MODULE 4: PURCHASE ORDER MANAGEMENT

Module Overview

Timely purchases that are made at the best price improve a company's inventory management, reduce costs, and have a direct effect on the company's ability to satisfy their customers.

Obtaining the best price depends on the company's ability to record price and discount agreements in advance, automatically apply the best price to each transaction, and to make purchasing agents aware of any other potential cost savings.

Additionally, companies must make sure that they manage and update purchase delivery schedules, meet vendor prepayment requirements, and automatically register all inventory and financial information associated with each purchase transaction.

Microsoft Dynamics® NAV 2013 provides the following functionality:

- Comprehensive Purchase Order Management system that can record and apply complete information on all vendors, price agreements, discount agreements, and shipping and, or receiving arrangements.
- Integrated purchase quote system to help purchasing agents find the best purchase terms. This includes a convenient conversion to purchase orders for quotes that succeed.
- Integrated blanket purchase order system that purchasing agents can use to record purchase agreements in advance, and then use this recorded information in later purchase orders.
- Flexible and efficient prepayment system.
- Automatic registration of all purchase transaction information, with high levels of data integration between purchasing, other components of the supply chain, and sales.

Before starting the lessons in this module, set your work date to January 23, 2014.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 1

Objectives

The objectives are:

- Review the setup of Purchase Order Management. This includes vendors, vendor posting groups, shipping and, or receiving options, and purchasers.
- Explain how to use purchase documents. This includes quotes, blanket orders, and purchase orders.
- Review purchase prices and discounts in relation to item costs.
- Explain purchase price setup and processing.
- Explain discount setup and processing.
- Describe how to process prepayments on a purchase order.

Purchase Order Management Setup

This lesson describes the setup options for Purchase Order Management. It focuses on the physical aspects of purchase transactions instead of the financial aspects. Financial setup issues are addressed in more detail in the *Finance Essentials in Microsoft Dynamics NAV 2013* course.

Setup options that support price, discount, and prepayment features are described later in this training material.

Purchase Order Management setup consists of the following elements:

Purchases & Payables Setup

Based on their established practices, companies must specify how they want the program to support their management of purchase transactions. These are general setup options that apply to all purchase transactions, regardless of the item or vendor.

Vendor Setup

Managing vendor information is an important part of any purchasing system. Alternative vendors and addresses, and flexible shipping and receiving options, all help companies make sure that purchased goods arrive at the correct location at the appropriate time.

Vendor Posting Groups

The setup of vendor posting groups defines a connection between vendors and the accounts in the general ledger. To achieve this, you create vendor posting groups, link them to balance sheet and income statement accounts, and then assign these posting groups to individual vendors.
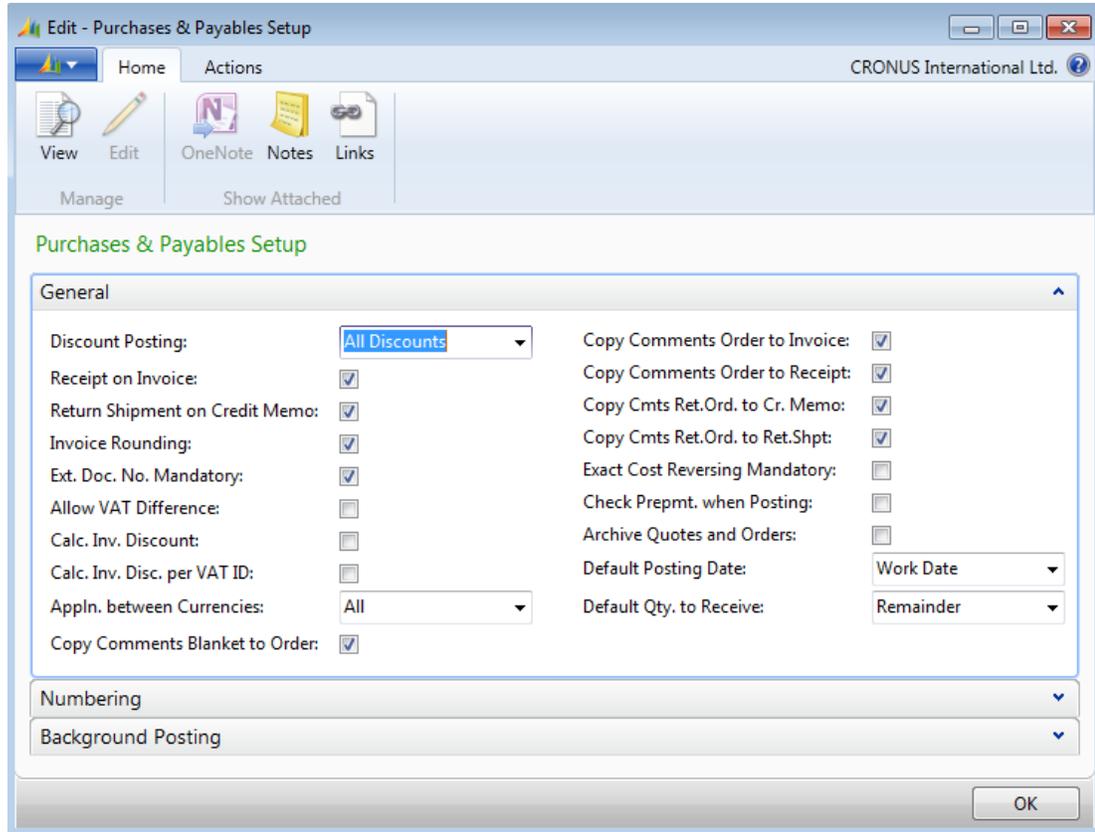
Purchasers Setup

Companies can set up codes to identify and describe purchasing agents. These codes are then linked to vendors and purchase transactions. This helps companies prepare statistics and filter information in printed reports.

Demonstration: Review Purchases & Payables Setup

Scenario: At CRONUS International Ltd., receipt documents are automatically created for all inventory receipts. Management also wants the program to automatically create a shipment note when an item is returned to a vendor. And they want to make sure that no purchase document can post unless a corresponding external document number is entered first.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 3

Demonstration Steps

To open the **Purchases & Payables Setup** page for CRONUS, enter "purchases & payables setup" in the **Search** box, and then select the related link.

FIGURE 4.1: PURCHASES & PAYABLES SETUP

The fields on the **General** FastTab of the **Purchases & Payables Setup** page that are relevant to Purchase Order Management are described in the following table.

Field	Description
Receipt on Invoice	Select this check box to automatically create posted receipt documents when you are posting purchase invoices. If this check box is clear, only posted invoices are created. Selecting this 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" this training material.

Field	Description
Return Shipment on Credit Memo	Select this check box to specify that return shipment documents are automatically generated when you post purchase credit memos. If this check box is clear, only posted purchase credit memos are created. This setup option is relevant only if your company uses return order management. For more information about returns, refer to "Returns Management" in this training material.
Ext. Doc. No. Mandatory	Select this check box to prevent the posting of purchase documents (orders, invoices, and credit memos) as invoiced without an external document number in the document header (in the **Vendor Invoice No.** field in purchase orders and invoices, and in the **Vendor Cr. Memo No.** field in purchase credit memos).
Exact Cost Reversing Mandatory	Select this check box to indicate that the company wants the program to automatically align the cost of every item returned to the vendors with the original purchase entry.
Check Prepmt. when Posting	If this check box is selected, it specifies that a warning message is shown when you receive or invoice a purchase order that has an unpaid prepayment amount.

Refer to the online Help for the definition and setup options of the other fields on the **General** FastTab. Additionally, fields that determine cost reversing options are described in detail in "Returns Management" in this training material.

Vendor and Receiving Options

This topic explains additional setup options available for vendor address information, shipping and, or receiving processes, and alternative vendors.

Vendors frequently have alternative addresses in addition to a main business address. For example, a vendor might ship from multiple warehouses.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 5

The **Order Addresses** function on the vendor card accommodates vendors with more than one address. These additional locations can be defined as order addresses and they can be selected by the purchasing agent when he or she creates a purchase order, invoice, or credit memo. An unlimited number of order addresses can be created for each vendor.

The **Receiving** FastTab on the vendor card is used to identify which company location should receive shipments from the vendor. The preferred shipment method for the vendor to use can be specified on this FastTab, and the lead time and base calendar options.

The **Vendor Item Catalog** page, which is accessed through the **Items** function on the vendor card, is used to identify multiple vendors for the same item. If a purchasing agent is not satisfied with the price or lead time available from one vendor, he or she can check the vendor item catalog to see whether alternative vendors are available for the item.

Procedure: Review Order Addresses

To review the order addresses set up for vendor 10000, follow these steps.

1. In the **Search** box, enter "vendors", and then select the related link.
2. Open the vendor card for vendor 10000.
3. On the **Navigate** tab, click **Order Addresses**. The **Order Address List** page will appear.
4. Double-click the first line to view the address details in the **Order Address** page. When the code for this address is selected in the **Order Address Code** field on purchase orders, invoices, or credit memos, this order address information appears on document printouts.
5. Close both the **Order Address** and **Order Address List** pages.

Procedure: Review Receiving Options

To review the receiving options on the vendor card for vendor 10000, follow these steps.

1. In the **Search** box, enter "vendors", and then select the related link.
2. Open the vendor card for vendor 10000.

3. Expand the **Receiving** FastTab.

FIGURE 4.2: RECEIVING SETUP OPTIONS ON VENDOR 10000

Companies might use a decentralized warehouse strategy and receive shipments from specific vendors at specific company locations. The link between a vendor and a default receiving location is made in the **Location** field of the **Receiving** FastTab. More information about the setup for multiple locations is provided in the *Inventory Management In Microsoft Dynamics NAV 2013 (HOL)* course.

Your company or a vendor can have a preference about how purchased goods are shipped (such as Cost and Freight, Pickup at Location, and so on). This preference is shown in the **Shipment Method Code** field. This field links to the **Shipment Methods** page (click the down arrow in the field to view the complete list of available shipment methods). When assigned to a vendor, the shipment method code automatically copies to purchase documents for that vendor.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 7

The two other setup options on the **Receiving** FastTab affect how the program calculates different purchase order receipt dates. These are the following:

- The program uses the **Lead Time Calculation** field to calculate the order planned and the expected receipt dates. However, notice that the lead time value on the vendor card is used only if a lead time is not specified on the item card, stockkeeping unit card (if one exists), or the item vendor catalog for the item. This is also the escalating order of priority for these values. If they are all provided, the lead time specified for the vendor card has the lowest priority, and the lead time in the item vendor catalog has the highest priority.

- The two calendar fields relate to the program's ability to calculate various receiving and delivery dates on purchase documents. These setup options are described in "Order Promising" in this training material.
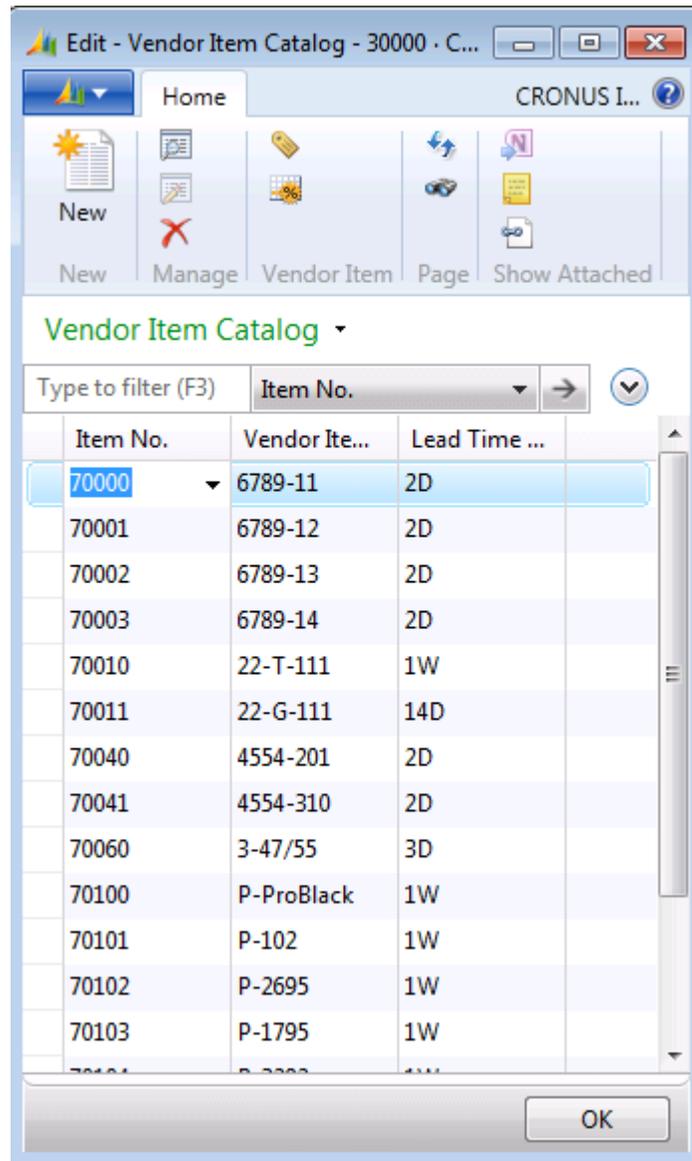
Procedure: Review Alternative Vendors

If a company has more than one vendor that supplies the same item, purchasing agents might want to register these vendor-item combinations. To do this, they must create a vendor item catalog. The catalog can be accessed either from the vendor card (to view all items sold by that vendor) or the item card (to view all vendors who sell that item).

To view the vendor item catalog for vendor 30000, follow these steps.

1. In the **Search** box, enter "vendors", and then select the related link.
2. Open the vendor card for vendor 30000.

3. On the **Navigate** tab, click **Items**.

FIGURE 4.3: VENDOR ITEM CATALOG

The vendor item catalog also includes information about the delivery lead time for each item. If a value is supplied in the catalog's **Lead Time Calculation** field, this value will supersede the values that are stored in the same field on the vendor card and the item card (or the stockkeeping unit card, if one exists).

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 9

Vendor Posting Groups

The financial value of any purchase transaction must post to dedicated accounts in the general ledger. When companies cannot establish accounts for each vendor, they can put several vendors in one posting group and then specify accounts for the group.

After the company decides how vendors are grouped, it must set up the groups in the **Vendor Posting Groups** page. In this page, you can assign a code to each posting group and specify general ledger accounts for categories, such as the following:

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

Procedure: Review Vendor Posting Groups

To view the vendor posting group set up for vendor 10000, follow these steps.

1. In the **Search** box, enter "vendor posting groups", and then select the related link.
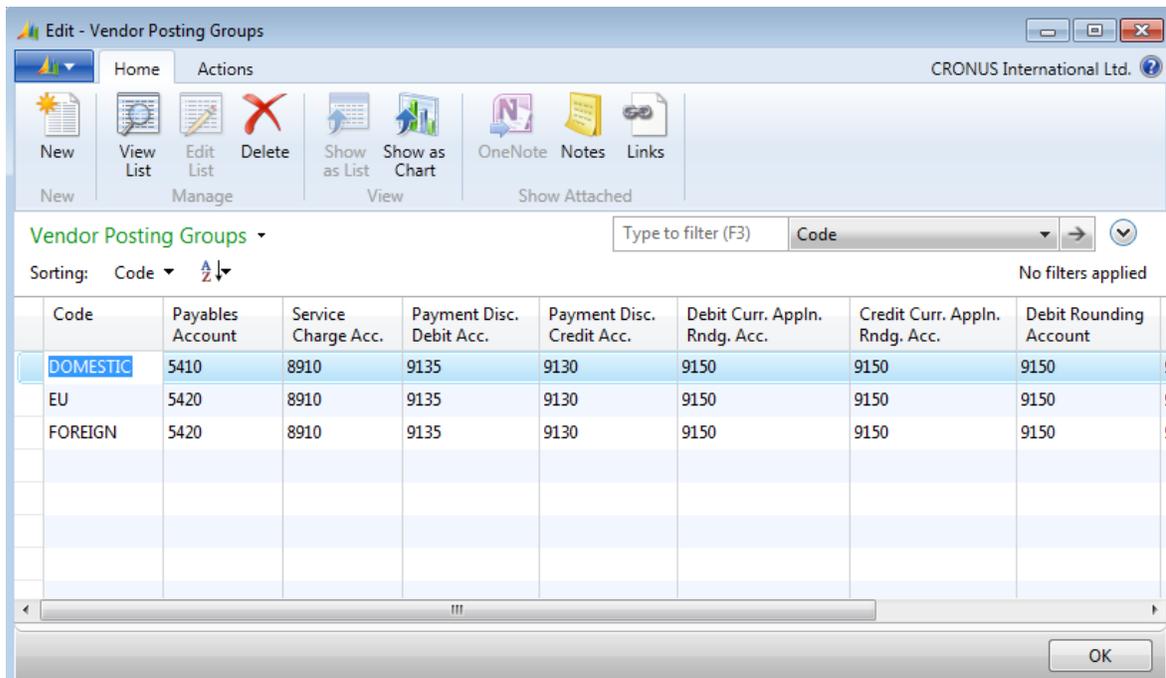

FIGURE 4.4: VENDOR POSTING GROUPS

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

2. Notice the three vendor posting groups: DOMESTIC, EU, FOREIGN.

3. Close the **Vendor Posting Groups** page.

4. In the **Search** box, enter "vendors", and then select the related link.

5. Open the vendor card for vendor 10000 and then expand the **Invoicing** FastTab.

6. Confirm that DOMESTIC is selected in the **Vendor Posting Group** field.

Each vendor can be assigned to only one vendor posting group. The general ledger accounts that are associated with this posting group are used when you post a purchase transaction (order, invoice, or credit memo) that involves the vendor.

For CRONUS International Ltd., the three vendor posting groups use the same general ledger accounts. However, in practice, the accounts can vary. Having the same accounts associated with different posting groups gives accountants the flexibility to group vendors for any reporting and analysis. For example, you can present and analyze a total payables amount with two vendor posting groups, one that represents domestic vendors, and another that represents foreign vendors.

📋   **Note:** *You must also assign a general business posting group to each vendor. Use the general business posting group in combination with a general product posting group in the general posting setup to specify the general ledger accounts to which certain transactions post. You can also assign the value-added tax (VAT) business posting group code. It is used in combination with a VAT product posting group to find the VAT %, VAT calculation type, and VAT general ledger accounts to which the program posts VAT amounts. For more information about general setup rules, refer to the* Application Setup in Microsoft Dynamics NAV 2013 *course.*

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

This lesson describes the main workflow tasks that are involved in purchase transactions. These tasks include the following:

- Register a purchase quote or blanket agreement with a vendor
- Convert the quote or blanket agreement into a purchase order
- Receive and invoice the purchase order

Purchase Quotes

A purchase quote is a "draft order" in which the purchasing agent can register the vendor's offer that specifies the price, terms of the sale, and the description of the items.

If the quote matches the purchasing agent's requirements, he or she can convert it into an order.

Similarly, when stocked items need replenishment, inventory managers can send a request to the Purchasing Department. Then, a quote is created for internal purposes, and after the quote is approved it is converted to a purchase order.

Demonstration: Create and Convert a Purchase Quote

Scenario: Alicia, the purchasing agent at CRONUS, obtains a purchase quote from vendor 10000 for five units of item 1972-S. After she confirms that vendor 10000 offers the best price for this item, she converts the quote to a purchase order.

Demonstration Steps

To create the purchase quote, follow these steps.

1. In the **Search** box, enter "purchase quotes", and then select the related link.
2. On the **Home** tab, click **New** and then press **Enter**.
3. On the **General** FastTab, in the **Buy-from Vendor No.** field, enter "10000".
4. On the **Lines** FastTab, in the **Type** field, select Item.
5. In the **No.** field, enter "1972-S".
6. In the **Quantity** field, type "5".

To convert the quote to a purchase order (usually after additional internal interaction or with the vendor), follow these steps.

1. On the **Home** tab, click **Make Order**.
2. Click **Yes** to convert the quote to an order.
3. Click **OK** to close the message that states that a purchase order is created from the quote.

Blanket Purchase Orders

A blanket purchase order represents a purchase agreement between the company and a vendor. It typically involves one item with multiple shipments at predetermined quantities, price(s), and delivery dates.

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

An example of a blanket purchase order is when you have a standing order with a vendor to purchase 100 units of an item every month for a year.
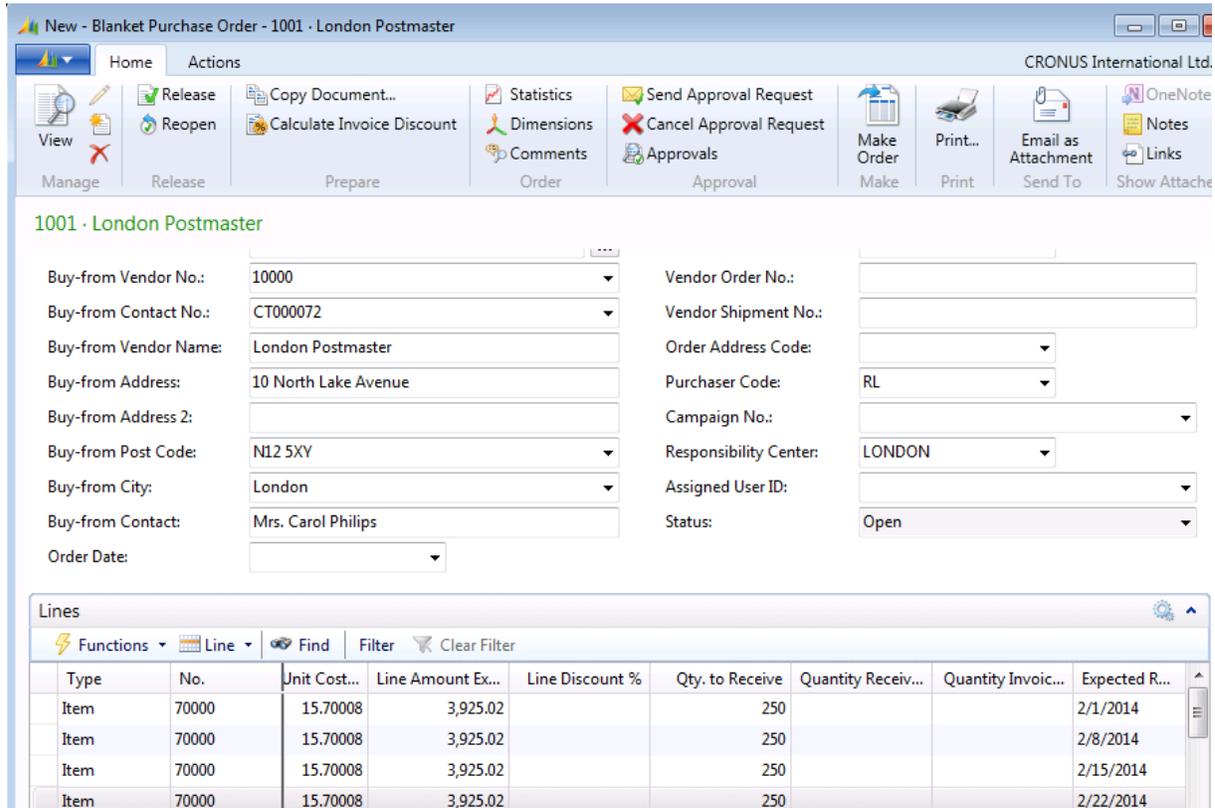
Demonstration: Create a Blanket Purchase Order

Scenario: Alicia, the purchasing agent at CRONUS, orders 1000 units of item 70000 with vendor 10000, that will be delivered in 250 units every week for the next month.

Demonstration Steps

To create a blanket order for vendor 10000, follow these steps.

1. In the **Search** box, enter "blanket purchase orders", and then select the related link.
2. On the **Home** tab, click **New** and then press **Enter**.
3. On the **General** FastTab, 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.
5. On the **Lines** FastTab, in the **Type** field, select Item.
6. In the **No.** field, enter "70000".
7. In the **Quantity** field, type "250".
8. Set the **Expected Receipt Date** field to February 01, 2014.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 13

9. Repeat steps 6 through 8 to create three more order lines. However, increment the expected receipt date by one week for each additional line (that results in the dates February 08, 2014, February 15, 2014 and February 22, 2014).

10. Notice that the **Qty. to Receive** field fills in automatically on each line. It is this quantity that will be assigned to a purchase order that is generated from the blanket purchase order.

FIGURE 4.5: COMPLETED BLANKET PURCHASE ORDER

To generate a purchase order from the first line on the blanket purchase order, follow these steps.

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

2. On the **Home** tab, click **Make Order**.

3. Click **Yes** to create an order.

4. Click **OK** to close the message that states that a purchase order is created from the blanket order. Notice that the blanket order is not deleted.

The program keeps the link between the blanket order and the purchase order so that the purchasing agent can view unposted and posted purchase order (invoice) lines.

To open the purchase order, follow these steps.

1. Select the first line on the blanket order.
2. On the **Lines** FastTab, point to **Line**, then to **Unposted Lines**, and then click **Orders**.
3. On **Home** tab of the **Purchase Lines** page, click **Show Document**. Then the purchase order will appear.

The purchase order includes the line from the blanket order that had a quantity in the **Qty. to Receive** field. The lines where you deleted the quantity in the **Qty. to Receive** field do not appear. The purchase order line quantity must not exceed the quantity of the associated blanket order line. Otherwise, you cannot post the purchase order.

The blanket order number and the line number are recorded as properties of the purchase lines when they are created from a blanket order. To view the link to the blanket order, on the **Lines** FastTab, review the values in the **Blanket Order No.** and the **Blanket Order Line No.** fields.

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

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

After the purchase order(s) is created for the total quantity of a blanket order line, the program makes sure that no other purchase orders are created for the same line by preventing users from entering a quantity in the blanket order's **Qty. to Receive** field. However, if additional quantities must be added to a blanket purchase order, the value in the **Quantity** field can be increased and additional orders can then be created.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 15

Purchase Orders

Purchase orders are a basic element of the purchase management functionality in Microsoft Dynamics NAV. This functionality includes the following:

- Automatic copying of vendor information to the order header, and item information to order lines
- Automatic checking of best price and available discounts
- Performance of all the necessary calculations
- Participation in the program's planning processes
- Making sure that the company's financial records are updated correctly

Most of the properties of purchase orders (such as delivery details, quantity, unit of measure, and so on) are identical to those of sales orders. Therefore, only the features that are unique to purchase orders are addressed here.

Planning Flexibility

By selecting a value in the **Planning Flexibility** field on the purchase order line (use the **Choose Columns** function to make the field visible), the purchasing agent defines whether the order in question can be changed by the program's planning processes. 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 is created from requisition planning (and therefore 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 if the order is not posted. The default selection is Unlimited. Learn more about purchase order planning in "Requisition Management" in this training material.

Posting Orders

The purchase order posting principles are identical to those that are applied to sales orders (described in the "Sales Order Management" in this training material). Some important information that relates to purchasing includes the following:

- The posting function consists of two parts—(quantity) and invoice (value) posting.
- The **Qty. to Receive** and the **Qty. to Invoice** fields on a purchase order represent the quantities that will be posted during the posting process.
- Orders can be partially received and, or invoiced.

- An order can be posted by registering the order receipt first and registering the invoice in a later, separate action. Related to this point, you can also:

  o Combine several receipts in one invoice.

  o Undo a quantity record for a posted receipt that is not yet invoiced.

- When an invoice is posted, the two parts occur at the same time, without an option to separate them.

Demonstration: Update the Purchase Order

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

Scenario: Alicia is processing the purchase order that was created from the blanket order line for 250 units of item 70000. She has discovered that vendor 10000 has a warehouse close to CRONUS. This is not the location from where they usually ship their orders. However, the vendor has agreed to ship the items from this other location. Alicia also checks the item vendor catalog to make sure that this is her best option for these items.

Demonstration Steps

To update the purchase order, follow these steps.

1. In the **Search** box, enter "purchase orders", and then select the related link.
2. Locate the purchase order to vendor 10000 that you created in the "Create a Blanket Purchase Order" demonstration.
3. On the **General** FastTab, in the **Order Address Code** field, select HOPE (you might have to click **Show more fields** to view this field). The program updates the buy-from address details.

To check the item vendor catalog to determine whether other vendors also carry item 70000, follow these steps.

1. In the **Lines** FastTab, in the **No.** field for item 70000, click the drop-down arrow and then click **Advanced**.
2. On the **Home** tab of the **Item List** page, click **Vendors**.

The item vendor catalog shows that vendor 30000 is also a supplier of this item.

In addition to specifying alternative vendors for an item, the item vendor catalog also provides convenient links to information on special purchase prices and purchase line discounts that are available from the alternative vendor. To view this additional information, click the **Purch. Prices** and **Purch. Line Discount** functions on the **Navigate** tab of the **Item Vendor Catalog** page.

For this demonstration, keep the original vendor (vendor 10000) and 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 item 70000, on January 29, 2014. John, the warehouse worker at CRONUS, posts the partial receipt in the program. On February 01, 2014, the remaining 50 units are received. Therefore, John posts this second receipt in the program.

Demonstration Steps

To receive the partial shipment from vendor 10000, follow these steps.

1. Open the purchase order that is updated in the "Update the Purchase Order" demonstration.
2. On the **General** FastTab, set the **Posting Date** field to January 29, 2014.
3. In the **Qty. to Receive** field, type "200".
4. On the **Home** tab, click **Post**.
5. Select Receive and then click **OK**.

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

- The **Qty. to Receive** field shows the quantity of 50 not yet received.
- The **Quantity Received** field shows the received quantity of 200.
- The **Qty. to Invoice** field shows the full quantity of 250. This quantity is not yet invoiced.
- The **Quantity Invoiced** field is empty because no invoicing has occurred.

The remaining shipment is received from vendor 10000. To receive this shipment, follow these steps.

1. Set the **Posting Date** field to February 01, 2014.
2. On the **Lines** FastTab, confirm that the **Qty. to Receive** field is set to 50.
3. On the **Home** tab, click **Post**.
4. Select Receive and then click **OK**.

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

- The **Qty. to Receive** field is empty because all the items are received.
- The **Quantity Received** field shows the total received quantity of 250.
- The **Qty. to Invoice** field shows the quantity of 250. This quantity is not yet invoiced.
- The **Quantity Invoiced** field is empty because no invoicing has occurred.

To view the posted purchase receipts, follow these steps.

1. On the **Navigate** tab, click **Receipts**.
2. On the **Posted Purchase Receipts** page, select the first posted receipt.
3. On the **Home** tab, click **View**.
4. On the **Lines** FastTab of the posted purchase receipt, notice 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.
5. Close the receipt and then review the second posted receipt.
6. Escape back to the purchase order.

Demonstration: Invoice the Purchase Order and Review the Posted Documents
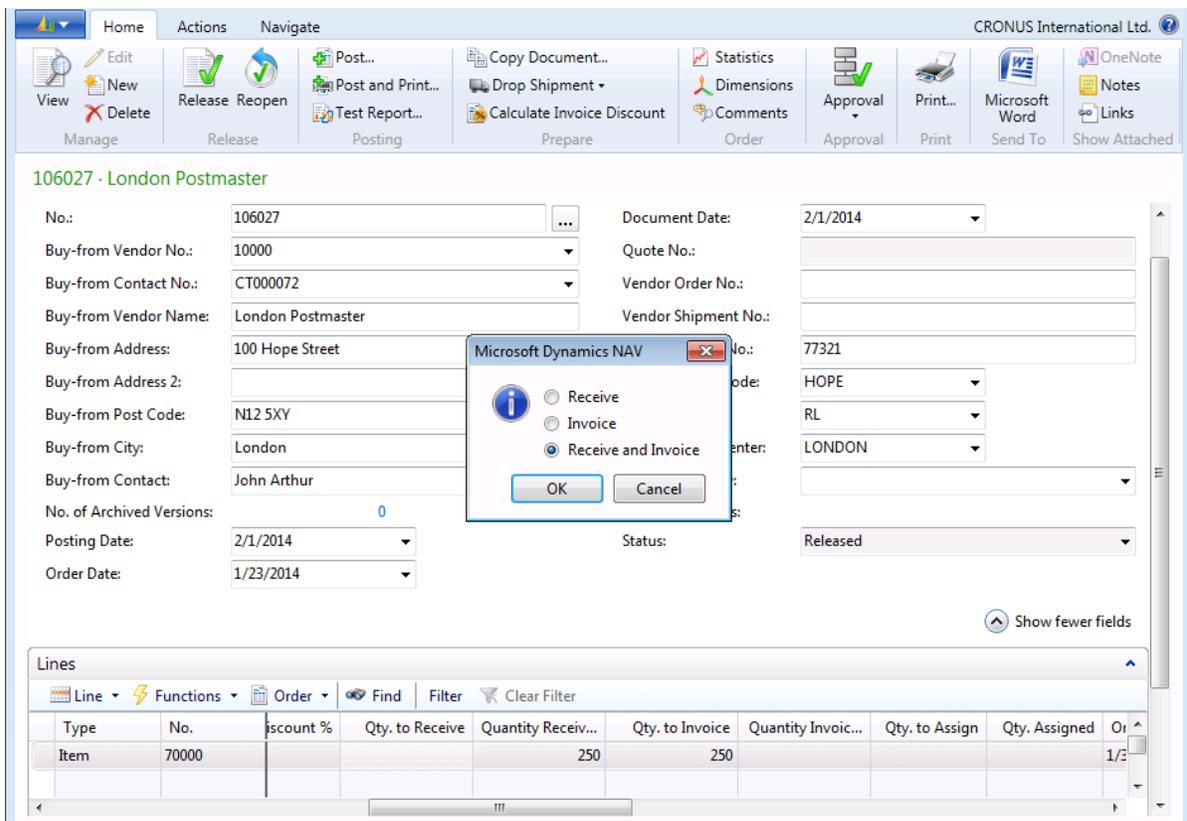
This demonstration is a continuation of the "Receive the Purchase Order" demonstration.

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

Demonstration Steps

To confirm the totals and then invoice the order, follow these steps.

1. Open the purchase order from the "Receive the Purchase Order" demonstration.
2. In the **General** FastTab, in the **Vendor Invoice No.** field, type "77321".
3. On the **Home** tab, click **Statistics** to confirm the order total matches the vendor's invoice.
4. Click **OK** to close the **Purchase Order Statistics** page.
5. On the **Home** tab, click **Post**.

FIGURE 4.6: FULLY RECEIVED PURCHASE ORDER READY FOR INVOICING

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

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

1. In the **Search** box, enter "blanket purchase orders", and then select the related link.
2. Open the blanket purchase order that was created in the "Create a Blanket Purchase Order" demonstration.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

3. On the Lines FastTab, review the **Quantity Received** and **Quantity Invoiced** fields on the first line of the blanket order. Notice that they show the full quantity received and the full quantity invoiced.

4. Click **OK** to close the blanket order.

To view the posted purchase invoice and receipts, follow these steps.

1. In the **Search** box, enter "posted purchase invoices", and then select the related link.

2. Open the invoice that is posted to vendor 10000 for 250 units of item 70000 and review the single order line in the **Lines** FastTab.

3. With the order line selected, point to **Line**, then click **Item Receipt Lines**. The two receipt lines will display in the **Posted Purchase Receipt Lines** page.

4. Confirm that the **Quantity Invoiced** fields are updated.

5. Or, close the **Posted Purchase Receipt Lines** page and the **Posted Purchase Invoice** page. In the **Search** box, enter "posted purchase receipts", and then select the related link.

6. Locate and open the two posted purchase receipt documents associated with this series of demonstrations (they should be the two most recent receipts).

⊟ *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 Essentials in Microsoft Dynamics NAV 2013 *course.*

Lab 4.1: Process a Purchase Quote to an Order

Scenario

CRONUS is interested in purchasing 100 units each of items 70010 and 70011. 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

    o Item 70010: quantity 100-500 at 24.00 LCY per unit

    o Item 70011: quantity 100-500 at 35.00 LCY per unit

- Vendor 30000

    o Item 70010: quantity 100-1000 at 26.00 LCY per unit

    o Item 70011: quantity 100-1000 at 34.00 LCY per unit

You create a purchase quote for each vendor so that the offers are registered and the total purchase prices can be compared. From this comparison, you know that vendor 10000 offers the best total price. So, you convert the quote for vendor 10000 into a purchase order.

You receive all the items on February 01, 2014, together with vendor invoice number 81449. Receive and invoice the purchase order at the same time. You do not have to review posted documents.

High Level Steps

1. Create the purchase quotes from vendors 10000 and 30000 for 100 units each of items 70010 and 70011.
2. Convert the quote from vendor 10000 to a purchase order.
3. Open the purchase order to vendor 10000, update the posting date, and enter the vendor invoice number.
4. Use the purchase order **Statistics** function to compare to the vendor invoice total, then receive and invoice the order.

Detailed Steps

1. Create the purchase quotes from vendors 10000 and 30000 for 100 units each of items 70010 and 70011.

    a. In the **Search** box, enter "purchase quotes", and then select the related link.

    b. On the **Home** tab, click **New** and then press **Enter**.

    c. On the **General** FastTab, in the **Buy-from Vendor No.** field, enter "10000".

    d. Leave the **Order Date** field blank.

e. On the **Lines** FastTab, in the **Type** field, select Item.

f. In the **No.** field, enter "70010".

g. In the **Quantity** field, type "100".

h. In the **Direct Unit Cost Excl. VAT** field, type "24".

i. On the next line, in the **No.** field, enter "70011".

j. In the **Quantity** field, type "100".

k. In the **Direct Unit Cost Excl. VAT** field, type "35".

l. On the **Home** tab, click **Statistics** and review the **Purchase (LCY)** amount.

m. Close the **Purchase Quote Statistics** page.

n. On the purchase quote, click the drop-down arrow on the **OK** button and then click **OK & New**.

o. Press **Enter**.

p. Repeat steps c through m for vendor 30000 by using the prices quoted in the scenario (26.00 LCY for item 70010 and 34.00 LCY for item 70011). The figures on the **Purchase Quote Statistics** page will confirm that the quote from vendor 10000 offers the best price.

q. Click **OK** to close the **Purchase Quote** page.

2. Convert the quote from vendor 10000 to a purchase order.

a. Open the purchase quote from vendor 10000.

b. On the **Home** tab, click **Make Order**.

c. Click **Yes** to convert the quote to an order.

d. Click **OK** to close the message that states that the quote is converted to a purchase order.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 23

3. Open the purchase order to vendor 10000, update the posting date, and enter the vendor invoice number.

   a. In the **Search** box, enter "purchase orders", and then select the related link.

   b. Open the purchase order to vendor 10000 that is created from the quote for items 70010 and 70011.

   c. On the **General** FastTab, set the **Posting Date** field to February 01, 2014.

   d. In the **Vendor Invoice No.** field, type "81449".

4. Use the purchase order **Statistics** function to compare to the vendor invoice total, then receive and invoice the order.

   a. On the **Home** tab, click **Statistics** to confirm that the purchase order total matches the vendor invoice.

   b. Click **OK** to close the **Purchase Order Statistics** page.

   c. On the **Lines** FastTab, confirm that the **Qty. to Receive** field on each line is set to 100.

   d. On the **Home** tab, click **Post**.

   e. Click **OK** to receive and invoice the order.

Purchase Prices and Discounts

Companies can specify cost information for each item on the item card. When an item is selected on a purchase order line, the program automatically retrieves the last direct cost stored on the item card and copies it to the purchase order line.

When a vendor offers an item at a reduced cost or at a discount from the standard price, especially if the discount or reduced price depends on other criteria, such as the order date or a minimum order quantity, the one-cost-per-item-card model cannot accommodate these added requirements.

The purchases prices and line discounts offer a pricing functionality beyond the standard item card. Discounts can also be applied at the invoice level based on the total invoice amount.

This functionality is described in detail in the next two lessons—Purchase Prices and Invoice and Line Discounts.

Purchase Prices

Purchase prices are alternative prices for an item based on a combination of item number, vendor, and, optionally, one or more of the following criteria:

- Item variant
- Unit of measure
- Minimum quantity purchased
- Order date
- Currency paid

Alternative prices can be set up to support purchasing agents in their goal of always buying at the best price. The best price is the lowest price with the highest line discount available on the order date.

When a purchasing agent creates a purchase order, the program will do the following:

- Checks whether alternative purchase prices are set up for the vendor
- Determines which alternative prices apply based on whether their conditions are satisfied by the purchase header and line details
- Selects the best price from among the applicable alternative prices

If an alternative purchase price is selected, the program copies the purchase price to the purchase line. Refer to the "Best Price" topic in the online Help for more information about how the program automatically selects the best price from among multiple prices.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 25

If no alternative purchase prices are recorded in the program, or the conditions for applying at least one alternative price are not satisfied, the last direct cost from the item card is copied to the purchase line instead.
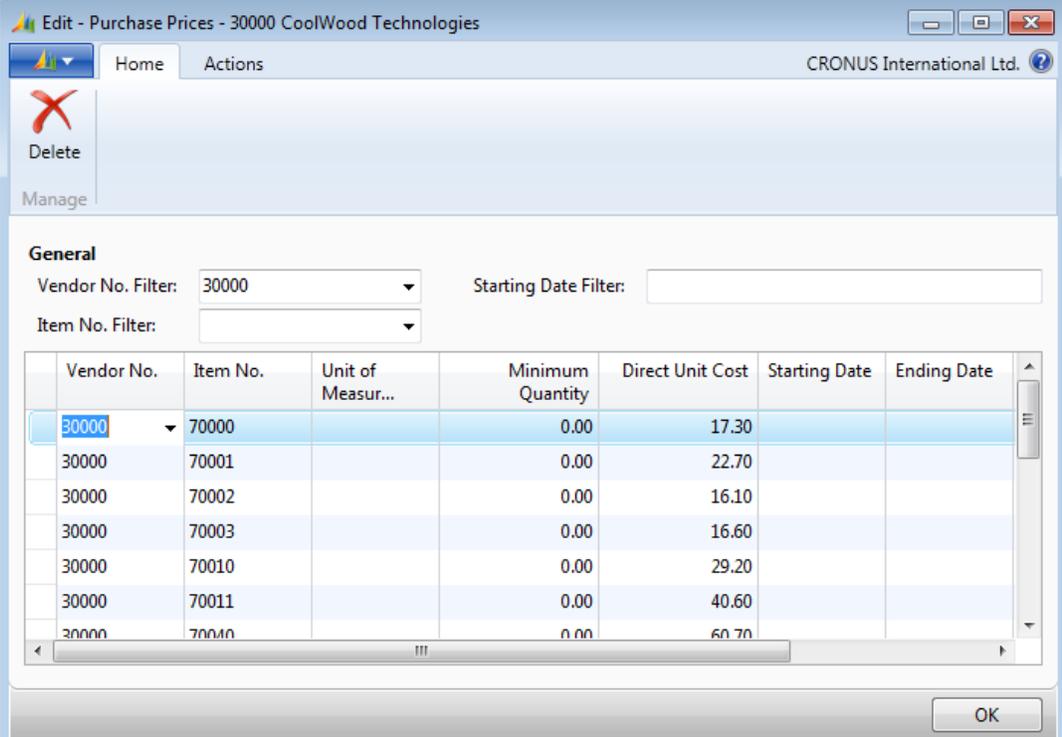
To make sure that opportunities to obtain a better price are not missed, the purchasing interface also makes purchasing agents aware that alternative prices exist, even if the conditions to apply them cannot currently be satisfied. With one click, purchasing agents can then explore these alternative prices to see how the purchase order and, or line might be changed to qualify for the best possible price.

Procedure: Review Purchase Prices

To record purchase prices that the purchasing agents have agreed upon with a vendor, they must use the **Purchase Prices** page.

Access the **Purchase Prices** page from either the vendor card or the item card. To review purchase prices for vendor 30000, follow these steps.

1. In the **Search** box, enter "vendors", and then select the related link.
2. Open the vendor card for vendor 30000.
3. On the **Home** tab, click **Prices**.

FIGURE 4.7: PURCHASE PRICES SET UP FOR VENDOR 30000

In this page, a purchasing agent can specify the conditions that must be met before a vendor offers an alternative price for an item. For example, the conditions can require that a purchase is made in a certain period, or that it meets a minimum order quantity.

Demonstration: Set Up Purchase Prices Based on a Price Agreement

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

Based on an agreement with vendor 40000 that takes effect on February 01, 2014, CRONUS can save 50 LCY for any purchase of item 1976-W when 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.

Demonstration Steps

To set up the purchase prices for vendor 40000, follow these steps.

1. In the **Search** box, enter "vendors", and then select the related link.
2. Open the vendor card for vendor 40000.
3. On the **Home** tab, 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", This is the reduced price.

7. Set the **Starting Date** field to February 01, 2014.

FIGURE 4.8: SETTING UP PURCHASE PRICES FOR VENDOR 40000

8. Click **OK** to close the **Purchase Prices** page.

9. Do not close the vendor card.

At this point, Inga does not have to enter an ending date as a condition of 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. The new agreement then takes precedence over the previous agreement.

Demonstration: Create a Purchase Order with Purchase Prices

This demonstration is a continuation of the "Set Up Purchase Prices Based on a Price Agreement" demonstration.

Scenario: Alicia, is the purchasing agent, and she orders eight units of item 1976-W from vendor 40000 on January 28, 2014. The vendor's representative reminds Alicia that the new price agreement goes into effect on February 01, 2014. The representative asks Alicia if she wants to wait until that date and also order 15 units instead.
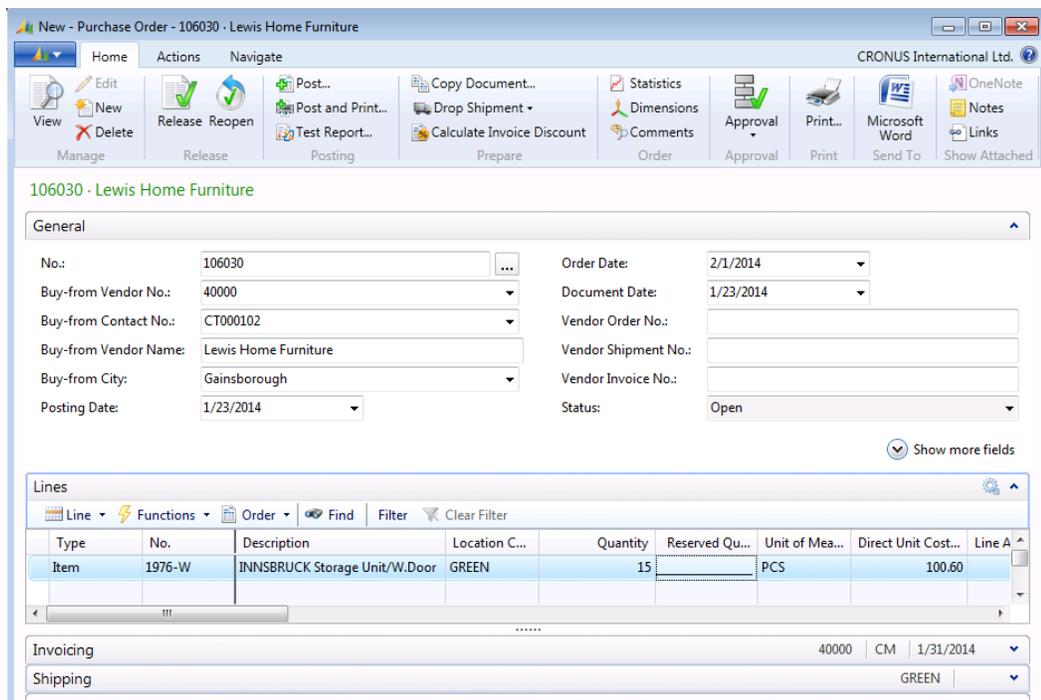
Alicia agrees and changes the order date to February 01, 2014 and the quantity to 15.

Demonstration Steps

To create the purchase order, follow these steps.

1. On the **Home** tab of the vendor card, click **Purchase Order**.
2. Press **Enter**.
3. On the **General** FastTab, set the **Order Date** field to January 28, 2014.
4. On the **Lines** FastTab, in the **Type** field, select Item.
5. In the **No.** field, enter "1976-W".
6. In the **Quantity** field, type "8". Notice that the **Direct Unit Cost Excl. VAT** is 150.60 LCY.
7. Change the **Order Date** field to February 01, 2014. Accept the message.
8. In the **Quantity** field, type "15" and then press **Enter** or **Tab**.

FIGURE 4.9: PURCHASE ORDER WITH PRICE AGREEMENT APPLIED

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

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 29

Lab 4.2: Manage Alternative Purchase Prices

On January 28, 2014, CRONUS enters into a purchase agreement with vendor 10000 on items 1900-S and 1920-S according to the following conditions:

- If CRONUS buys item 1900-S in pallets (that contain 10 pieces) instead of pieces, the item's regular price of 92.62 LCY is reduced by 10.00 LCY.
- If CRONUS buys item 1920-S and pays in local currency (EUR), the item's regular price of 311.60 LCY is reduced by 15.00 LCY.

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

On January 29, 2014, 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 are applied correctly and then post the order as received and invoiced with vendor invoice number 41001.

📓 **Reader Aid:** *Add the PALLET unit of measure that contains 10 pieces to the units of measure list for item 1900-S when you create the line in the **Purchase Prices** page, and add the **Currency Code** field to set up the line for item 1920-S.*

High Level Steps

1. Open the vendor card for vendor 10000 and enter the purchase agreements for items 1900-S and 1920-S.
2. Create the purchase order to vendor 10000.
3. Add the vendor invoice number and then receive and invoice the order in one step.

Detailed Steps

1. Open the vendor card for vendor 10000 and enter the purchase agreements for items 1900-S and 1920-S.
   a. In the **Search** box, enter "vendors", and then select the related link.
   b. Open the vendor card for vendor 10000.
   c. On the **Home** tab, click **Prices**. This opens the **Purchase Prices** page.
   d. In the **Item No.** field, enter "1900-S".
   e. In the **Unit of Measure Code** field, click the drop-down arrow and then click **New**.
   f. In the **Code** field, enter "PALLET", and in the **Qty. per Unit of Measure** field, type "10".
   g. With the line for PALLET selected, click **OK** to close the **Item Units of Measure** page.

    h. In the **Direct Unit Cost** field of the **Purchase Prices** page, type "82.62".

    i. Set the **Starting Date** field to January 28, 2014.

    j. Add the **Currency Code** field by using the **Choose Columns** function.

    k. On the next line, in the **Item No.** field, enter "1920-S".

    l. In the **Unit of Measure** field, select PCS.

    m. In the **Direct Unit Cost** field, type "296.60".

    n. Set the **Starting Date** field to January 28, 2014.

    o. In the **Currency Code** field, select EUR. Accept any messages.

    p. Click **OK** to close the **Purchase Prices** page.

    q. Do not close the vendor card.

2. Create the purchase order to vendor 10000.

    a. On the **Home** tab of the vendor card, click **Purchase Order**.

    b. Press **Enter**.

    c. Set the **Order Date** field to January 29, 2014.

    d. On the **Lines** FastTab, in the **Type** field, select Item.

    e. In the **No.** field, enter "1900-S".

    f. In the **Quantity** field, type "2".

    g. In the **Unit of Measure Code** field, select PALLET.

    h. Verify that the **Direct Unit Cost Excl. VAT** field is 82.62. This is the reduced price.

    i. On the next line, in the **No.** field, enter "1920-S".

    j. In the **Quantity** field, type "5".

    k. Verify that the **Direct Unit Cost Excl. VAT** field is 328.00 LCY. This is the regular item price.

    l. Expand the **Foreign Trade** FastTab.

    m. In the **Currency Code** field, select EUR and then press **Enter** or **Tab**.

    n. Click **Yes** to change the currency code.

    o. Return to the second purchase line (the line for item 1920-S). If the value in the **Direct Unit Cost Excl. VAT** field has not changed, re-enter "5" in the **Quantity** field.

    p. Verify that the **Direct Unit Cost Excl. VAT** field is now 296.60. This is the reduced price.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 31

> 📝 ***Note:*** *When you reselect the second purchase line after you make the currency change, notice also that the **Purchase Line Details** FactBox now shows one alternative purchase price. If you click the related link, this brings you to the **Get Purchase Price** page, where you can select the alternative price manually.*

3. Add the vendor invoice number and then receive and invoice the order in one step.

   a. In the **General** FastTab, in the **Vendor Invoice No.** field, enter "41001".

   b. On the **Home** tab, click **Post**.

   c. Click **OK** to receive and invoice the order.

Invoice and Line Discounts

There are several ways to reflect the agreed upon discounts that will apply when you buy goods from different vendors. The most basic discount type is an invoice discount. This is a percentage discount that is granted when the total invoice amount exceeds a certain minimum.

A purchase line discount is a more complex discount. The discount percent calculates for each purchase line if the line satisfies certain conditions.

Invoice and line discounts, and the methods by which they are applied, are described in this lesson.

General Discount Setup

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

Before a company uses the discount functionality, it must decide how it wants discounts posted to the general ledger. The **Discount Posting** field on the **General** FastTab offers four options for defining the way the invoice and line discounts post:

Option	Description
No Discounts	The program will not post discounts but instead will subtract them from the invoice amounts before posting.
Invoice Discounts	The program will post invoice discounts when the invoice is posted. However, the program will not post line discounts.
Line Discounts	The program will post line discounts when the invoice is posted. However, the program will not post invoice discounts.
All Discounts	The program will post both invoice and line discounts when the invoice is posted.

For a detailed definition of each option, refer to the online Help for the field.

If any option other than No Discounts is selected, this means that at least one type of discount will be posted, and you must make sure of the following:

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

When you post 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 that is set up in the **General Posting Setup** page.
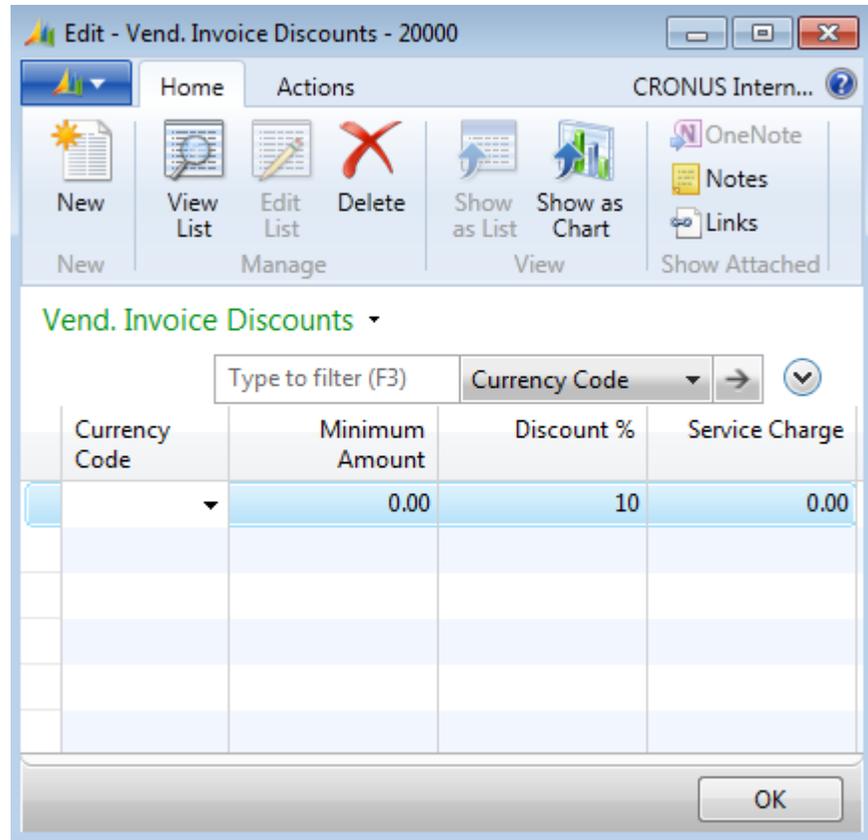
If discounts are not set up to post separately, they become part of the purchase amount that is posted to the Purchase account.

Procedure: Review Invoice Discount Setup

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

To review the purchase invoice discounts for vendor 20000, follow these steps.

1. In the **Search** box, enter "vendors", and then select the related link.
2. Open the vendor card for vendor 20000.
3. On the **Home** tab, click **Invoice Discounts**. The **Vend. Invoice Discounts** page will appear.

FIGURE 4.10: PURCHASE INVOICE DISCOUNT SETUP FOR VENDOR 20000

Vendor 20000 offers a 10 percent invoice discount without any restrictive conditions.

To calculate the invoice discount, the program uses the currency code on the purchase document to find the applicable discount on the **Vend. Invoice Discounts** page.

If a foreign currency is used on the purchase document, and an invoice discount is defined for the local currency on the **Vend. Invoice Discounts** page, but not for the foreign currency, the program calculates the discount by using the LCY invoice discount terms and the exchange rate as of the posting date on the purchase document.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 35

Demonstration: Create a Purchase Order with Invoice Discounts

When all the items are entered on the purchase lines, purchasing agents can calculate the invoice discount for the whole purchase document by using the **Calculate Invoice Discount** function. The discount will be allocated to all the lines in the purchase document for items where the **Allow Invoice Disc.** check box on the purchase line is selected (the distribution is based on amount).

Scenario: CRONUS receives a 10 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.

Alicia runs the **Calculate Invoice Discount** function before she posts the order so that she can review the discount on each line.

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

Demonstration Steps

To create the purchase order and calculate the invoice discount, follow these steps.

1. In the **Search** box, enter "purchase orders", and then select the related link.
2. On the **Home** tab, click **New** and then press **Enter**.
3. On the **General** FastTab, 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". The total amount shown in the **Line Amount Excl. VAT** for this line is 3840.00 LCY.
7. On the next line, in the **No.** field, enter "1928-S".
8. In the **Quantity** field, type "10". The total amount show in the **Line Amount Excl. VAT** for this line is 278.00 LCY.

9. Add the **Inv. Discount Amount** field to the lines by using the **Choose Columns** function.

10. On the **Home** tab, click **Calculate Invoice Discount**.

11. Click **Yes** to calculate the discount.

FIGURE 4.11: CALCULATED INVOICE 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. This is 10 percent of the total amount for each line.

Line Discount Functionality

Setting up line discounts in the program supports purchasing agents in their goal of purchasing items at the best prices.

When a purchase order is created for a specific vendor, the program will do the following:

- Checks whether line discounts are set up for the customer

- Determines which line discounts apply based on whether their conditions are satisfied by the purchase header and line details

- Selects the best (highest) discount percentage from the applicable line discounts

The program then copies the best discount percentage to the **Line Discount %** field on the purchase line and enters the calculated discount price in the **Direct Unit Cost Excl./Incl. VAT** field. Refer to the "Best Price" topic in the online Help for more information about how the program selects the best discount percentage when more than one discount applies.

If there are no line discounts, or the conditions for applying at least one discount are not satisfied, the program uses the regular unit price specified on the item card as the suggested price on the purchase line (unless a special purchase price is set up with the vendor).

Regardless of whether a line discount is automatically applied, the **Purchase Line Discounts** field in the **Purchase Line Details** FactBox shows the number of line discounts that are available. Click the link in this field to open the **Get Purchase Line Disc.** page and view the available line discounts.

The setup and use of purchase line discounts resembles the setup and use of purchase prices.

Procedure: Review Line Discount Setup

Purchasing agents must use the **Purchase Line Discounts** page to record price discount agreements negotiated with individual vendors. This page can be accessed from the vendor card or the item card.

The purchasing agent can use the **Purchase Line Discounts** page to specify the conditions that must be met before a vendor offers a price discount. For example, the conditions can require that the purchasing agent buy a certain quantity of an item or that a purchase is invoiced in a specific currency before a discount can be granted. Similar to alternative purchase prices, line discounts apply, at a minimum, to a combination of item and vendor.

To review purchase line discounts for vendor 20000, follow these steps.

1. In the **Search** box, enter "vendors", and then select the related link.
2. Open the vendor card for vendor 20000.
3. On the **Home** tab, 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 4.12: 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 purchase order line. She opens the line discounts for this vendor-item combination to determine whether other discounts are available.

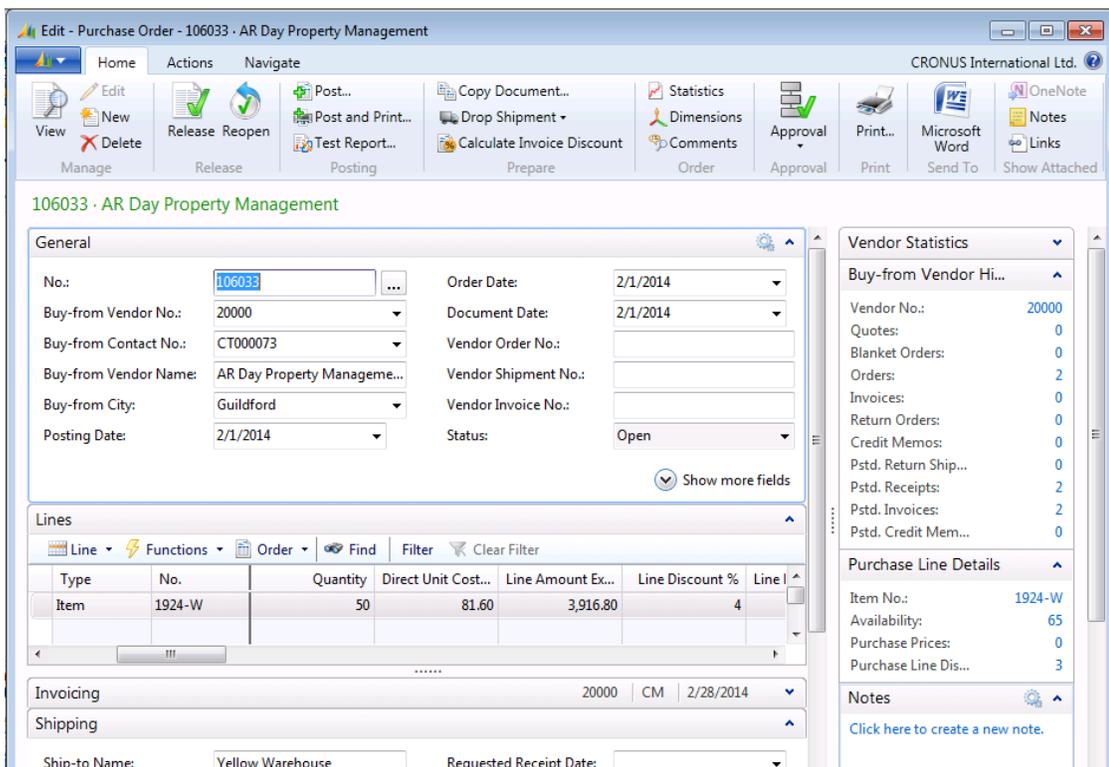### Demonstration Steps

To create the purchase order, follow these steps.

1. In the **Search** box, enter "purchase orders", and then select the related link.
2. On the **Home** tab, click **New** and then press **Enter**.
3. On the **General** FastTab, 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".

7. Use the **Choose Columns** function to add the **Line Discount Amount** field to the **Lines** FastTab.

8. Notice that the **Line Discount %** field indicates that the current discount is three percent. Notice, also, that the **Purchase Line Discounts** field in the **Purchase Line Details** FactBox indicates there are three line discounts available.

9. Click the **Purchase Line Discounts** link in the **Purchase Line Details** FactBox. This opens the **Get Purchase Line Disc.** Page. This page shows that there is a four percent discount available for this item-vendor combination if 50 units are purchased.

10. Escape back to the purchase order.

11. In the **Quantity** field, type "50" and then press **Enter** or Tab.

FIGURE 4.13: PURCHASE ORDER LINE DISCOUNTS

The **Line Discount %** field indicates that the discount is increased to four percent.

Lab 4.3: Manage Purchase Line Discounts

As the purchasing agent at CRONUS, you make an agreement with vendor 30000 that for items 70100 and 70101 purchased after January 24, 2014, CRONUS receives the following discounts:

- 1-99 items: 10%

- 100-499 items: 15%

- 500 or more items: 25%

On January 28, 2014, 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.

📋 **Reader Aid:** *When you create the discounts on the **Purchase Line Discounts** page, enter the starting date in the **Starting Date Filter** field to automatically add that date to all the lines.*

High Level Steps

1. Open the vendor card for vendor 30000 and create the discount agreements for items 70100 and 70101.

2. Create the purchase order to vendor 30000 for 250 of item 70100 and 600 of item 70101.

3. Add the vendor invoice number and then receive and invoice the order in one step.

Detailed Steps

1. Open the vendor card for vendor 30000 and create the discount agreements for items 70100 and 70101.

   a. In the **Search** box, enter "vendors", and then select the related link.

   b. Open the vendor card for vendor 30000.

   c. On the **Home** tab, click **Line Discounts**. This opens the **Purchase Line Discounts** page.

   d. Set the **Starting Date Filter** field to January 25, 2014 to automatically add this date to each line.

   e. Fill in the line discounts for vendor 30000 as shown in the following table.

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

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

    f.   Click **OK** to close the **Purchase Line Discounts** page.

    g.   Do not close the vendor card.

2. Create the purchase order to vendor 30000 for 250 of item 70100 and 600 of item 70101.

    a.   On the **Home** tab of the vendor card, click **Purchase Order**.

    b.   Press **Enter**.

    c.   Set the **Order Date** field to January 28, 2014.

    d.   On the **Lines** FastTab, in the **Type** field, select Item.

    e.   In the **No.** field, enter "70100".

    f.   In the **Quantity** field, type "250".

    g.   Verify that the **Line Discount %** field shows 15. This is the percentage discount for the quantities of item 70100 that are between 100-499 units.

    h.   On the next line, in the **No.** field, enter "70101".

    i.   In the **Quantity** field, type "600".

    j.   Verify that the **Line Discount %** field shows 25. This is the percentage discount for the quantities of item 70101 that are over 500 units.

3. Add the vendor invoice number and then receive and invoice the order in one step.

    a.   On the **General** FastTab, in the **Vendor Invoice No.** field, type "42002".

    b.   On the **Home** tab, click **Post**.

    c.   Click **OK** to receive and invoice the order.

Vendor Prepayments

Some vendors might insist that you pay part of the total price of their order, specified as an amount or a percentage, before the order is shipped.

In Microsoft Dynamics NAV, the functionality that is required to manage these requests and payments is known as vendor prepayments.

This lesson deals only with the prepayment functionality that is used directly by purchasing agents. For a better understanding of prepayments and for information about prepayment setup, refer to the *Finance Essentials in Microsoft Dynamics NAV 2013* course.

Prepayment Process Flow

For prepayment purchase orders, the typical process flow consists of the following steps.

1. Create a purchase order with a prepayment requirement.
2. Receive the prepayment invoice from the vendor and enter it into the system. Or, create and post a prepayment invoice for the prepayment amount.
3. Send the prepayment amount to the vendor.
4. Receive the order from the vendor.
5. Receive the invoice from the vendor and enter it into the system. Verify that it is for the total purchase order amount minus the prepayment amount.
6. 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 now requires a five percent prepayment on all orders. Alicia is currently 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 adds the percentage to the order. Inga will complete the set up on the vendor card shortly.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 43

Demonstration Steps

To assign an overall prepayment percentage on a purchase order, follow these steps.

1. In the **Search** box, enter "purchase orders", and then select the related link.
2. On the **Home** tab, click **New** and then press **Enter**.
3. On the **General** FastTab, in the **Buy-from Vendor No.** field, enter "44127904".
4. On the **Lines** FastTab, add the **Prepayment %** and **Prepmt. Line Amount Excl. VAT** to the lines by using the **Choose Columns** function.
5. 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 **Yes** to update the lines. On the purchase line, the **Prepayment %** and **Prepmt. Line Amount Excl. VAT** fields change to reflect the prepayment percentage and calculated amount.
11. Close the purchase order.

To set up the prepayment percent on the vendor card, follow these steps.

1. In the **Search** box, enter "vendors", and then select the related link.
2. Open the vendor card for vendor 44127904.
3. Expand the **Invoicing** FastTab.
4. In the **Prepayment %** field, type "5".
5. Click **OK** to close the vendor card.

Demonstration: Create a Purchase Order with a Prepayment Amount

Scenario: Vendor 44127904 requires a prepayment of 1000.00 LCY on all orders over 15,000.00 LCY, if the 1000.00 LCY amount does not meet the five percent requirement.

Alicia creates an order to vendor 44127904 for 15 units of item 1996-S and 10 units of 1992-W. The total order is over 15,000.00 LCY. However, the five percent prepayment calculates to less than 1,000.00 LCY. Therefore, Alicia must set the prepayment amount to 1,000.00 LCY, and by doing this, it will override the automatic calculation.

Demonstration Steps

To assign an overall prepayment amount on a purchase order, follow these steps.

1. In the **Search** box, enter "purchase orders", and then select the related link.
2. On the **Home** tab, click **New** and then press **Enter**.
3. On the **General** FastTab, 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 **Home** tab, 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 **Prepmt. Line Amount Excl. VAT** and **Prepayment %** fields change to reflect the updated prepayment amount and the percentage.

📋 **Note:** *Refer to the* Finance Essentials in Microsoft Dynamics NAV 2013 *course for more information about processing prepayments.*

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 45

Module Review

Module Review and Takeaways

Purchase Order Management can involve many tasks that depend on the work flow, method of supply, and the agreements that are made with vendors. After the 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 can be used to efficiently track all purchasing activity from the time that a quote is created until all goods are received and all invoices are paid. This helps improve inventory management and also contributes to good relationships with vendors.

The program also provides strong price and discount support to help purchasing agents achieve their goal of always obtaining the best price for purchased goods. This results in reduced requisition costs and the costs of goods sold.

Good supply chain management and lower costs ultimately improve the customer service a company offers to its customers.

Test Your Knowledge

Test your knowledge with the following questions.

1. Why should you select the Ext. Doc No. Mandatory check box in Purchases & Payables Setup?

2. Where do you define how discounts are posted to the general ledger?

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

    (   ) Purchase Quote

    (   ) Purchase Order

    (   ) Blanket Purchase Order

    (   ) Purchase Invoice

4. Which two criteria are mandatory for setting purchase line discounts and alternative purchase prices?

    (   ) Item and vendor

    (   ) Item and unit of measure

    (   ) Item and order date

    (   ) Item and unit of measure

    (   ) Item and minimum quantity purchased

5. What happens if you process a purchase document in a foreign currency, and there are invoice discounts, but the discounts are not defined for the foreign currency?

    _____

    _____

    _____

    _____

Test Your Knowledge Solutions

Module Review and Takeaways

1. Why should you select the Ext. Doc No. Mandatory check box in Purchases & Payables Setup?

    MODEL ANSWER:

    To prevent users from posting purchase documents (orders, invoices, and credit memos) as invoiced without an external document number in the document header (in the Vendor Invoice No. field in purchase orders and invoices, and in the Vendor Cr. Memo No. field in purchase credit memos).

2. Where do you define how discounts are posted to the general ledger?

    MODEL ANSWER:

    In the Discount Posting field in Purchases & Payables Setup.

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

    ( ) Purchase Quote

    ( ) Purchase Order

    (√) Blanket Purchase Order

    ( ) Purchase Invoice

4. Which two criteria are mandatory for setting purchase line discounts and alternative purchase prices?

    (√) Item and vendor

    ( ) Item and unit of measure

    ( ) Item and order date

    ( ) Item and unit of measure

    ( ) Item and minimum quantity purchased

5. What happens if you process a purchase document in a foreign currency, and there are invoice discounts, but the discounts are not defined for the foreign currency?

MODEL ANSWER:

If a foreign currency is used on the purchase document, and an invoice discount is defined for the local currency on the Vend. Invoice Discounts page, but not for the foreign currency, the program calculates the discount by using the LCY invoice discount terms and the exchange rate as of the posting date on the purchase document.

Microsoft Official Training Materials for Microsoft Dynamics ®
Your use of this content is subject to your current services agreement

4 - 49