

# Enterprise Information System (EIS)

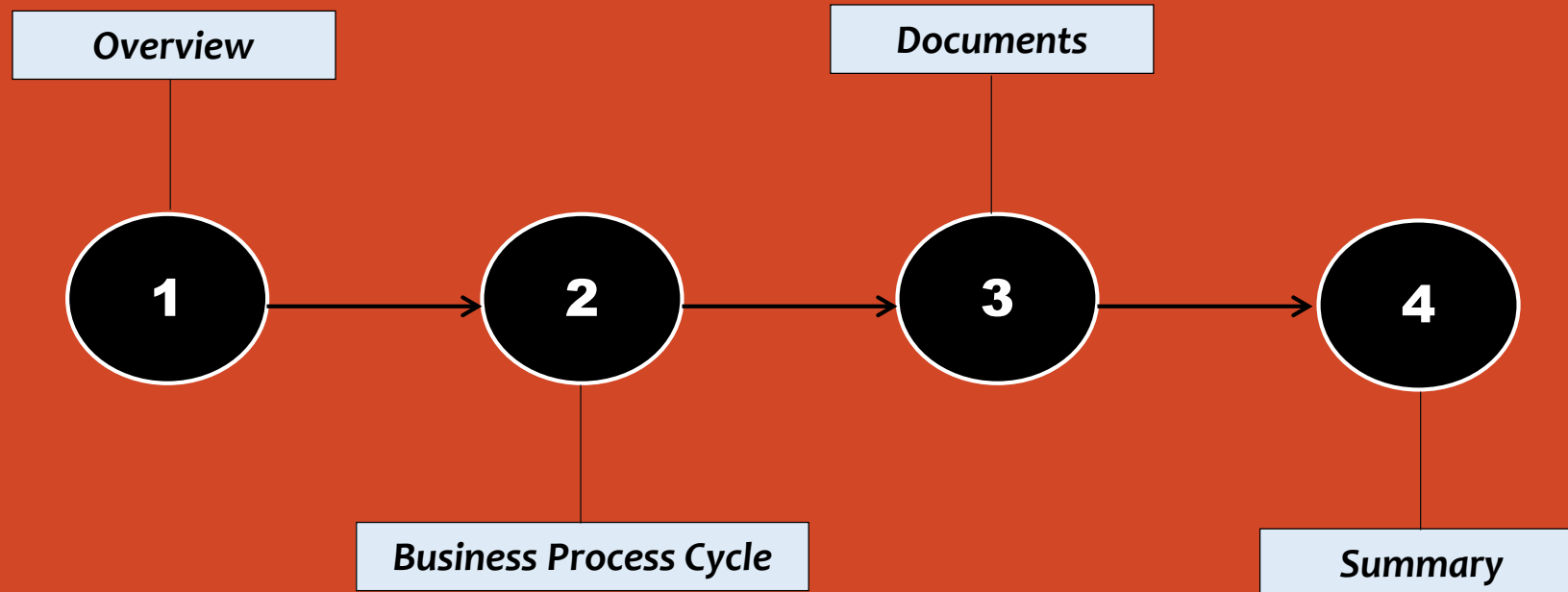
## Chapter 2

# Financial and Accounting System

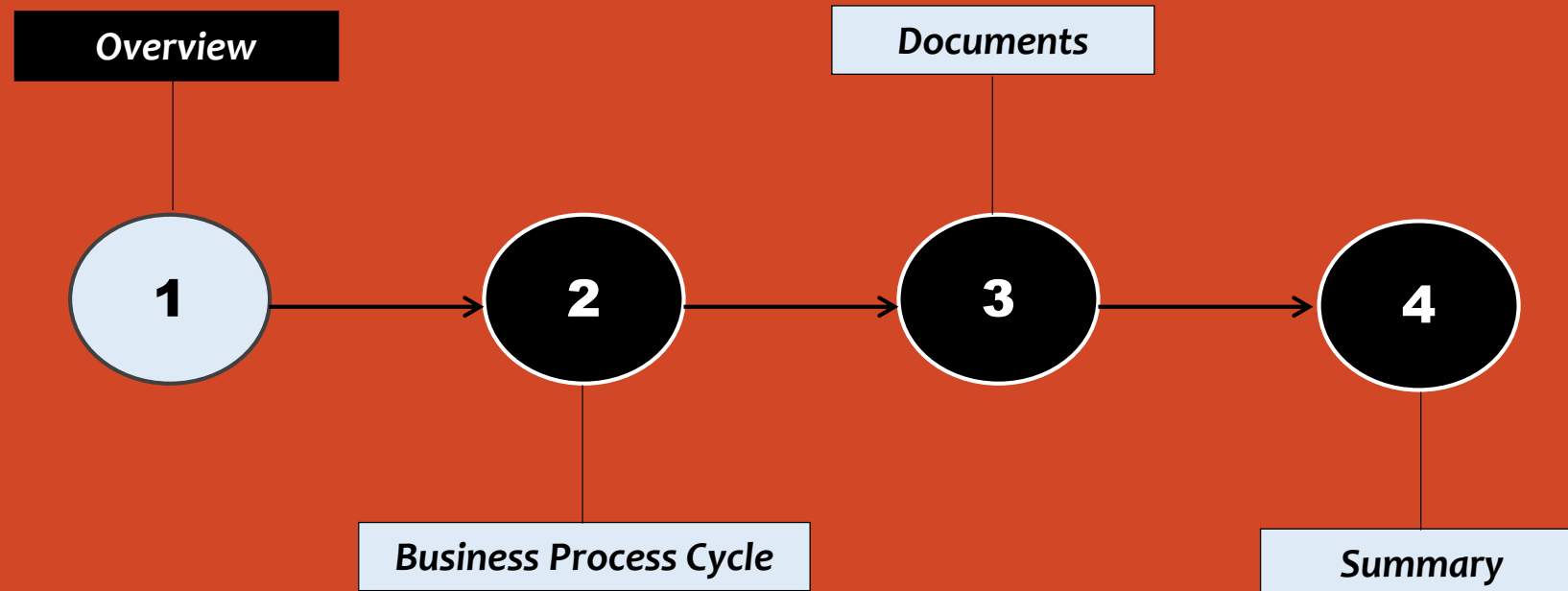
# ERP Material Management

## Procure to Pay (P2P) Cycle

# Procure To Pay (P2P)



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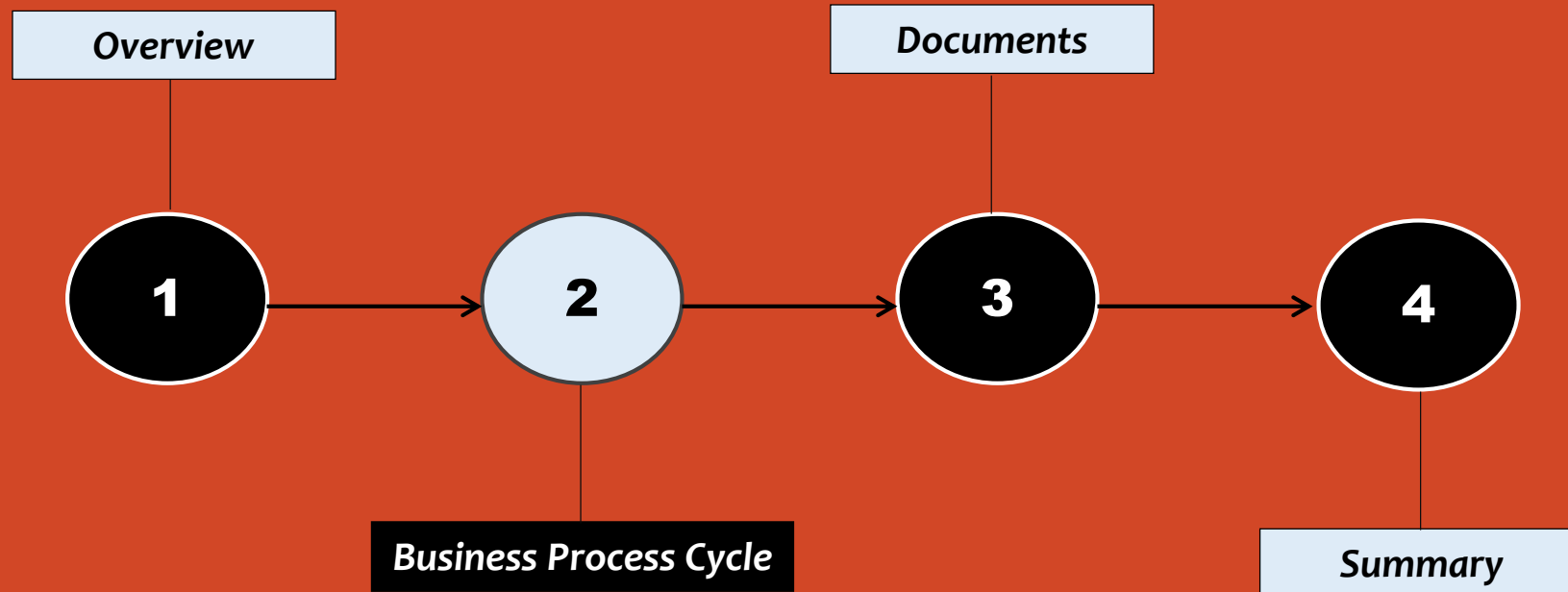


## ***Procurement To Pay (P2P) - Overview***

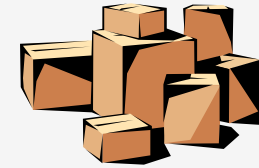
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- ▶ *Procurement is a process of purchasing the material and/or services.*
- ▶ *It is executed through an agreement between a purchasing organization and the sourcing vendor.*
- ▶ *The terms of supply e.g. date of delivery, payment terms are agreed as per agreement.*
- ▶ *ERP Material management (MM) module maps all procurement business processes.*
- ▶ *ERP's Document Principle creates several document in Material Management and Financial Accounting module during, E2E steps in Procurement Cycle.*

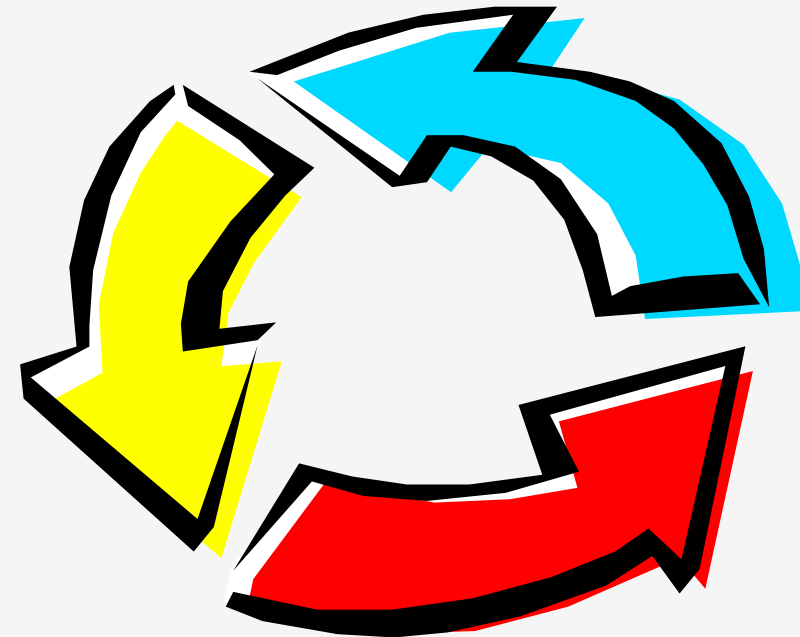
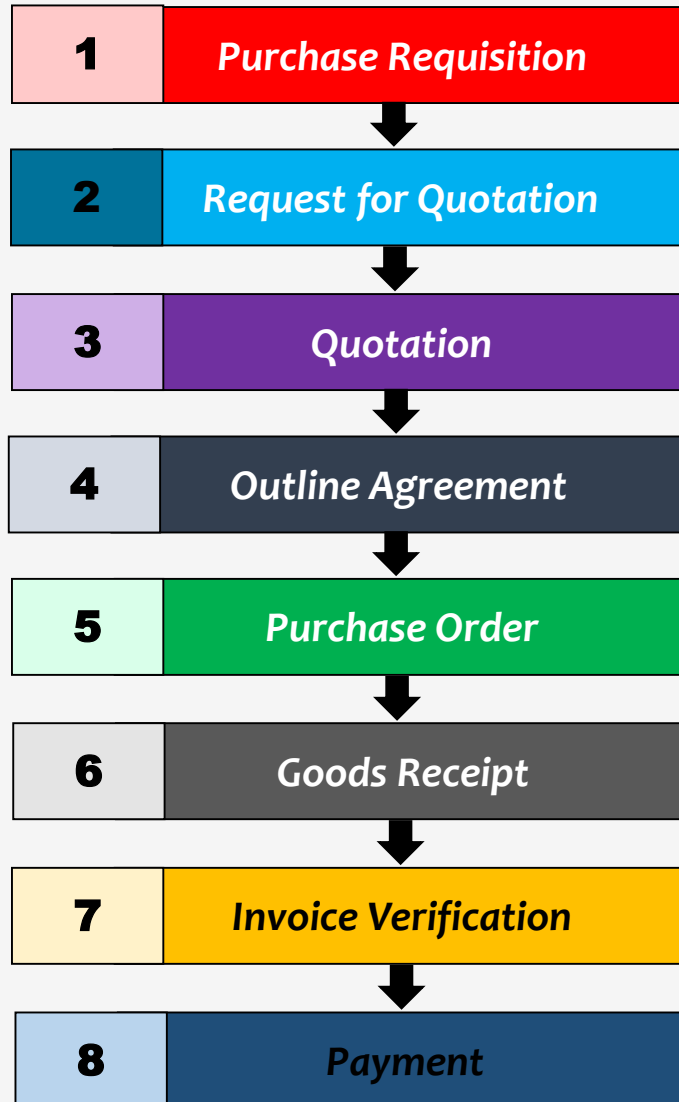
# Procure To Pay (P2P)



## Procure To Pay (P2P) - Business Process Cycle



## Procure To Pay (P2P) - Business Process Cycle



**ERP Integrated solution**

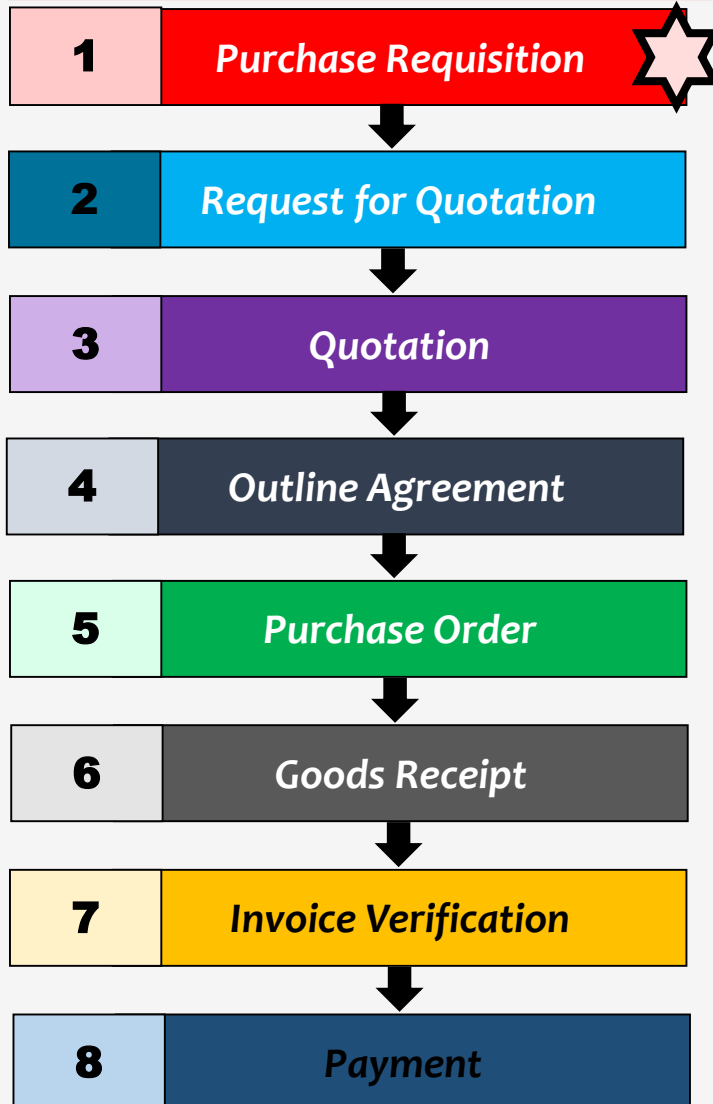
**Material Management (MM)**

**+**

**Financial Accounting (FI)**



## Purchase Requisition (PR) - Overview

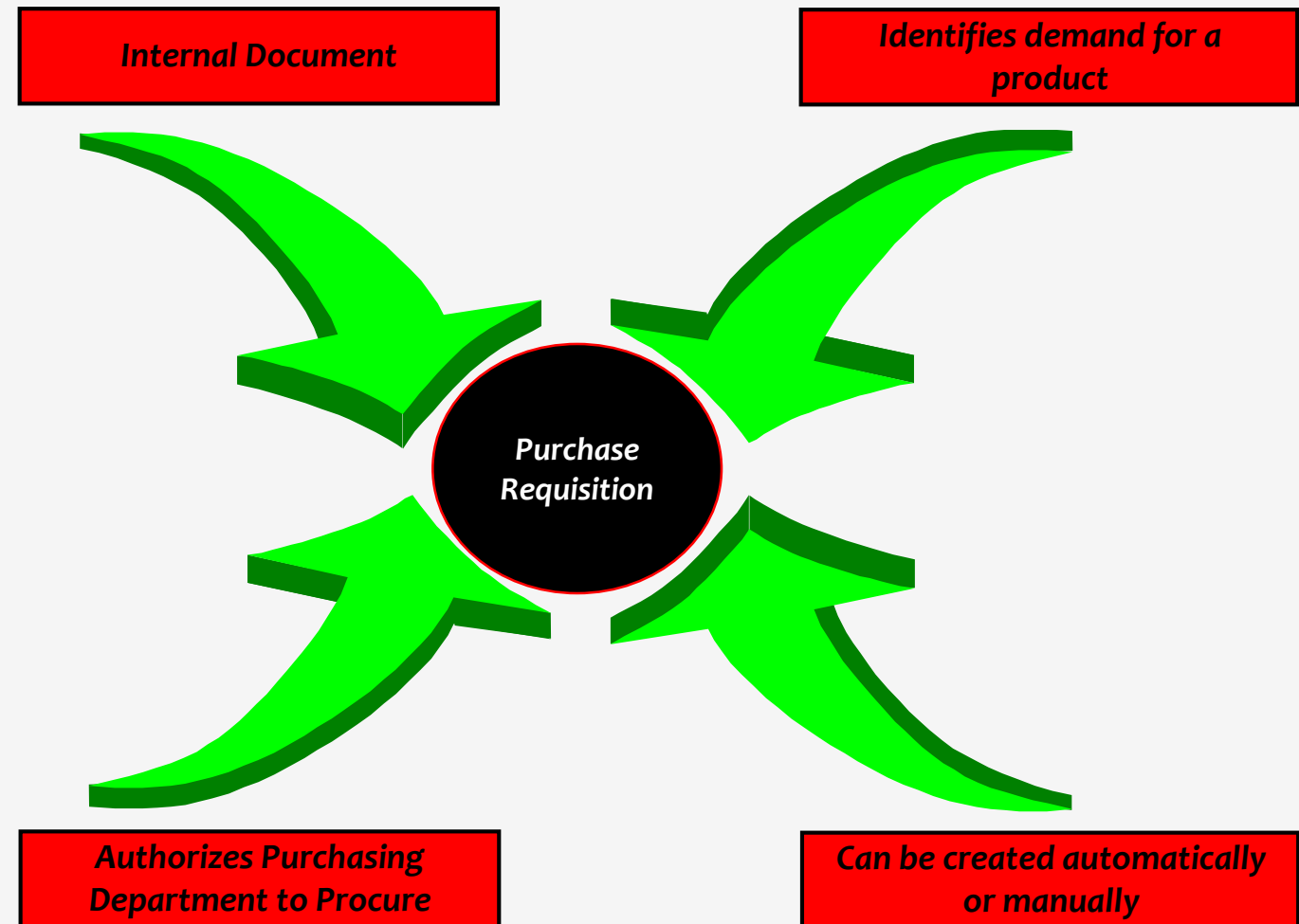
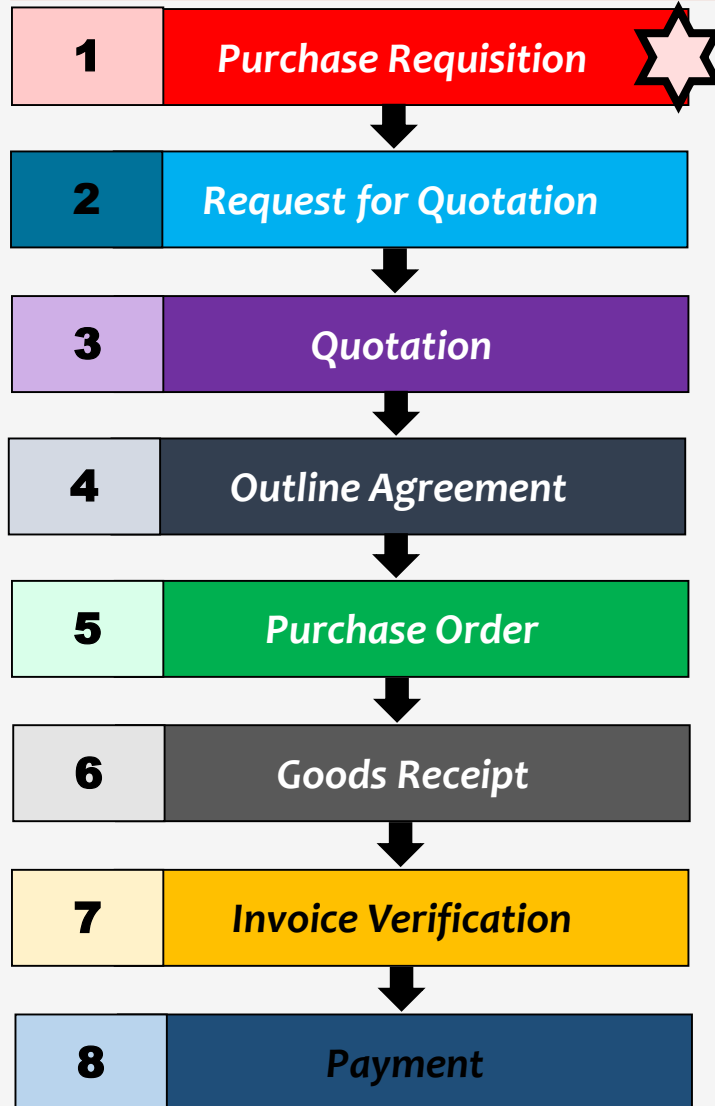


- ▶ **Purchase Requisition (PR)** is an internal request to the Purchasing Department to procure a certain quantity of the desired material or service on a certain date.
- ▶ It can be created **automatically** as a result of **Material Requirements Planning**.
- ▶ It can also be created **manually** by the individual department or user within an organization that requires material or service .
- ▶ On identification of the appropriate vendor, it is processed and becomes either a Purchase Order or a Request for Quotation.

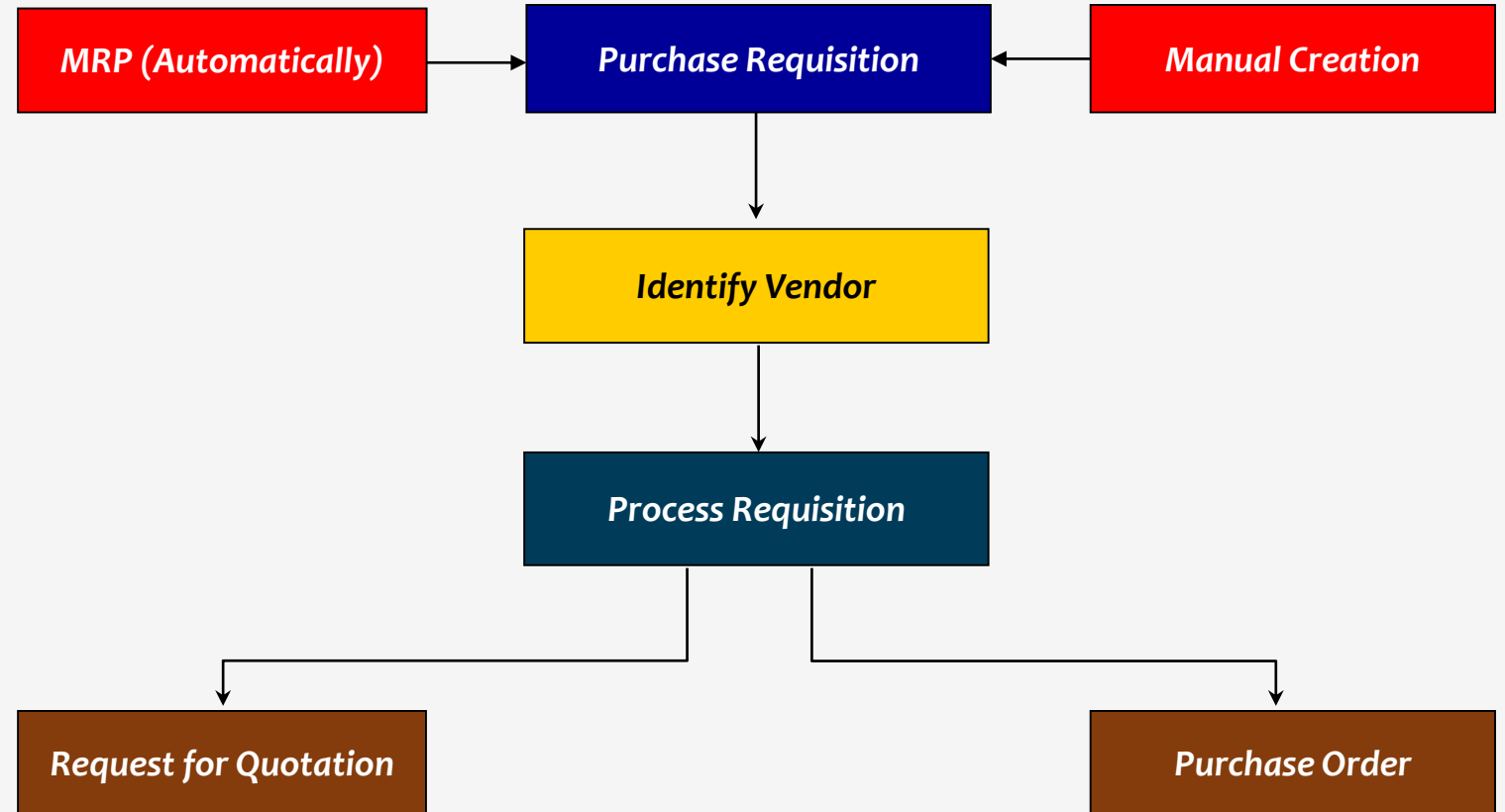
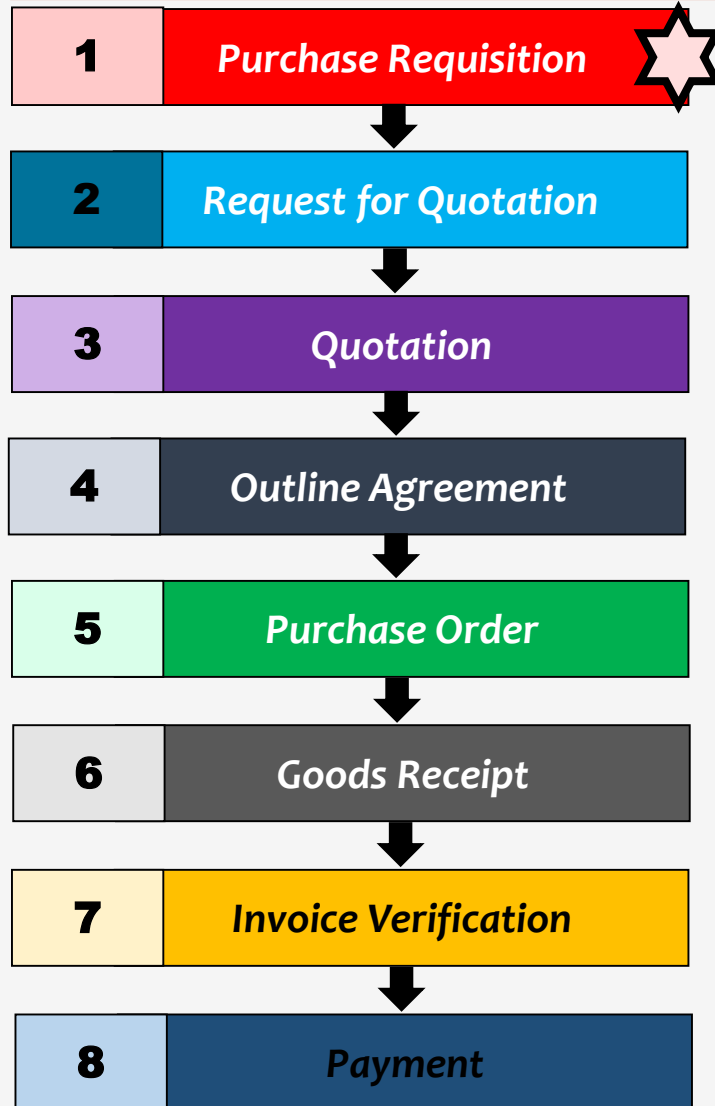
## Purchase Requisition (PR) - Initiation



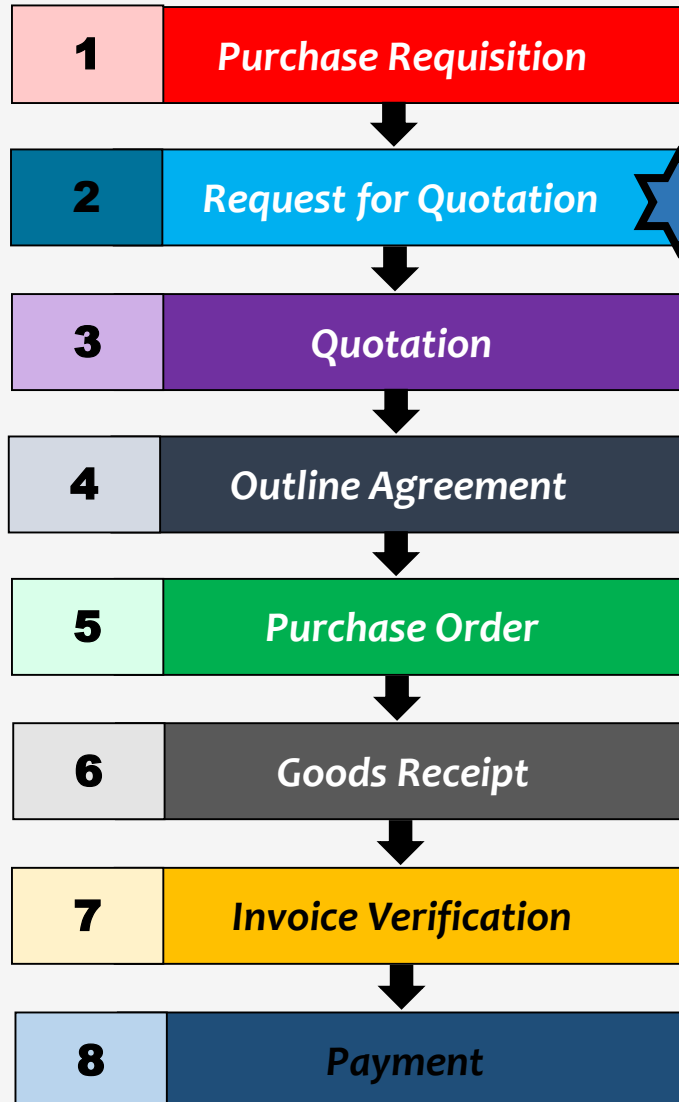
## Purchase Requisition (PR) - Framework



## Purchase Requisition (PR) - Approach

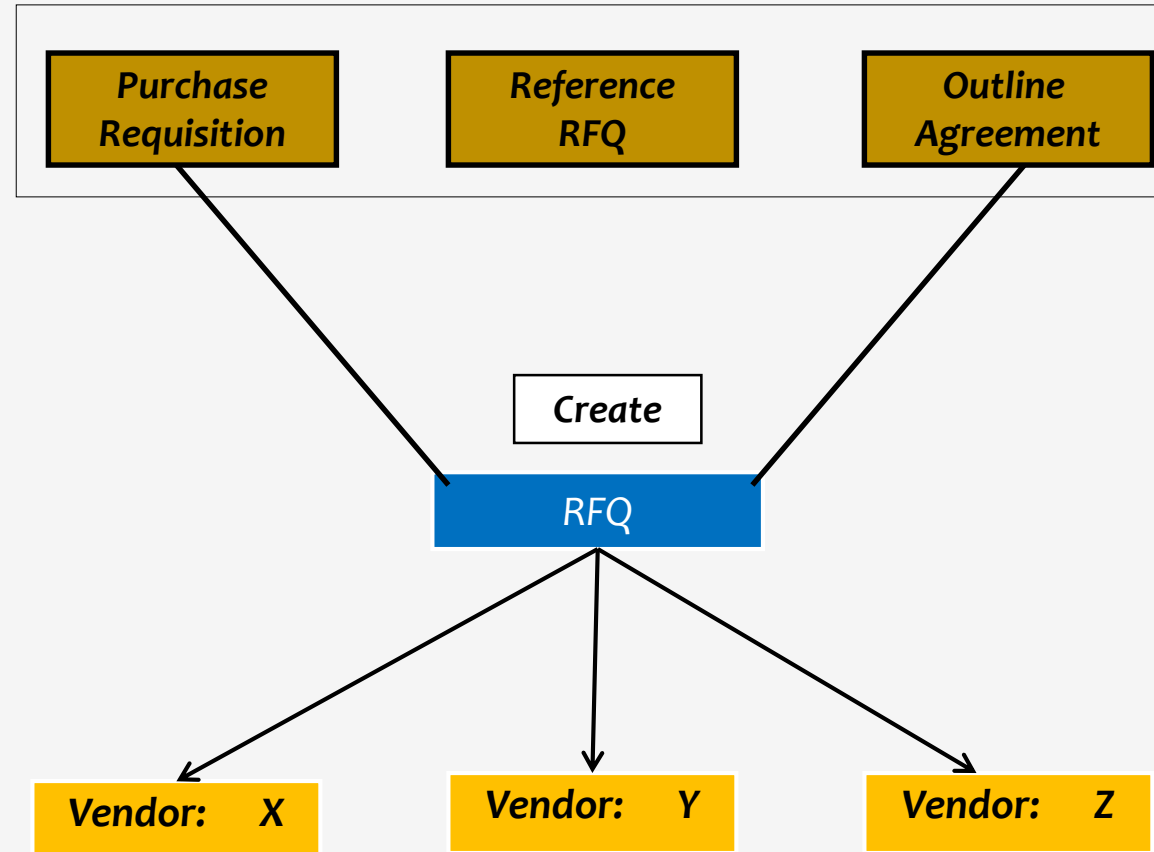
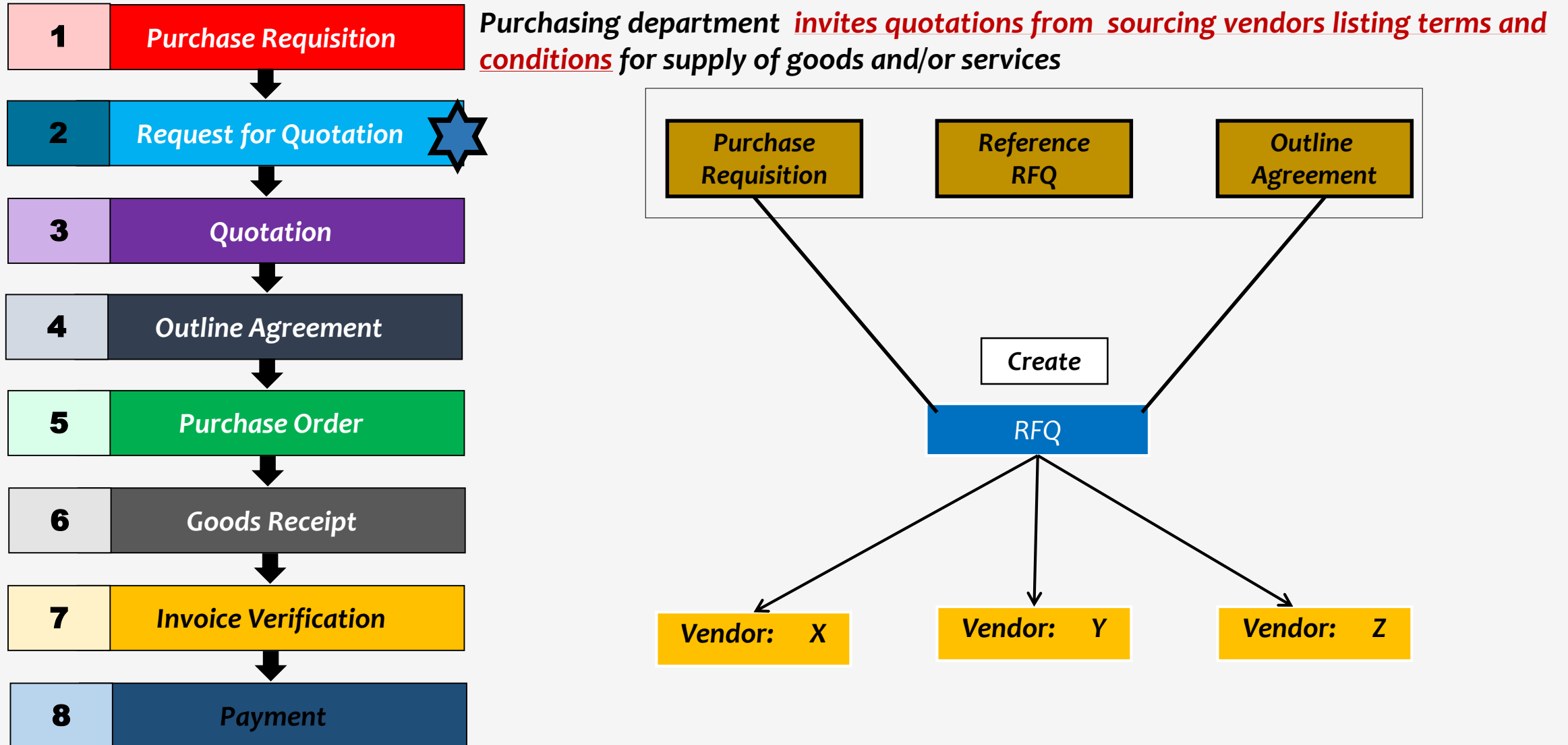


## Request for Quotations (RFQ) - Overview

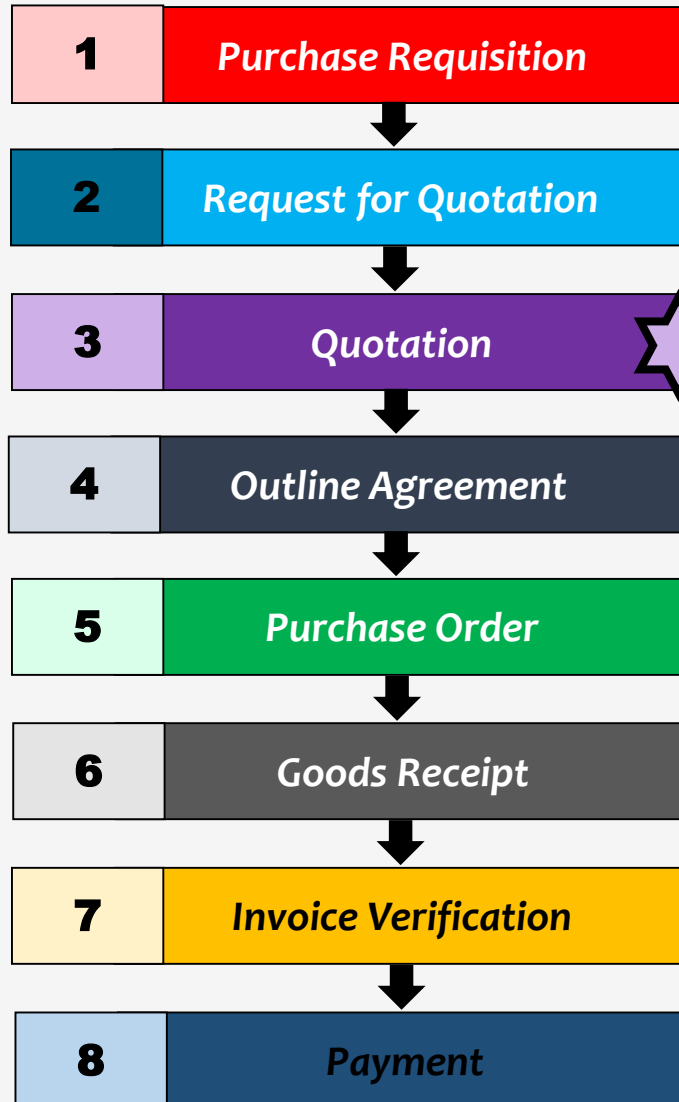


- ▶ **Request for Quotation (RFQ)** is an invitation to a vendor to submit a quotation listing the terms required for purchase of materials or services.
- ▶ It can be created directly or with reference to a Purchase Requisition, another RFQ or an Outline Agreement.
- ▶ It can be sent to one or more vendors and linked together.
- ▶ It can be monitored and reminders can be sent to vendors, who do not submit their quote on a timely basis.

## Request for Quotations (RFQ) - Initiation

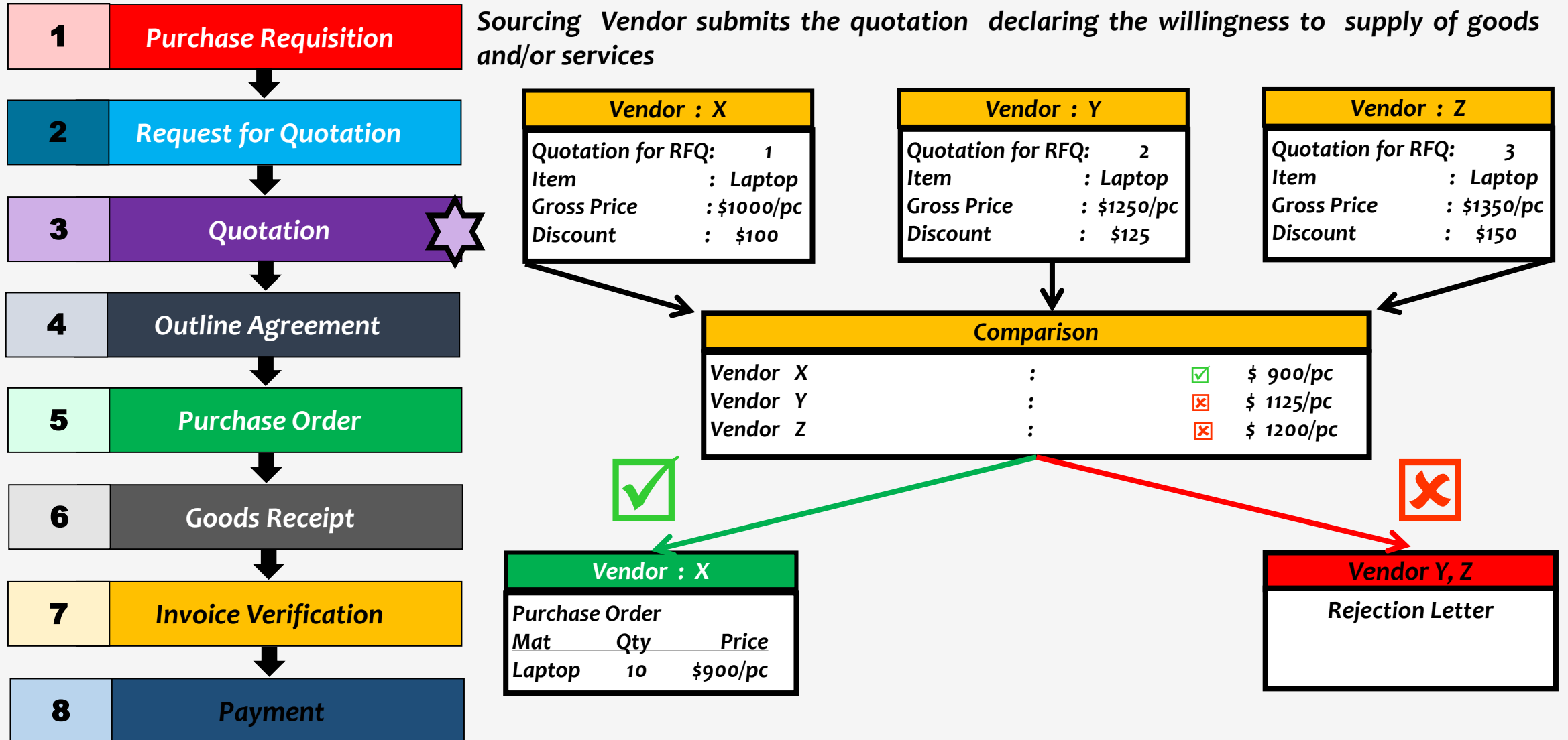


## Quotations - Overview



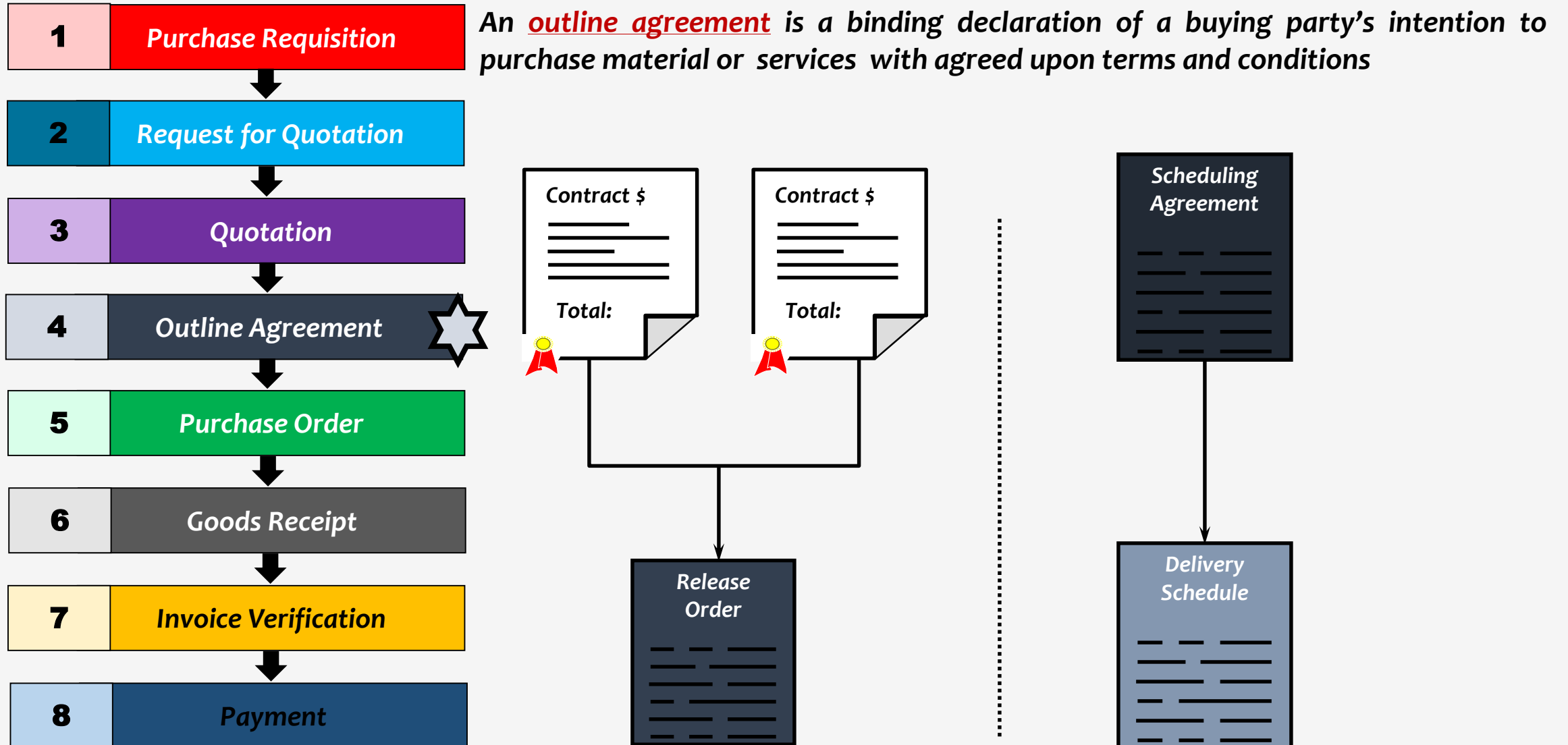
- ▶ A **Quotation** is a Vendor's declaration of willingness to supply materials or provide services.
- ▶ It contains price information and conditions of purchase and is submitted in response to an RFQ.
- ▶ When Quotations are received from the vendors, the pricing and delivery data is entered in the RFQ.
- ▶ Quotation data can be compared using a Price Comparison List. The list displays the most reasonable vendor for an individual item and for all of the items.
- ▶ The system can be configured to automatically print a rejection letter for the vendors that are not selected.

## Quotations - Approach

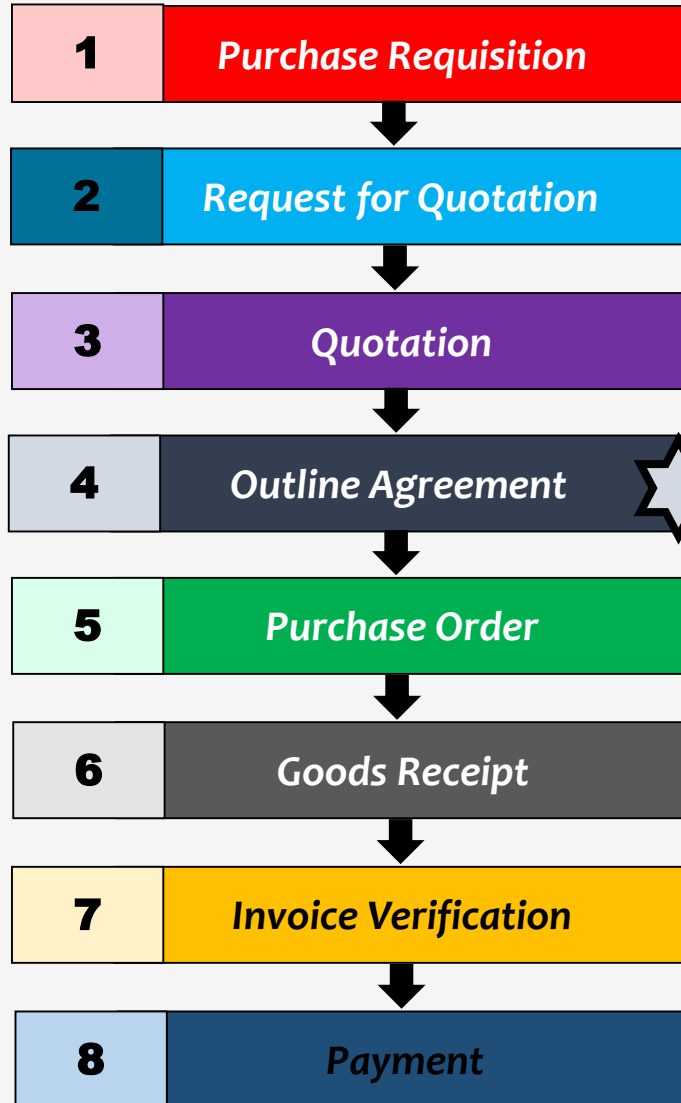




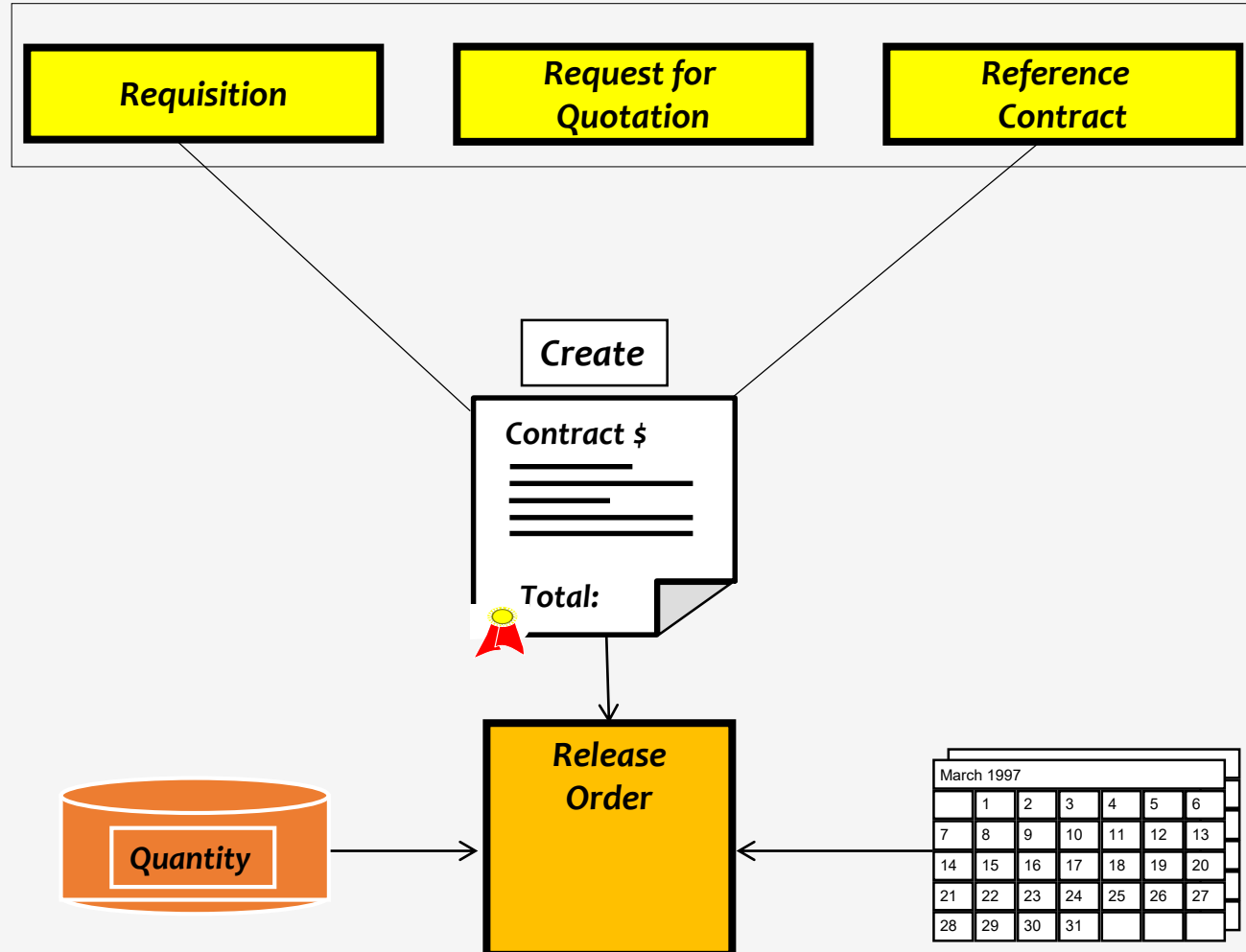
## Outline Agreement - Overview



# Outline Agreement (Contract) - Overview

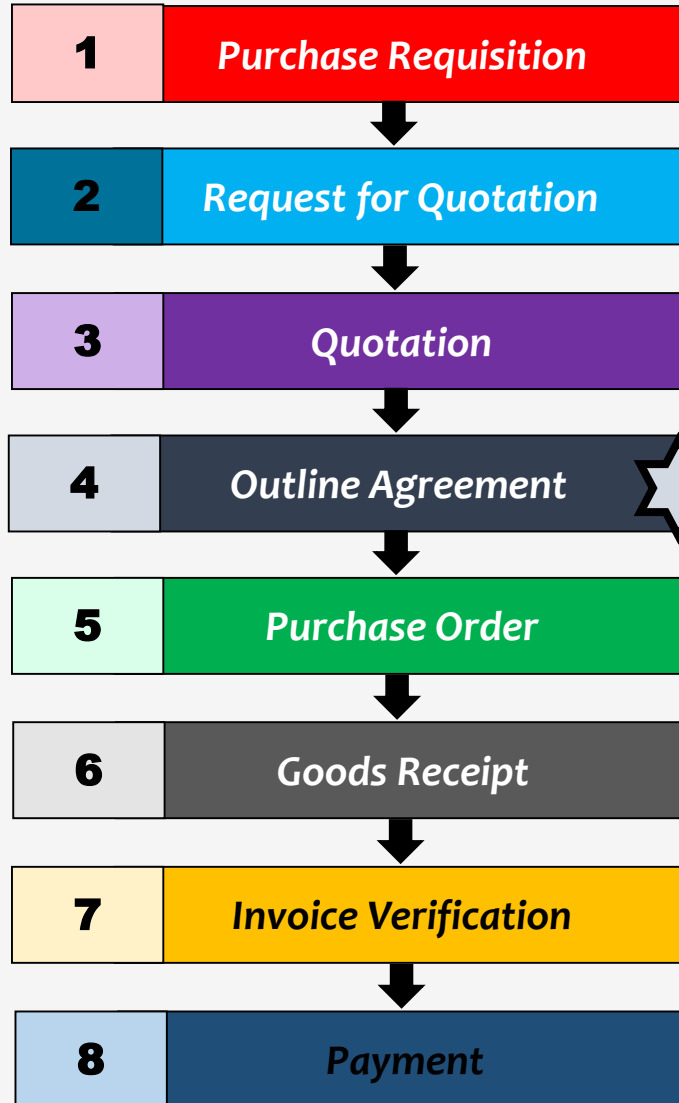


A **Contract** is a long term agreement with a vendor to supply materials or provide services for a certain period of time.

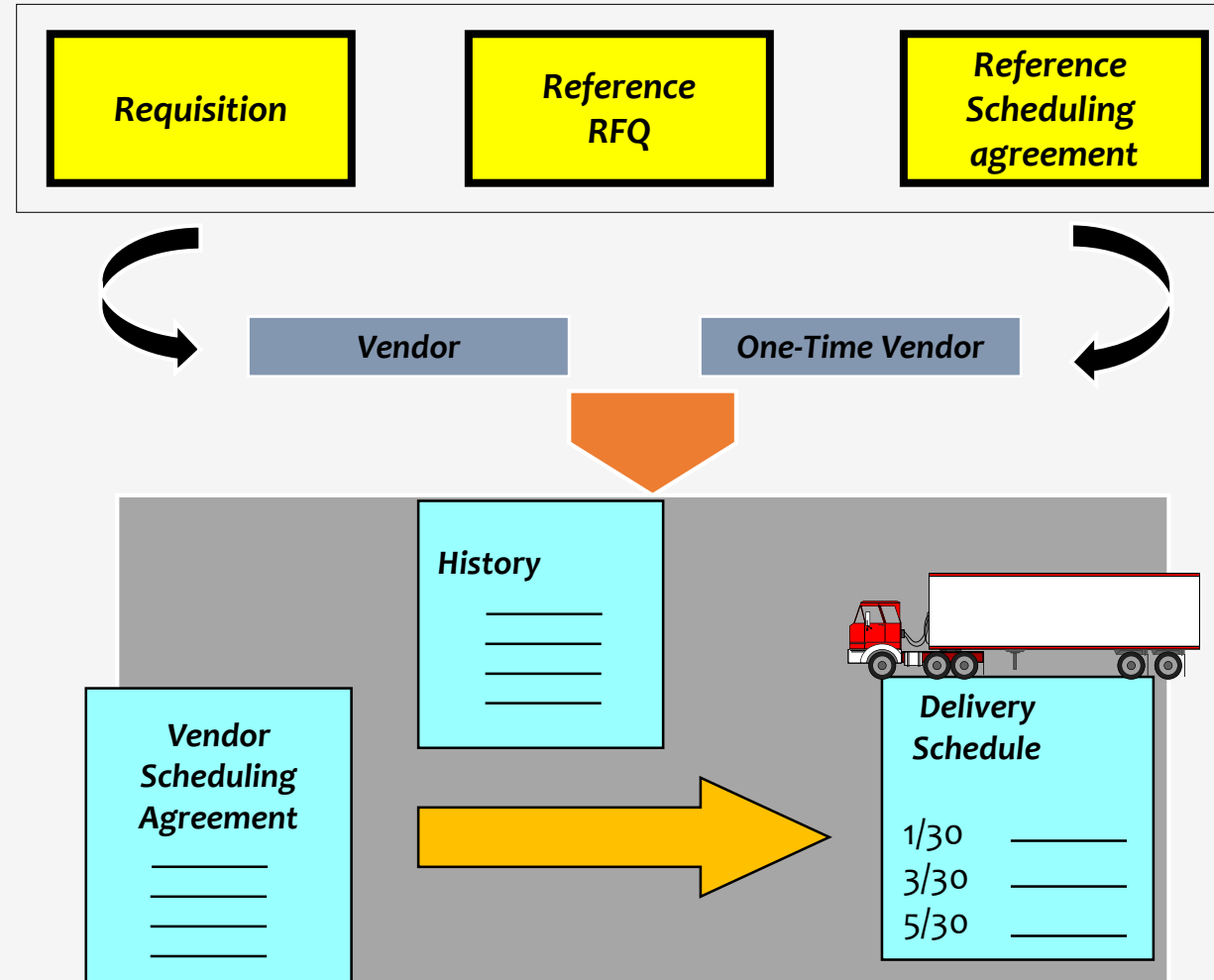


March 1997						
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

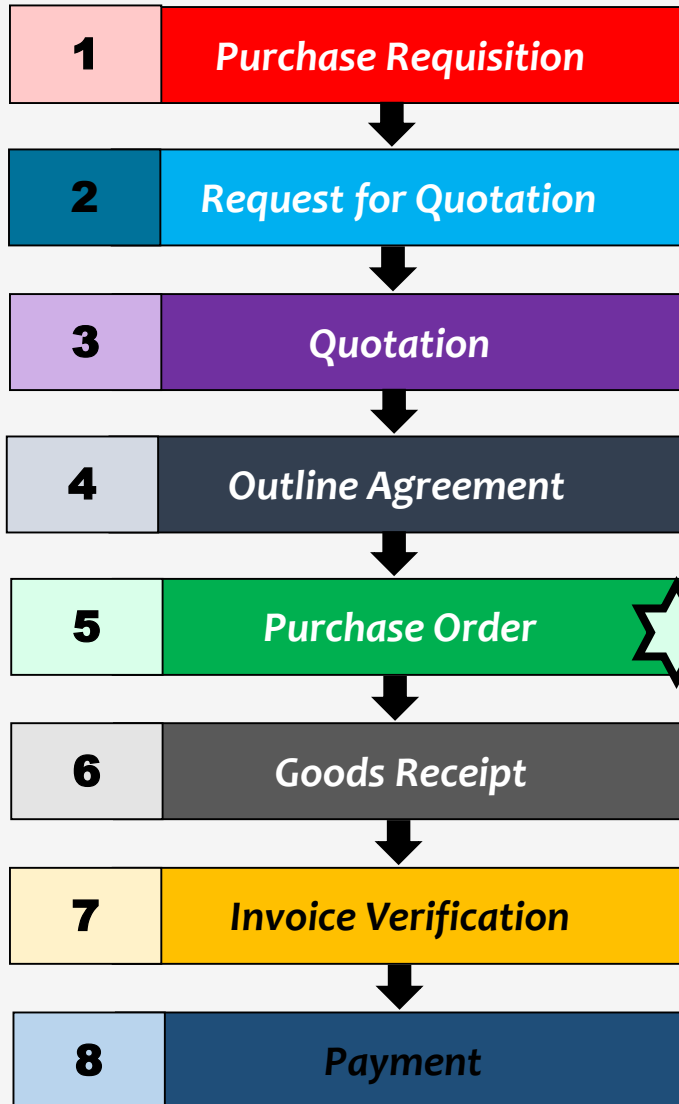
## Outline Agreement (Scheduling Agreement) - Overview



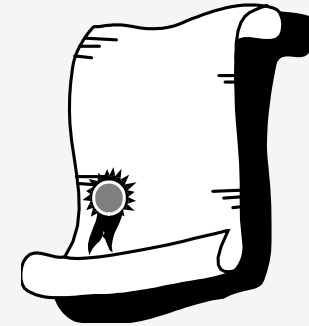
A scheduling agreement is a long term agreement with a vendor to supply materials or provide services on defined dates.



## Purchase Order - Overview



A **Purchase Order** is a legal contract between a buyer and a vendor for supply of materials and/or services on specified terms and conditions.



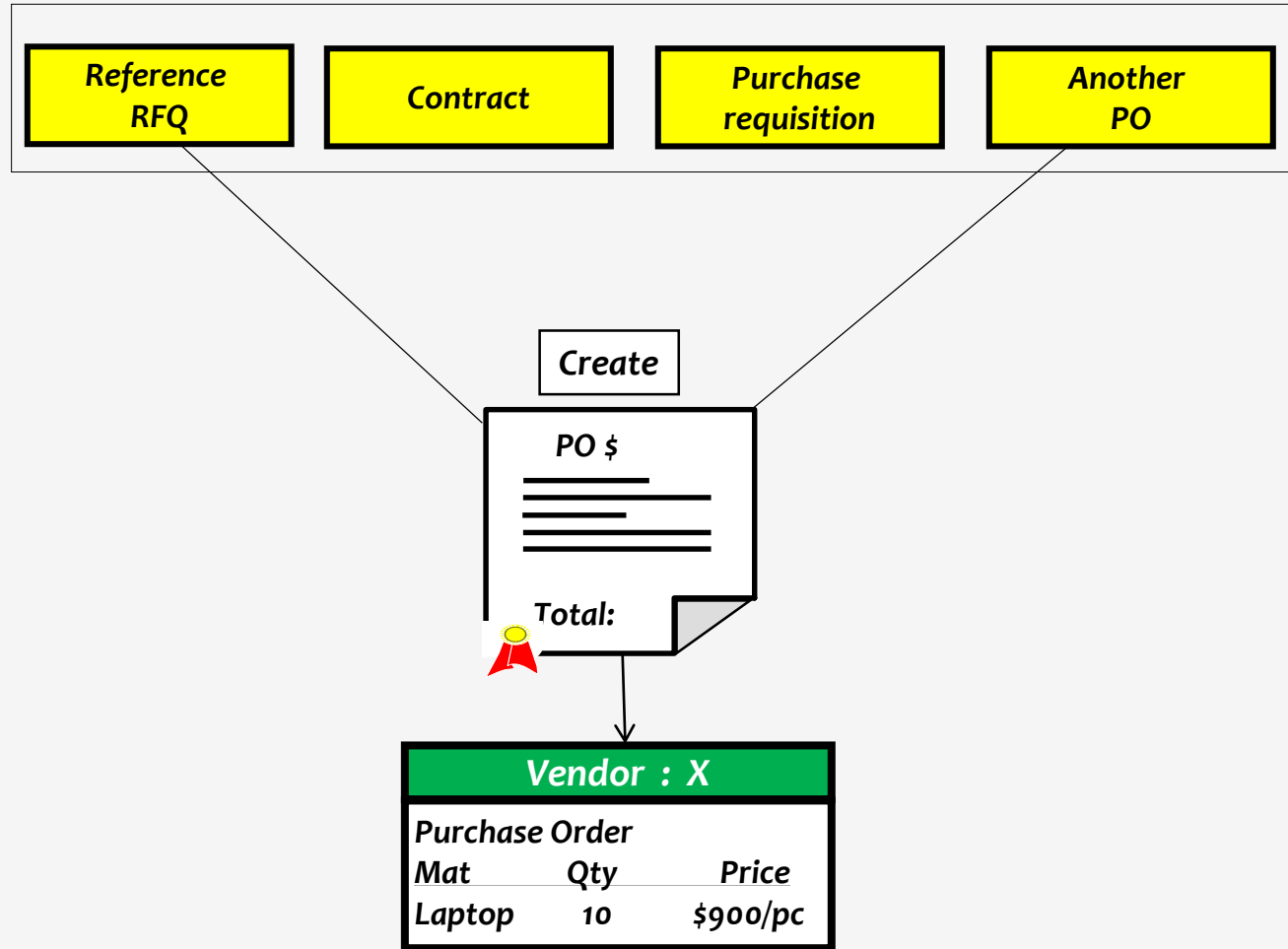
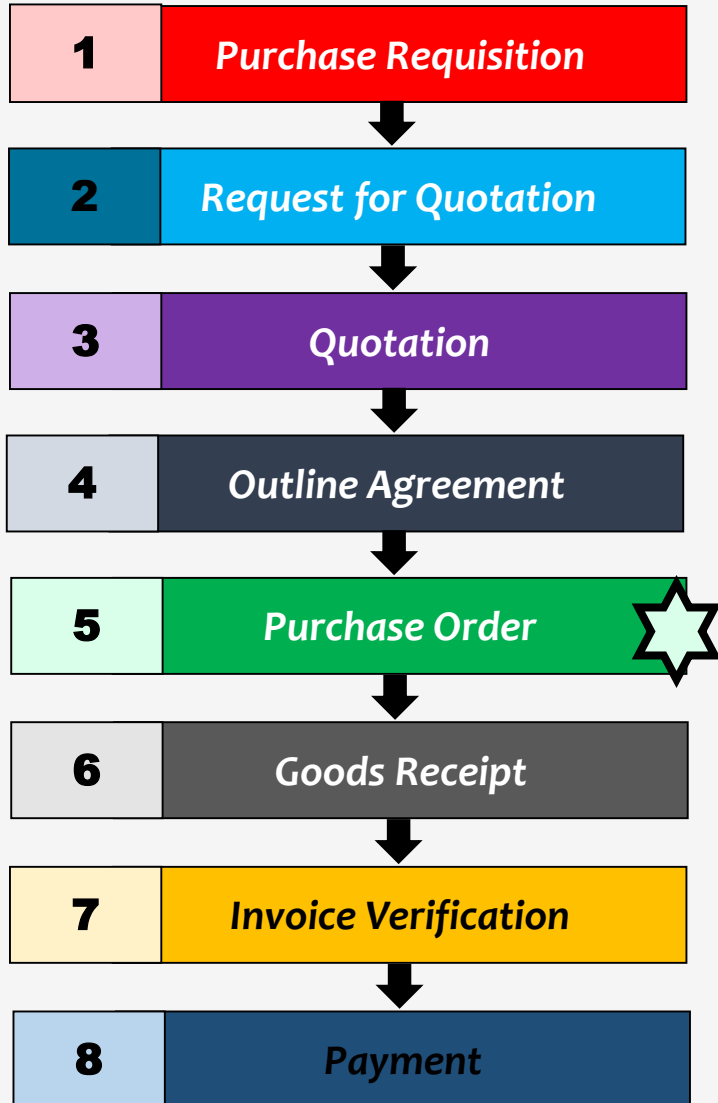
Buyer



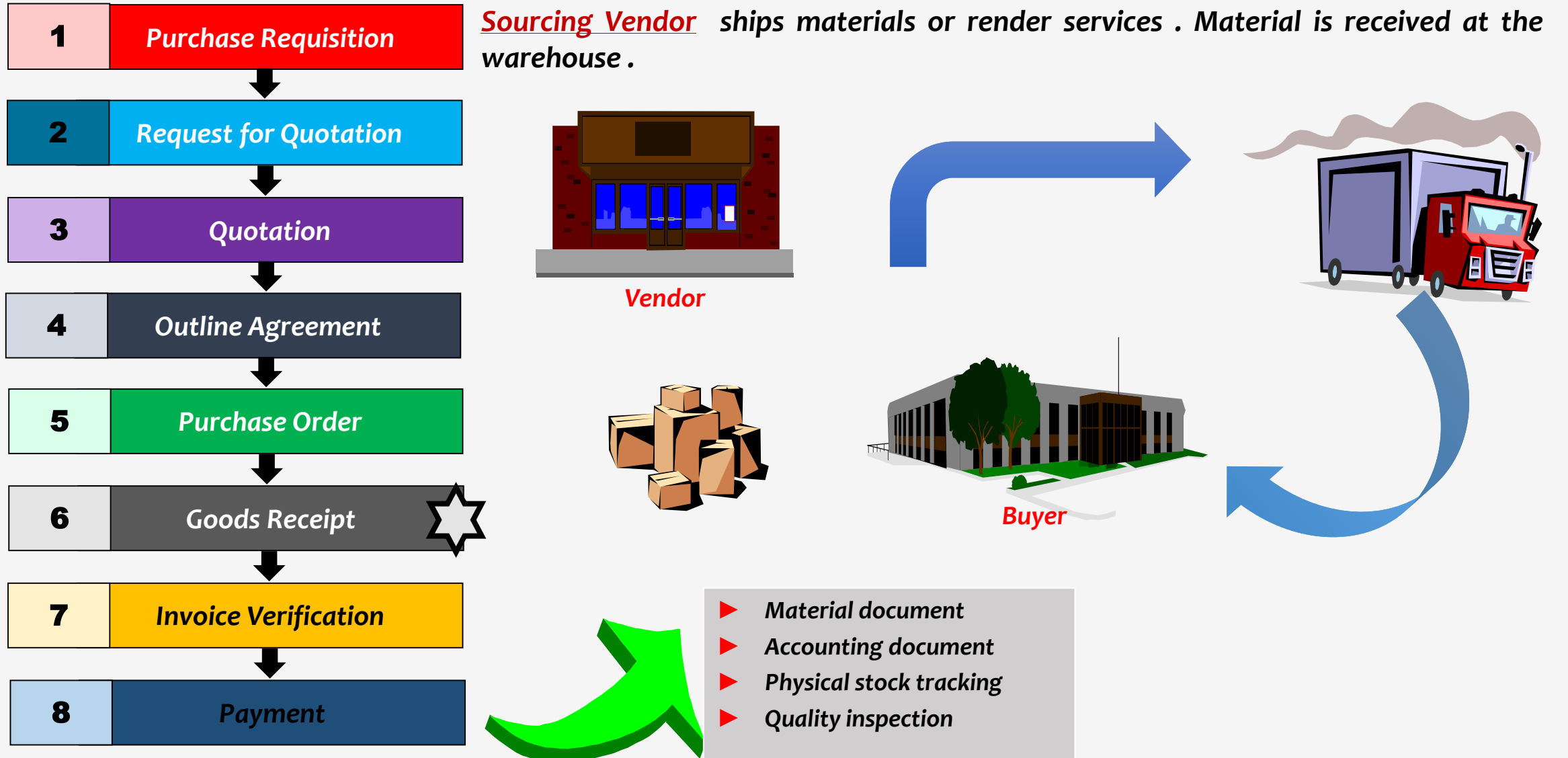
Vendor

Legal contract between Buyer and Vendor

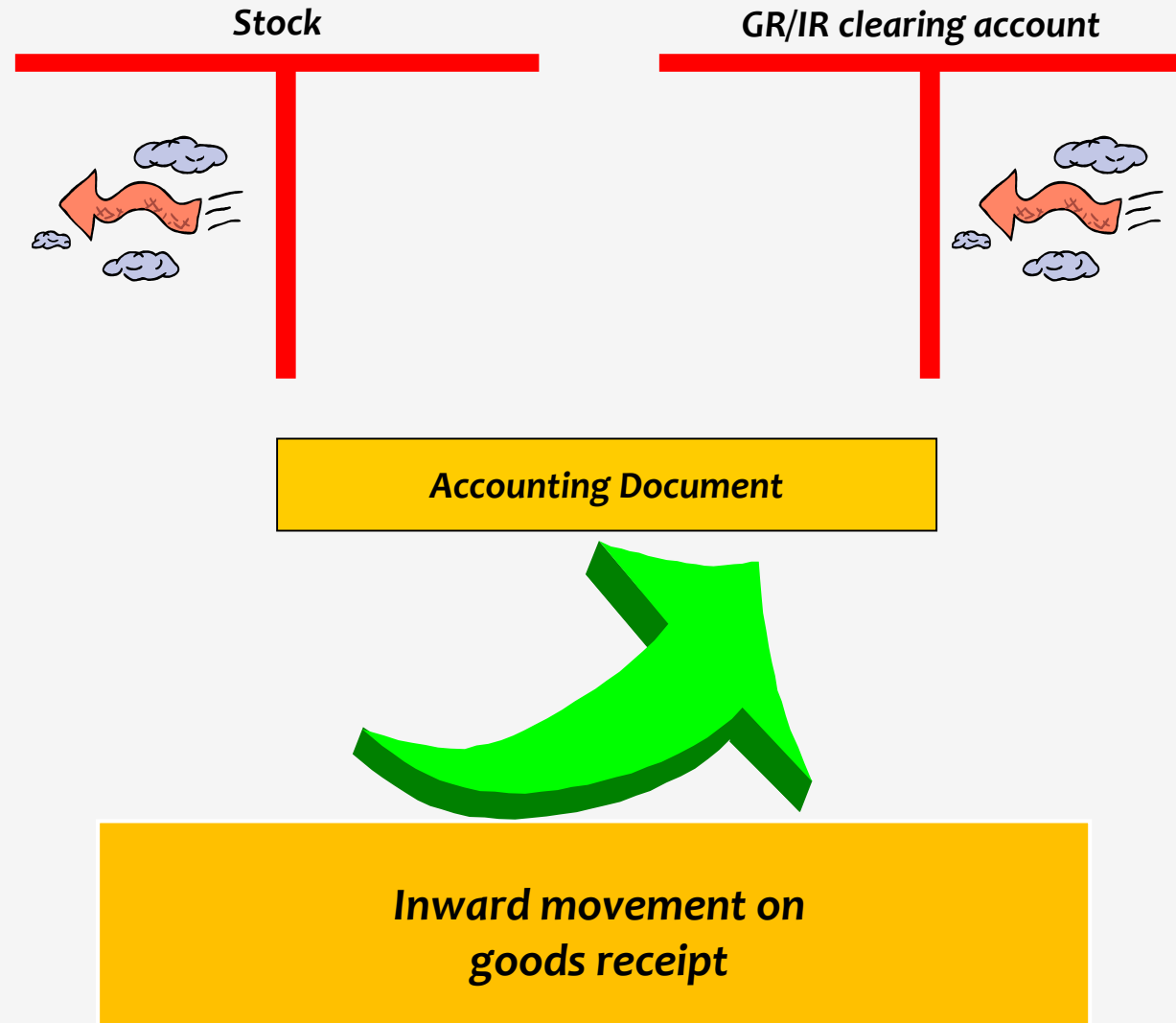
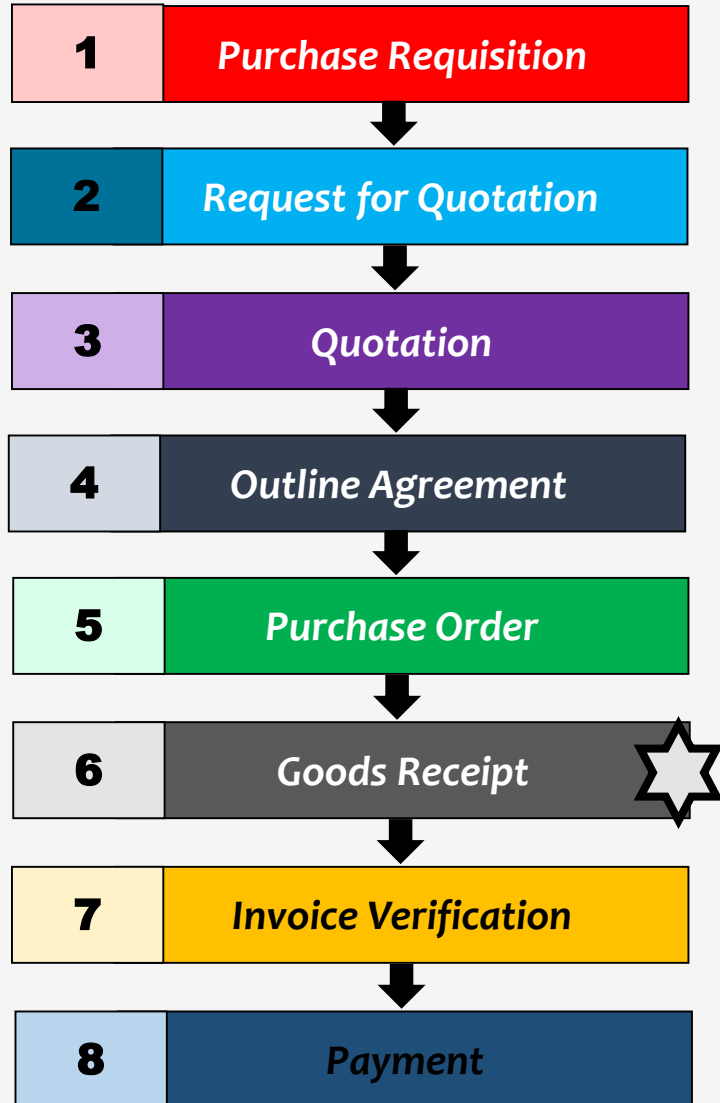
## Purchase Order - Approach



## Goods Receipts - Overview



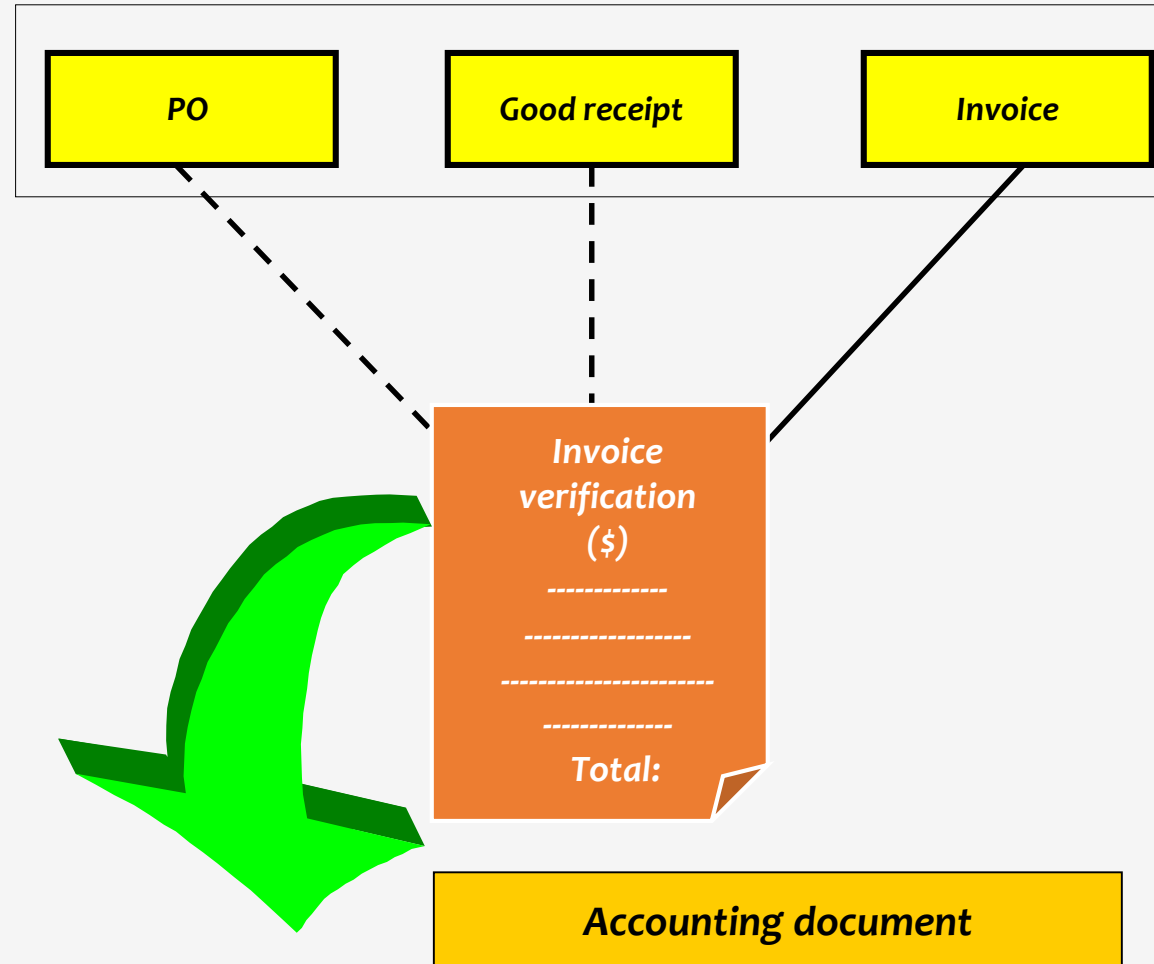
## Goods Receipts - Approach



## Invoice Verification - Overview

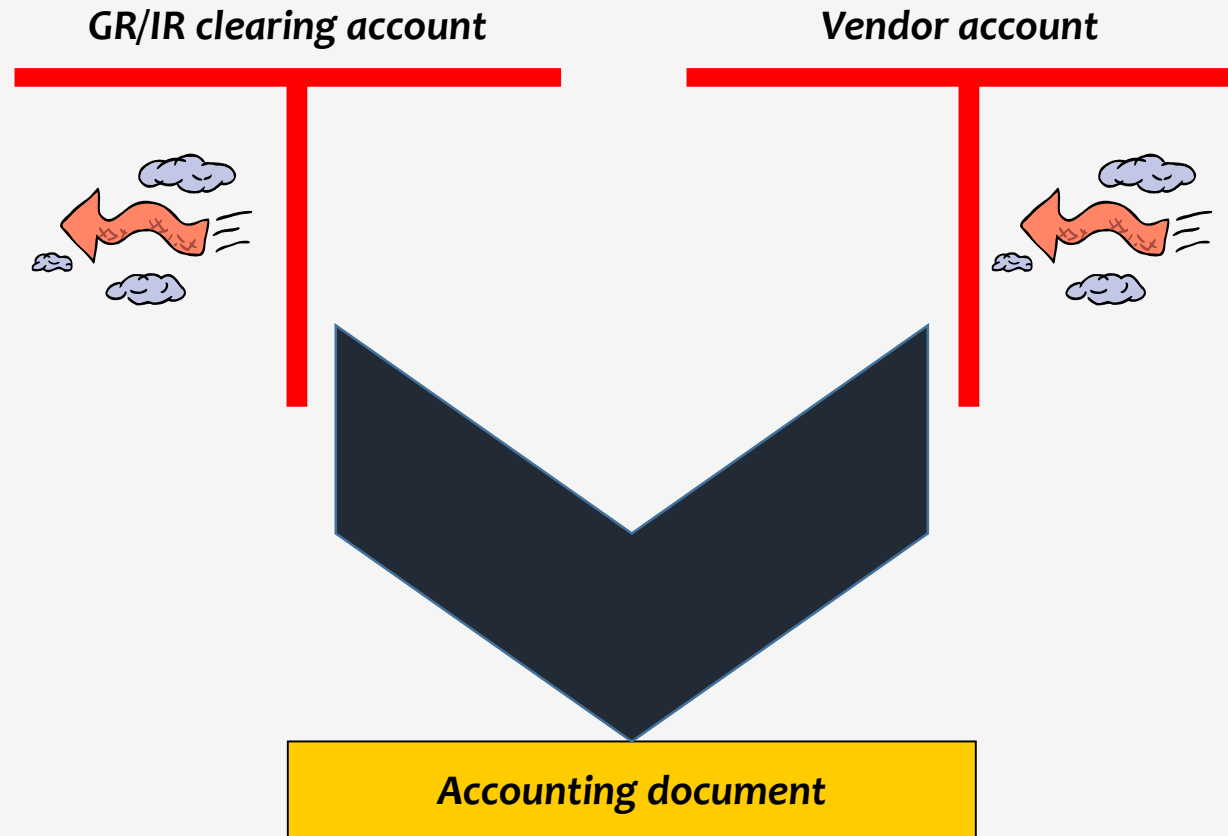
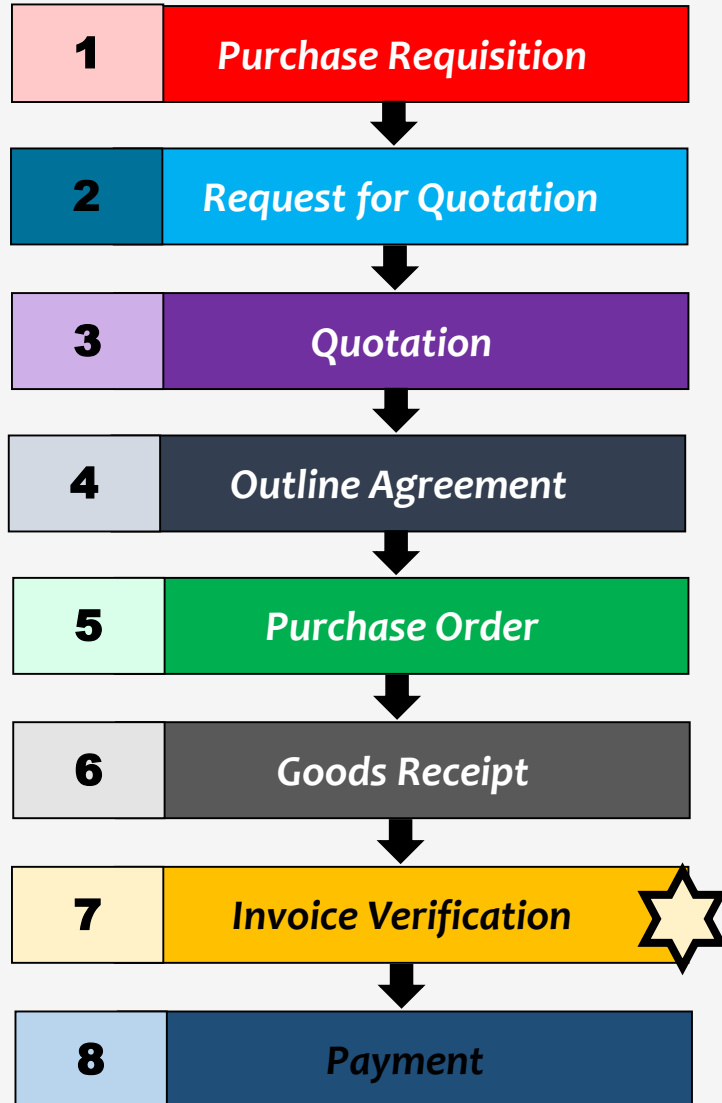


Invoice verifications is a process of processing vendor invoice for its settlement as per terms and conditions.

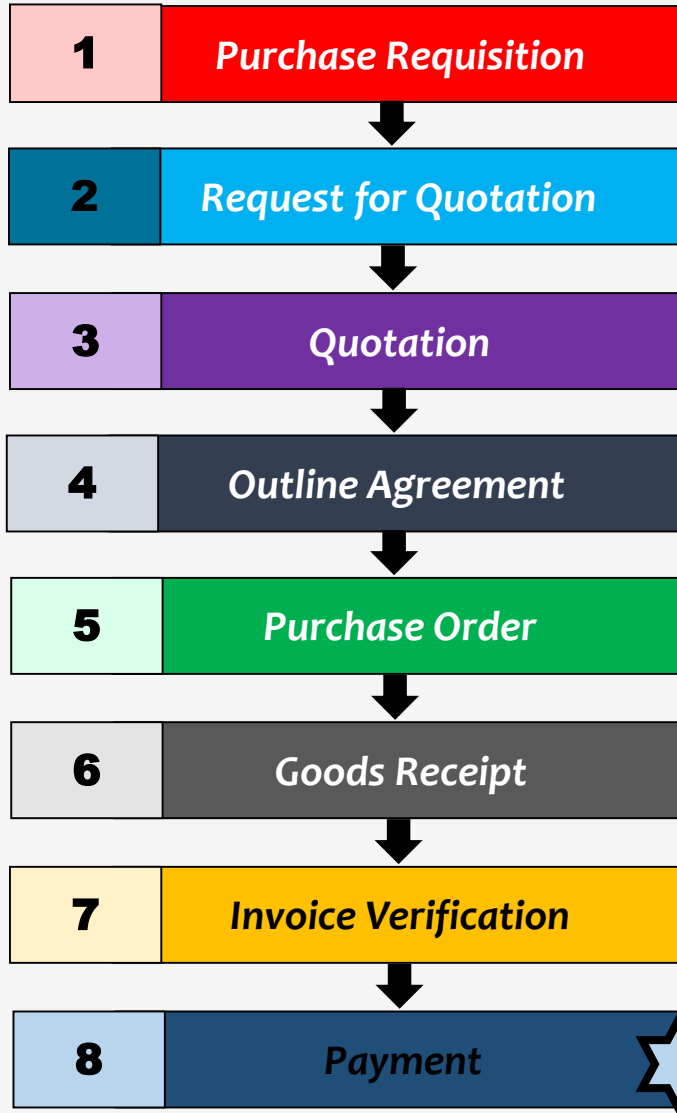




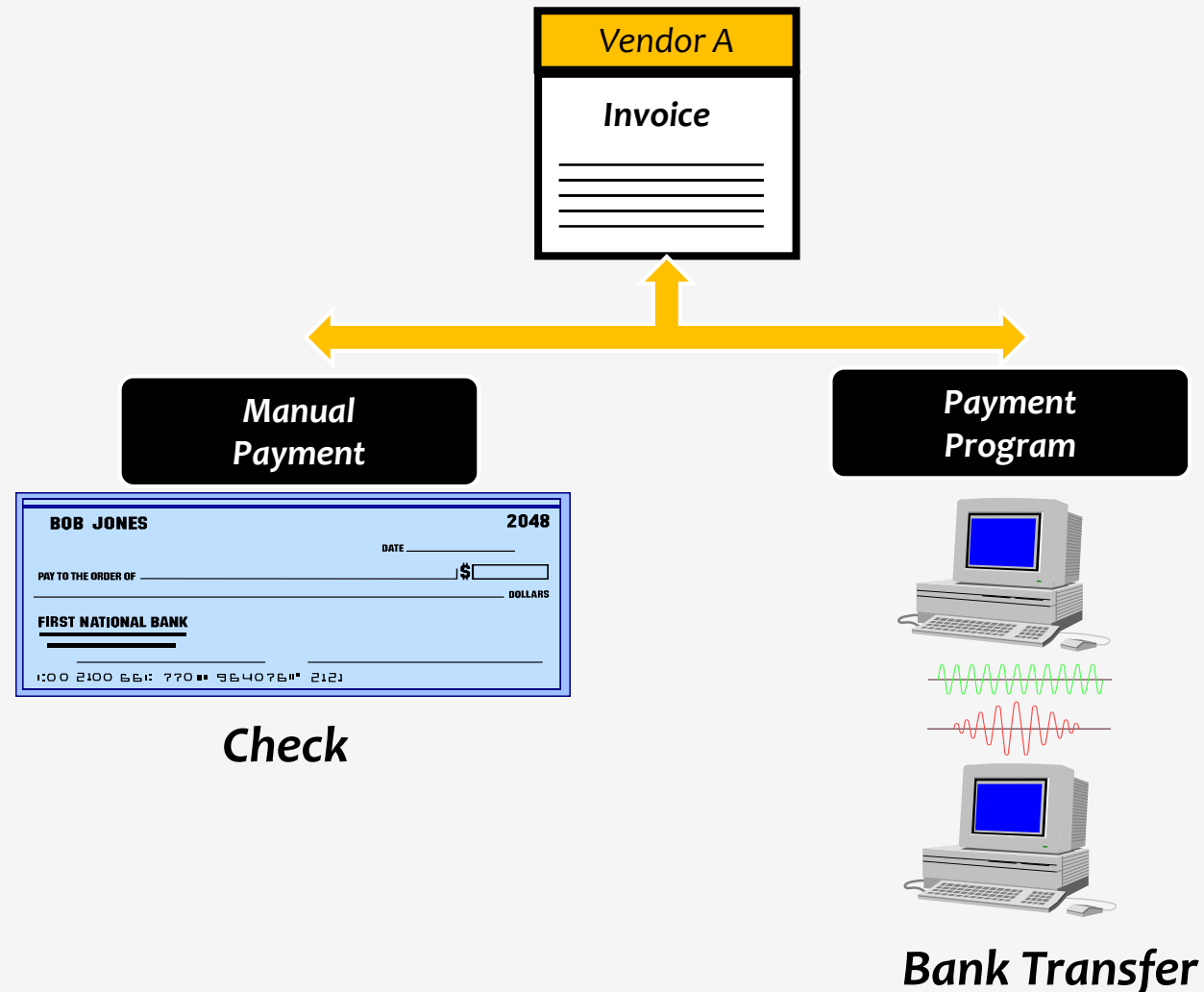
## Invoice Verification - Approach



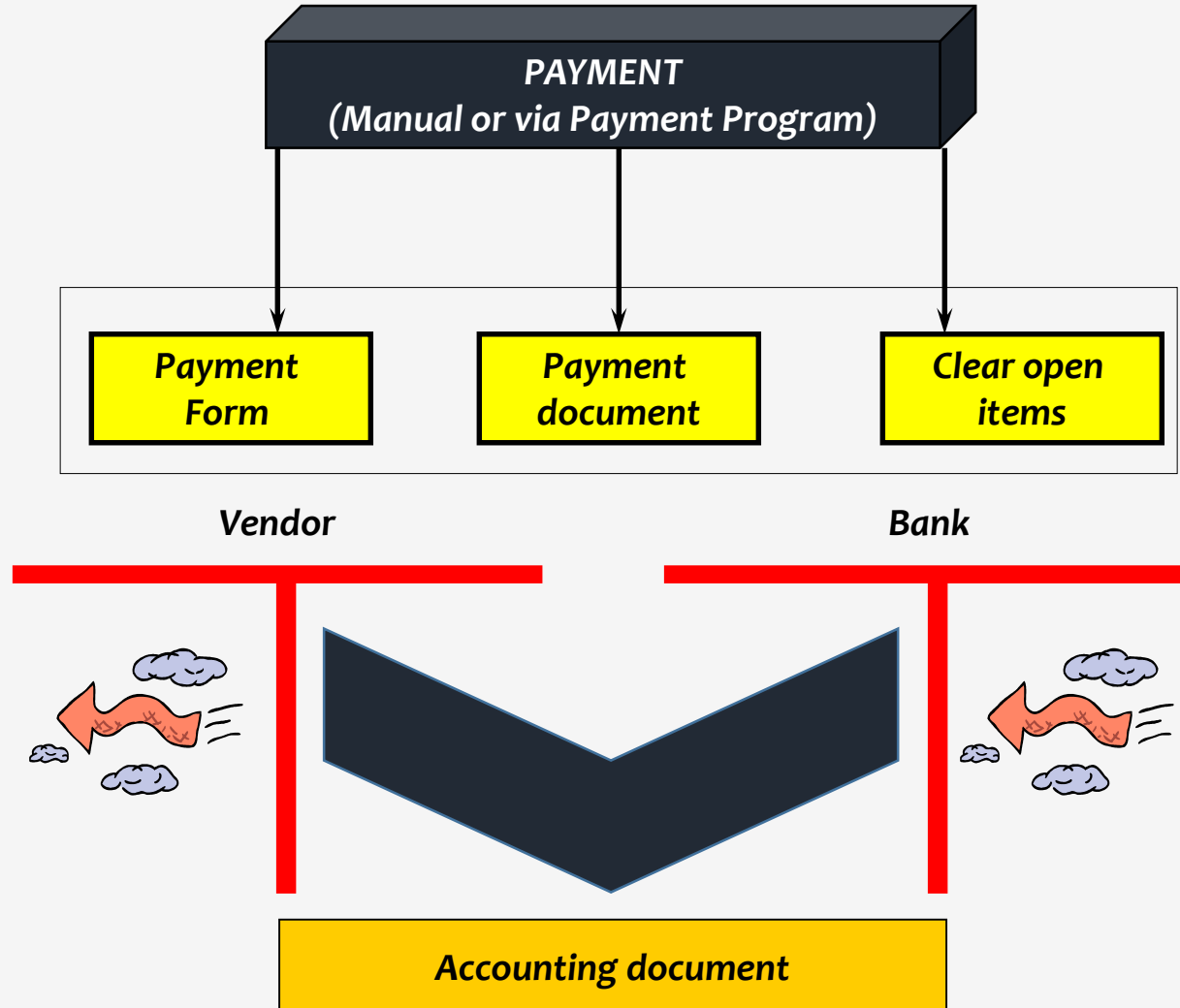
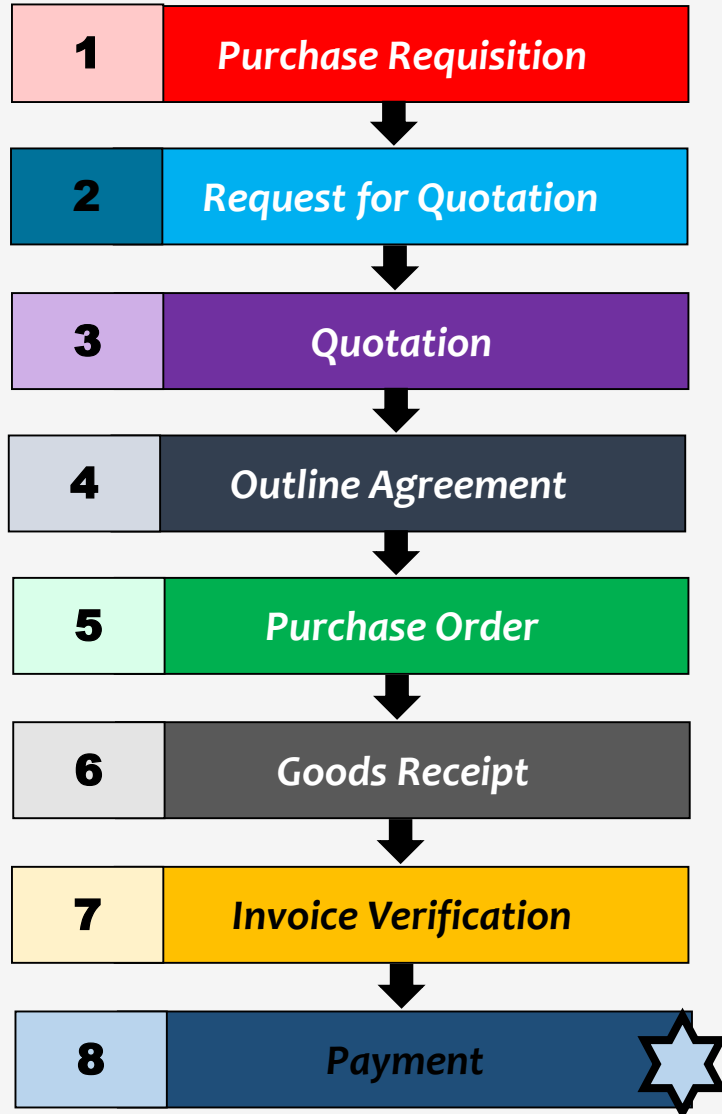
## Payment - Overview



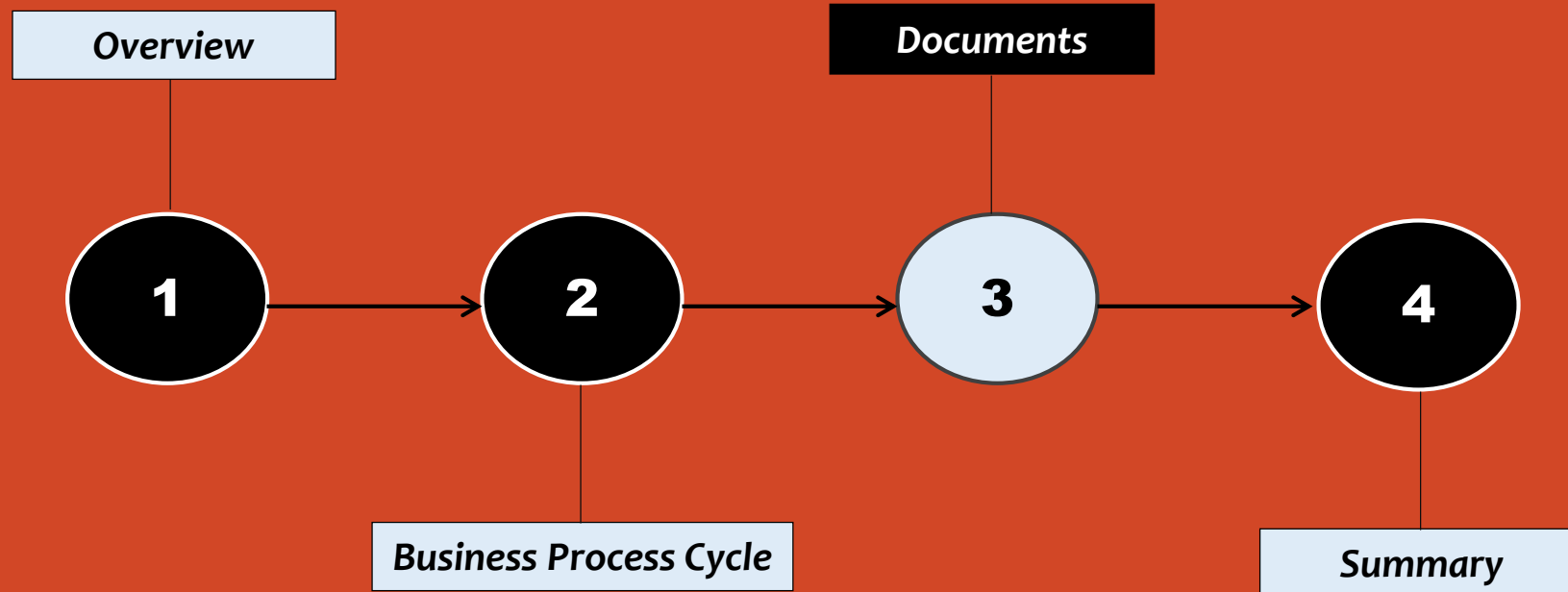
**Payment** is a business process for settlement of dues of the vendors.



## Payment - Approach



# Procure To Pay (P2P)



## Procure To Pay (P2P) - Documents



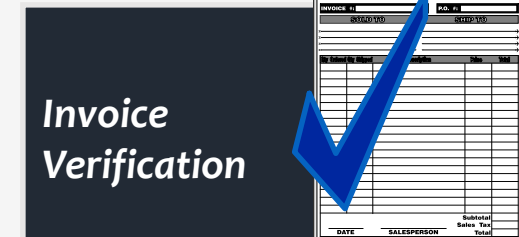
Create Purchase Order

Purchase  
order  
document



Post Goods Receipt

Goods  
Received  
document



Post Invoice

Invoice  
document

Materials Management

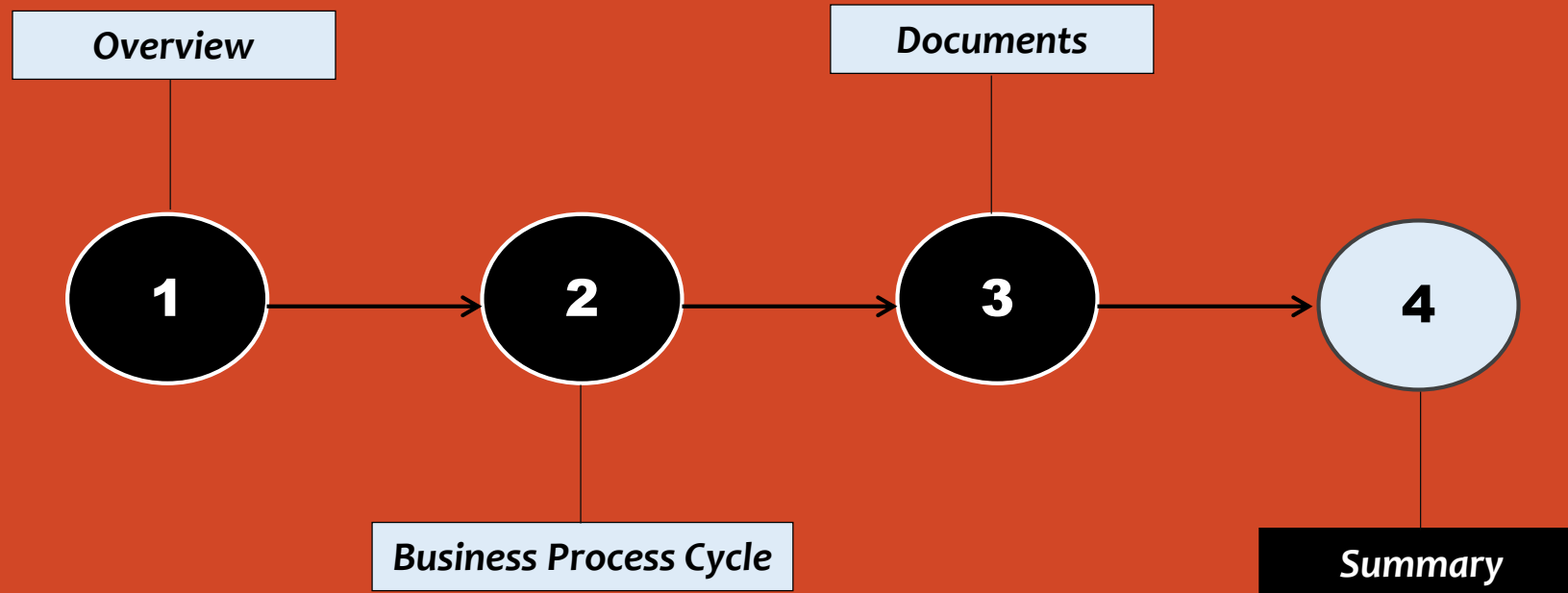
Accounting

## ***Procure To Pay (P2P) - Documents***

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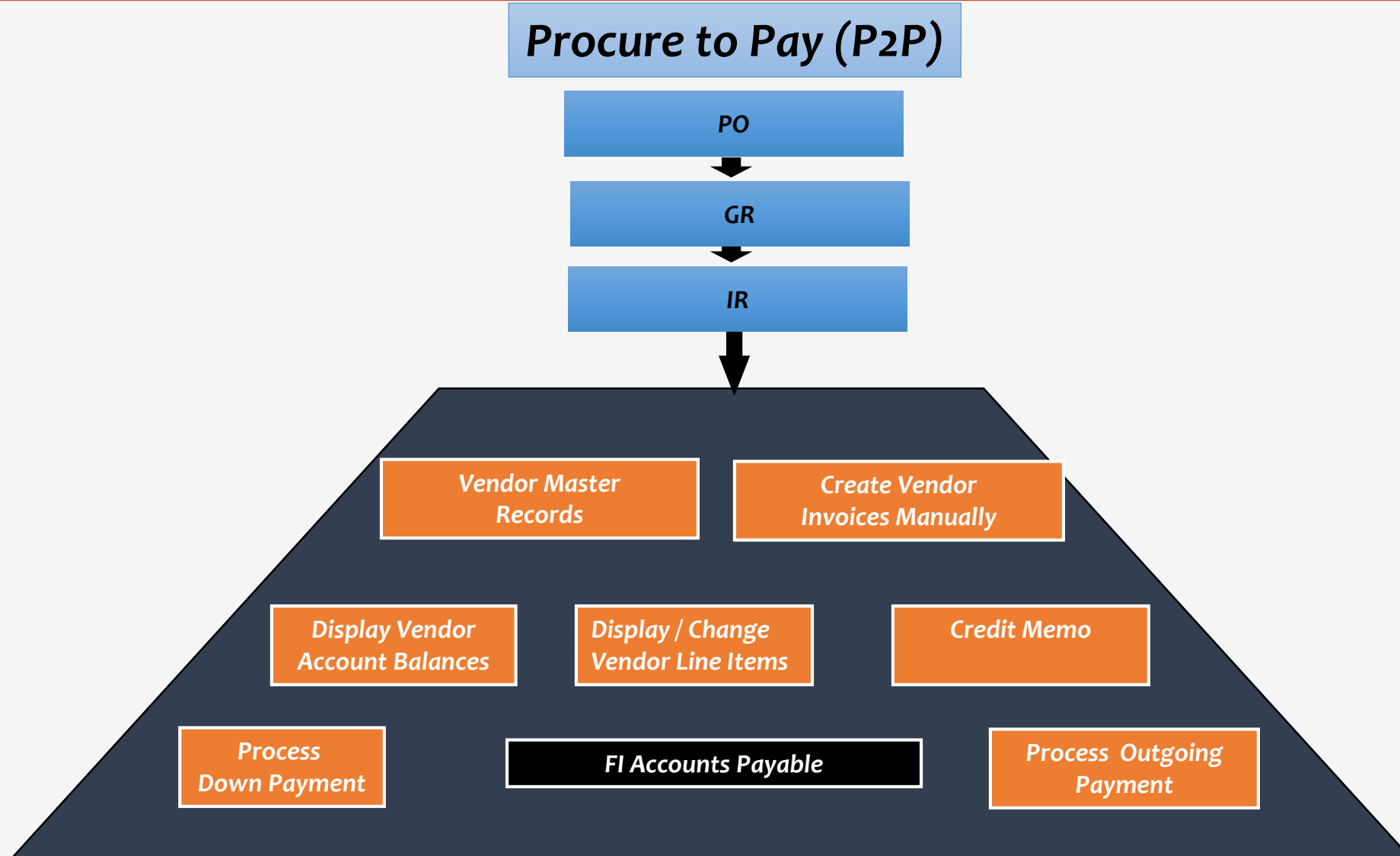
- ▶ *Purchase requisitions (PRs)*
- ▶ *Request for quotation (RFQs)*
- ▶ *Purchase Orders (POs)*
- ▶ *Goods Receipts Note (GRs)*
- ▶ *Invoice (IRs)*
- ▶ *Payment advice*

# Procure To Pay (P2P)



## Procure To Pay (P2P) - Summary

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***Thanks***