the line for five pieces of item 1920-S and assign the proper currency to ensure the discounted direct unit cost is used.
4. Post the purchase order.

### Need a Little Help?

1. Open the vendor card for vendor 10000 and enter the purchase agreement for item 1900-S.
2. Add the PALLET unit of measure by clicking **New** from the **Unit of Measure Code** field.
3. Add the **Currency Code** field using the Choose Columns feature.
4. Add the purchase agreement for item 1920-S.
5. Create the purchase order to vendor 10000.
6. Add the line for two pallets of item 1900-S and confirm that the discounted direct unit cost is used.



7. Add the line for five pieces of item 1920-S and confirm that the regular direct unit cost is used.
8. Assign the EUR currency to the order and then confirm that the discounted direct unit cost is used.
9. Add the vendor invoice number and then receive and invoice the order in one step.

### Step by Step

Follow these steps to set up the purchase prices for vendor 10000:

1. On the **Purchase** page, click **Order Processing** and then click **Vendors**.
2. Open the vendor card for vendor 10000.
3. On the **Related Information** menu, point to **Purchases** and then click **Prices**.
4. In the **Item No.** field, enter 1900-S.
5. In the **Unit of Measure Code** field, click the drop-down arrow and then click **New**.
6. In the **Code** field, enter PALLET and in the **Qty. per Unit of Measure** field, type 10.
7. With the line for PALLET selected, click **OK** to close the **Item Units of Measure** page.
8. In the **Direct Unit Cost** field, type 82.62
9. In the **Starting Date** field, enter 01/28/10.
10. Add the **Currency Code** field using the Choose Columns feature.
11. On the next line, in the **Item No.** field, enter 1920-S.
12. In the **Unit of Measure** field, enter PCS.
13. In the **Direct Unit Cost** field, type 296.60.
14. In the **Starting Date** field, enter 01/28/10.
15. In the **Currency Code** field, enter EUR.
16. Click **OK** to close the **Purchase Prices** page.
17. Do not close the vendor card.

Follow these steps to process the purchase order:

1. On the Action Pane of the vendor card, click **Purchase Order**.
2. Press ENTER or TAB.
3. On the **Lines** FastTab, in the **Type** field, select Item.
4. In the **No.** field, enter 1900-S.
5. In the **Quantity** field, type 2.
6. In the **Unit of Measure Code** field, enter PALLET.
7. Verify that the **Direct Unit Cost Excl. VAT** field is 82.62, which is the discounted price.
8. On the next line, in the **No.** field, enter 1920-S.

9. In the **Quantity** field, type 5.
10. Verify that the **Direct Unit Cost Excl. VAT** field is 328.00, which is the regular item price.
11. Expand the **Foreign Trade** FastTab.
12. In the **Currency Code** field, enter EUR and then press ENTER or TAB.
13. Click **Yes** to change the currency code.
14. Verify that the **Direct Unit Cost Excl. VAT** field is now 296.60, which is the discounted price.
15. In the **Vendor Invoice No.** field, type 41001.
16. On the Action Pane, click **Post**.
17. Click **OK** to receive and invoice the order.

### Invoice and Line Discounts

There are several ways to reflect the agreed discounts that will apply when you buy goods from different vendors. The most basic type of discount is a percentage discount, which is granted when the value amount of all lines on a purchase document exceeds a certain minimum. This is called a vendor invoice discount.

There is also a purchase line discount. This type of discount is more advanced in that the discount percent calculates for each purchase line in a document if the line meets certain criteria within a combination of item, vendor, minimum quantity, unit of measure, and starting/ending date.

#### General Discount Setup

General discount setup information is specified in the **Purchases & Payables Setup** page.

Before using the discount functionality, a company must decide how to post discount amounts. The **Discount Posting** field on the **General** FastTab offers four options for defining the way the line discounts are to be posted to the general ledger:

- No Discounts
- Invoice Discounts
- Line Discounts
- All Discounts

In principle, when the user makes a selection in this field, he or she can specify the type of purchase discounts to post to the general ledger (if any) and whether they post together or separately. For a detailed definition of each option, refer to the online Help for the field.

If the option determining that a specific line discount posts separately is selected, the user must ensure that:

- A dedicated account(s) is created in the chart of accounts (for example, a Purchase Line Discount account).
- The separate line discount option is set up in the **General Posting Setup** page.

When posting purchase documents, the program uses the general business posting group of the vendor and the general product posting group of the item to retrieve the account set up in the **General Posting Setup** page.

If discounts are not set up to post separately, they become part of a purchase amount posted to the Purchase account.

## Procedure: Review Invoice Discount Setup

Purchasing agents must use the **Vend. Invoice Discounts** page to set up conditions for invoice discounts and service charges for the vendor.

Follow these steps to review purchase invoice discounts for vendor 20000:

1. On the **Purchase** page, click **Order Processing** and then click **Vendors**.
2. Open the vendor card for vendor 20000.
3. On the **Related Information** menu, point to **Purchases** and then click **Invoice Discounts**.

The screenshot shows the 'Edit - Vend. Invoice Discounts - 20000' window. It features a 'New' button on the left and an 'OK' button at the bottom right. The main area contains a table with the following data:

Currency Code	Minimum Amount	Discount %	Service Charge
	0.00	10	0.00

FIGURE 4.7 PURCHASE INVOICE DISCOUNT SET UP FOR VENDOR 20000

The program uses the invoice discount terms defined in the **Vend. Invoice Discounts** page to calculate the invoice discount. The program uses the currency code on the purchase document to find the invoice discount terms in the corresponding currency.

If invoice discounts have not been defined for foreign currencies, the program uses the invoice discount terms in LCY defined in the **Vend. Invoice Discounts** page and the exchange rate as of the posting date on the purchase document to calculate the invoice discount in foreign currency.

### Demonstration: Create a Purchase Order with Invoice Discounts

When all the items have been entered on the purchase lines, purchasing agents can calculate the invoice discount for the entire purchase document using the Calculate Invoice Discount function. The discount will be apportioned over all the lines in the purchase document for items where the **Allow Invoice Disc.** check box on the purchase line is selected.

**Scenario:** CRONUS receives a ten percent discount on invoice totals from vendor 20000. Alicia creates an order to vendor 20000 for 20 units of item 1928-W and 10 units of item 1928-S.

She runs the Calculate Invoice Discount function prior to posting the order so that she can review the discount on each line.

---

***NOTE:** If the **Calc. Inv. Discount** check box is selected in Purchases & Payables Setup, then the invoice discount will automatically calculate when you open the document's statistics, open the Test Report, print the document, or post the document.*

---

Follow these steps to create the purchase order and calculate the invoice discount:

1. On the **Purchase** page, click **Order Processing** and then click **Purchase Orders**.
2. Click **New** and then press ENTER or TAB.
3. In the **Buy-from Vendor No.** field, enter 20000.
4. On the **Lines** FastTab, in the **Type** field, select Item.
5. In the **No.** field, enter 1928-W.
6. In the **Quantity** field, type 20.
7. On the next line, in the **No.** field, enter 1928-S.
8. In the **Quantity** field, type 10.

The total order amount shown in the **Line Amount Excl. VAT** for the first line is 3840.00 LCY and 278.00 LCY for the second line.

9. Add the **Inv. Discount Amount** field to the lines using the Choose Columns feature.
10. On the **Actions** menu, point to **Functions** and then click **Calculate Invoice Discount**.
11. Click **Yes** to calculate the discount.

The **Inv. Discount Amount** field displays the invoice discount of 384.00 LCY on the first line and 27.80 LCY on the second line, which is ten percent of the total amount for each line.

## Procedure: Review Line Discount Setup

Purchasing agents must use the **Purchase Line Discounts** page to record price discounts they have agreed upon with different vendors. The table is accessible from both the vendor card and the item card.

The **Purchase Line Discounts** page enables a purchasing agent to specify the prerequisite conditions before a vendor offers a discount price. For example, the conditions can require that the purchasing agent buy a certain quantity or a purchase is invoiced in a specified currency before a discount can be granted. Similar to alternative purchase prices, line discounts apply to a vendor.

Follow these steps to review purchase line discounts for vendor 20000:

1. On the **Purchase** page, click **Order Processing** and then click **Vendors**.
2. Open the vendor card for vendor 20000.
3. On the **Related Information** menu, point to **Purchases** and then click **Line Discounts**.

Vendor No.	Item No.	Unit of Measure Code	Minimum Quantity	Line Discount %	Starting Date	Ending Date
20000	1924-W		25	3		
20000	1924-W		50	4		
20000	1924-W		100	5		

FIGURE 4.8 PURCHASE LINE DISCOUNTS SET UP FOR VENDOR 20000

## Demonstration: Create a Purchase Order with Line Discounts

**Scenario:** Alicia orders 40 units of item 1924-W from vendor 20000. She notices that there is a three percent discount on the line. She opens the line discounts for this vendor-item combination to find out if other discounts are available.

Follow these steps to create the purchase order:

1. On the **Purchase** page, click **Order Processing** and then click **Purchase Orders**.
2. Click **New** and then press ENTER or TAB.
3. In the **Buy-from Vendor No.** field, enter 20000.
4. On the **Lines** FastTab, in the **Type** field, select Item.
5. In the **No.** field, enter 1924-W.
6. In the **Quantity** field, type 40.

The current **Line Discount %** indicates that there is a three-percent discount.

7. On the **Lines** FastTab, click the drop-down arrow in the **No.** field and then click **Advanced** to open the item list.
8. On the **Related Information** menu, point to **Purchases** and then click **Line Discounts**.

Alicia sees that there is a four-percent discount available in this item-vendor combination if 50 units are purchased.

9. Escape back to the purchase order.
10. In the **Quantity** field, type 50 and then press ENTER or TAB.

The current **Line Discount %** indicates that there is a four-percent discount.

### Line Discount Functionality

The purpose of setting up a line discount in the program is to support the purchasing agents in their task of purchasing items at the best prices.

After the line discounts and the associated terms have been set up, when an order/invoice is created for a specific vendor, the program checks whether:

- Line discounts are set up for the vendor in question.
- The purchase header and line details meet the conditions for applying a discount price.

If these conditions are met, the program copies the discount percentage from the **Purchase Line Discounts** page to the **Line Discount %** field on the purchase line and enters the calculated discount price in the **Direct Unit Cost Excl./Incl. VAT** field.

If no discounts are recorded in the program or the conditions for applying a discount are not satisfied, the program uses the last direct cost specified on the item card as a suggestion on the purchase document (unless a special purchase price is set up for the customer).

Setup and use of the purchase line discount is similar to the setup and use of purchase prices.

## Lab 4.3 - Manage Purchase Line Discounts

### Scenario

As the purchasing agent at CRONUS, you made an agreement with vendor 30000 that for items 70100 and 70101 purchased after 01/25/10, CRONUS receives the following discounts:

- 1-99 items: 10%
- 100-499 items: 15%
- 500 or more items: 25%

On 01/28/10, you create a purchase order to vendor 30000 for 250 units of item 70100 and 600 units of item 70101. Confirm that the line discounts appear correctly and then post the order as received and invoiced with vendor invoice number 42002.

---

***HINT:** Enter the starting date in the **Starting Date Filter** field to automatically add the date to all the lines.*

---

### Challenge Yourself!

1. Enter the purchase agreement for items 70100 and 70101 on vendor 30000.
2. Create the purchase order to vendor 30000 for 250 units of item 70100 and 600 units of 70101 and confirm that the correct discount percents are used for these quantities.
3. Post the purchase order.

### Need a Little Help?

1. Open the vendor card for vendor 30000 and open the **Purchase Line Discounts** page.
2. Enter the purchase agreement starting date in the **Starting Date Filter** field.
3. Enter the following lines for item 70100:
  - a. Minimum quantity = 1, discount = 10
  - b. Minimum quantity = 100, discount = 15
  - c. Minimum quantity = 500, discount = 25
4. Enter the following lines for item 70101:
  - a. Minimum quantity = 1, discount = 10
  - b. Minimum quantity = 100, discount = 15
  - c. Minimum quantity = 500, discount = 25



5. Create the purchase order to vendor 30000.
6. Add the line for 250 units of item 70100 and confirm that the correct discount percent is used for this quantity.
7. Add the line for 600 units of item 70101 and confirm that the correct discount percent is used for this quantity.
8. Add the vendor invoice number and then receive and invoice the order in one step.

### Step by Step

Follow these steps to set up the purchase line discounts for vendor 30000:

1. On the **Purchase** page, click **Order Processing** and then click **Vendors**.
2. Open the vendor card for vendor 30000.
3. On the **Related Information** menu, point to **Purchases** and then click **Line Discounts**.
4. In the **Starting Date Filter** field, enter 01/25/10 to add this date to each line automatically.
5. Fill in the line discounts to vendor 30000 as shown in the following table.

Item No.	Minimum Quantity	Line Discount %
70100	1	10
70100	100	15
70100	500	25
70101	1	10
70101	100	15
70101	500	25

6. Click **OK** to close the **Purchase Line Discounts** page.
7. Do not close the vendor card.

Follow these steps to process the purchase order:

1. On the Action Pane of the vendor card, click **Purchase Order**.
2. Press ENTER or TAB.
3. On the **Lines** FastTab, in the **Type** field, select Item.
4. In the **No.** field, enter 70100.
5. In the **Quantity** field, type 250.
6. Verify that the **Line Discount %** field shows 15, which is the discount for quantities between 100-499 units.

7. On the next line, in the **No.** field, enter 70101.
8. In the **Quantity** field, type 600.
9. Verify that the **Line Discount %** field shows 25, which is the discount for quantities over 500 units.
10. In the **Vendor Invoice No.** field, type 42002.
11. On the Action Pane, click **Post**.
12. Click **OK** to receive and invoice the order.

### Vendor Prepayments

Prepayments enable a company to document and process prepayments that are required by vendors.

If a vendor requires prepayment when certain criteria on a purchase invoice or line are met, percentages can be specified on vendors and/or each combination of item and vendor can be set up so that the rule automatically applies when the purchase documents are created.

#### Prepayment Setup

Prepayment functionality requires that special general ledger accounts, posting groups, payment terms, and number series are set up for this purpose. In addition, the prepayment percentages for selected vendors in combination with special items must be defined.

Refer to the "Finance in Microsoft Dynamics® NAV 2009" training material for information about setting up prepayments.

#### Prepayment Process Flow

Prepayment invoices are created from a purchase order, using the prepayment invoice option. The prepayment amount on the order calculates based on the prepayment percentage populated from item or vendor cards. Users can edit the prepayment percentage or amount.

Instead of using a percentage, users can define a specific amount for the entire purchase order. Prepayment amounts are set on the **Prepayment** FastTab on the **Purchase Order Statistics** page.

For prepayment purchase orders, the following steps list the typical process flow:

1. Create a purchase order with a prepayment requirement.
2. Post a prepayment invoice for the prepayment amount.
3. Send the prepayment amount to the vendor.
4. Apply the prepayment amount to the purchase order.
5. Receive the order from the vendor.
6. Create a purchase invoice for the total amount of the purchase order minus the prepayment amount.
7. Send the payment to the vendor and post the payment to the purchase order.

## Demonstration: Create a Purchase Order with a Prepayment Percentage

**Scenario:** Vendor 44127904 is now requiring a five-percent prepayment on all orders. Alicia is currently in the process of creating a purchase order to the vendor for 100 units of item 1924-W. She confirms the prepayment requirement with Inga, the purchasing manager, and quickly adds the percentage to the order. Inga will complete the set up on the vendor card shortly.

Follow these steps to assign an overall prepayment percentage on a purchase order:

1. On the **Purchase** page, click **Order Processing** and then click **Purchase Orders**.
2. Click **New** and then press ENTER or TAB.
3. In the **Buy-from Vendor No.** field, enter 44127904.
4. Add the **Prepayment %** and **Prepmt. Line Amount Excl. VAT** to the lines using the Choose Columns feature.
5. On the **Lines** FastTab, in the **Type** field, select Item.
6. In the **No.** field, enter 1924-W.
7. In the **Quantity** field, type 100.
8. Expand the **Prepayment** FastTab.
9. In the **Prepayment %** field, type 5 and then press ENTER or TAB.
10. Click **OK** to update the lines.

The **Prepayment %** and **Prepmt. Line Amount Excl. VAT** fields reflect the prepayment percentage and amount.

11. Close the purchase order.

Follow these steps to set up the prepayment percent on the vendor card:

1. Open the vendor card for vendor 44127904.
2. Expand the **Invoicing** FastTab.
3. In the **Prepayment %** field, type 5.
4. Click **OK** to close the vendor card.

## Demonstration: Create a Purchase Order with a Prepayment Amount

**Scenario:** Vendor 44127904 requires a prepayment amount of 1000.00 LCY on all orders over 15,000.00 LCY, if the 1000.00 LCY amount has not been met by the five-percent requirement.

Alicia creates an order to vendor 44127904 for 15 units of item 1996-S and ten units of 1992-W and must add the prepayment amount to the order because the total order is over 15,000.00 LCY and the prepayment amounts do not reach 1000.00 LCY.

Follow these steps to assign an overall prepayment amount on a purchase order:

1. On the **Purchase** page, click **Order Processing** and then click **Purchase Orders**.
2. Click **New** and then press ENTER or TAB.
3. In the **Buy-from Vendor No.** field, enter 44127904.
4. On the **Lines** FastTab, in the **Type** field, select Item.
5. In the **No.** field, enter 1996-S.
6. In the **Quantity** field, type 15.
7. On the next line, in the **No.** field, enter 1992-W.
8. In the **Quantity** field, type 10.
9. On the Action Pane, click **Statistics**.
10. Expand the **Prepayment** FastTab.
11. In the **Prepmt. Amount Excl. VAT** field, type 1000 and then press ENTER or TAB.
12. Click **OK** to update the lines.

The **Prepayment %** and **Prepmt. Line Amount Excl. VAT** fields reflect the updated prepayment percentage and amount.

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**NOTE:** Refer to the "Finance in Microsoft Dynamics® NAV 2009" training material for more information about processing prepayments.

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## Summary

Purchase Order Management can involve many different tasks, depending on the work flow and the method of supply the business partners agreed upon. Once purchase processes are configured, users are ready to manage business decisions and transactions that bring goods to the company's internal supply chain.

Microsoft Dynamics NAV allows users to keep track of all purchases from the time a quote is created to the time the final order is received.

Purchase Order Management functionality helps companies receive purchased items in time, maintain a good relationship with vendors, and achieve the best possible prices. This has a direct effect on the customer service a company provides to its own customers. Purchase Order Management also affects the company's inventory management and can help reduce requisition costs.

## Test Your Knowledge

Test your knowledge with the following questions.

1. What is the purpose of selecting the **Ext. Doc. No. Mandatory** check box in Purchases & Payables Setup?

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2. Where do you define the way discounts are to post to the general ledger?

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3. Which purchase document would you use if you needed to receive an item of various (or equal) amounts over the course of the year?

- ☐ Purchase Quote
- ☐ Purchase Order
- ☐ Blanket Purchase Order
- ☐ Purchase Invoice

Fill in the blanks to test your knowledge of this section.

4. On a purchase order, you can enter a prepayment \_\_\_\_\_ on the **Prepayment** FastTab.
5. A prepayment amount instead of a prepayment percent is set on the Purchase Order \_\_\_\_\_ page.
6. An \_\_\_\_\_ discount is granted when the value amount of all purchase document lines exceed a certain criteria.
7. A purchase line discount is a \_\_\_\_\_ that is calculated for each purchase line if it meets certain criteria.
8. Specify the conditions for a special direct unit cost for a specific item using purchase \_\_\_\_\_.

## Quick Interaction: Lessons Learned

Take a moment and write down three Key Points you have learned from this chapter:

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2.

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3.

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## Solutions

### Test Your Knowledge

1. What is the purpose of selecting the **Ext. Doc. No. Mandatory** check box in Purchases & Payables Setup?

MODEL ANSWER:

It prevents a user from posting a purchase document as invoiced without a value in the Vendor Invoice No. field.

2. Where do you define the way discounts are to post to the general ledger?

MODEL ANSWER:

In the Discount Posting field in Purchases & Payables Setup.

3. Which purchase document would you use if you needed to receive an item of various (or equal) amounts over the course of the year?

- ☐ Purchase Quote
- ☐ Purchase Order
- ☒ Blanket Purchase Order
- ☐ Purchase Invoice

Fill in the blanks to test your knowledge of this section.

4. On a purchase order, you can enter a prepayment percent on the **Prepayment** FastTab.
5. A prepayment amount instead of a prepayment percent is set on the Purchase Order Statistics page.
6. An invoice discount is granted when the value amount of all purchase document lines exceed a certain criteria.
7. A purchase line discount is a percent that is calculated for each purchase line if it meets certain criteria.
8. Specify the conditions for a special direct unit cost for a specific item using purchase prices.

