CHAPTER 1 **INFOCUS**

PURCHASING

In business, purchasing is often conducted in a more protracted way where quotes are obtained, goods are ordered and received, a supplier's invoice is presented and payment is made some period later. Your business may need to purchase raw materials to process, items to sell, or services to use. In AccountRight the accounting for the purchasing process can be conducted using the options available in the *Purchases* command centre.

In this session you will:

- ✓ gain an understanding of the different types of purchases that can be made in *AccountRight*
- ✓ gain an understanding of the purchasing process in *AccountRight*
- ✓ learn how to create a new purchase
- ✓ learn how to add item details to a new purchase
- ✓ learn how to raise a purchase order
- ✓ learn how to print purchase orders
- ✓ learn how to email purchase orders
- ✓ learn how to receive items on order
- ✓ learn how to receive items where the values have changed
- ✓ learn how to receive items without the bill
- ✓ learn how to obtain quotes
- ✓ learn how to complete quotes
- ✓ learn how to restock from inventory.

UNDERSTANDING PURCHASING IN ACCOUNTRIGHT

In AccountRight the **Purchases** command centre is used to conduct business purchases where it is necessary to automatically update inventory stock levels and where a line of credit is provided by the supplier. Purchases are made using the **Enter Purchases** option and can be made as either a **Quote**, an **Order**, a **Receive**(d) **Item**, or a **Bill**.

The Four Types Of Purchases That Can Be Made In Accountright

When you enter a purchase in AccountRight, you can choose from four different purchase types as listed in the following table.

Type	Description
Quote	A *quote* is used when you are looking for a good price from one or more suppliers and have not yet committed yourself to the purchase.
Order	An *order* is used when you are ready to commit yourself to the purchase and request the goods be provided by a supplier. As the name suggests, you are *ordering* the goods or services from the supplier in the expectation that they will be received at some point down the track.
Receive Item	A *receive item* type of purchase is entered when goods have been received but no supplier invoice has yet been presented. This is used to ensure stock levels in inventory are updated even though the supplier's paperwork has not yet been received.
Bill	A *bill* is used when both the goods and the supplier's invoice have been received.

In the most formal of purchasing processes, all of these purchasing types would be used as steps in the **purchasing cycle**. The cycle would commence by obtaining one or more **quotes**. The best quote (presumably) would then be used to raise an **order** on a supplier. The goods or services would be **received** from the supplier. A **bill** would then be received from the supplier for the goods or services supplied.

AccountRight's Purchasing Philosophy – Enter Once, Use Often

Of course it would be time consuming if you had to multi-handle a purchase up to four times. For instance, if you had to enter a purchase as a quote, then as an order, then as a received item and then as a bill. Fortunately, in AccountRight you only need to enter the purchase order once as any type you choose (i.e. **quote**, **order** or **receive item**) and then you can change it later to another type as you progress down the purchase cycle. The following table illustrates how purchase types can be changed.

Type	Can be changed to...
Quote	an *order* or directly to a *bill*
Order	a *receive item* or directly to a *bill*
Receive Item	a *bill*

Not all businesses would conduct their purchasing in such a formal way. In AccountRight you can enter the purchasing cycle at any point. For example, you can forego entering a quote, and begin the process by entering an order, or you can forego ordering and enter received items. You can even forego most of the steps and enter a bill without having raised an order or a quote. The process you choose is entirely up to you and depends on the nature of your business, your legal reporting and auditing requirements.

THE PURCHASING PROCESS

In AccountRight you can enter the ***purchasing cycle*** at any point. You can forego entering a quote and begin the process by entering an order, or you can forego ordering and enter received items. You can even forego most of the steps and enter a bill without having raised an order or a quote. The process you choose is up to you and depends on the nature of your business.
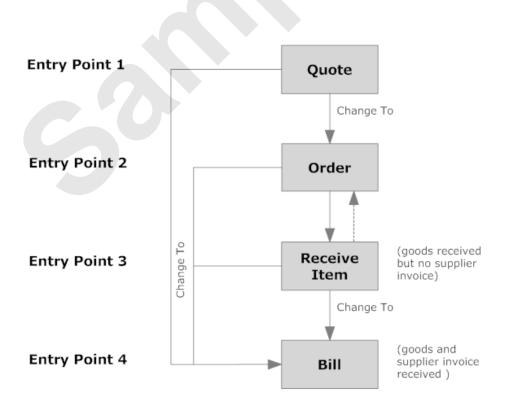

Why Use the Options in the Purchases Command Centre?

While the purchasing process may sound complex, it really is straightforward and extremely flexible. However, given the many varied steps, why not just simply enter all purchases through the ***Spend Money*** option in the ***Banking*** command centre? There are two reasons for this:

- Firstly, the options in the ***Purchases*** command centre provide you with a way of tracking your cash flow and your financial commitments (known as accounts payables) to your suppliers. Using credit terms provided by suppliers, you can better manage the money flow through your business.

- Secondly, if you use AccountRight's inventory features to track the count of goods in your business, you will need to use either the ***Receive Item*** or ***Bill*** type of purchase to ensure that stock levels are automatically updated in the computer. If you don't use these options, the inventory levels will not automatically adjust.

The Purchasing Process Flow Chart

The options in the ***Purchases*** command centre provide the best way of tracking purchasing in your business. The flowchart below summarises the purchasing cycle, its various entry points and the best options for you. The ***Change To*** option means that once the data has been entered, it can automatically be changed to another purchase type without having to re-enter the information.

CREATING A NEW PURCHASE

The easiest way to use the *Purchases* command centre options is to enter a purchase as a bill. This is normally done when the goods or services have been delivered and the supplier has

provided an invoice. In our case study, Fred has simply called up suppliers and placed a verbal order over the phone.
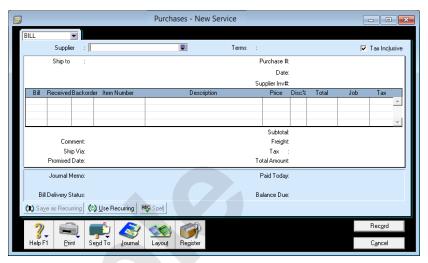
Try This Yourself:

Open File

Before starting this exercise you MUST open the file Making Purchases.myo...

1 Click on **[Purchases]** in the command centre window

2 Click on *Enter Purchases* to display the *Purchases – New Service* window

3 Click on the list arrow for *Supplier* to display the *Select from List* dialog box with a list of suppliers displayed

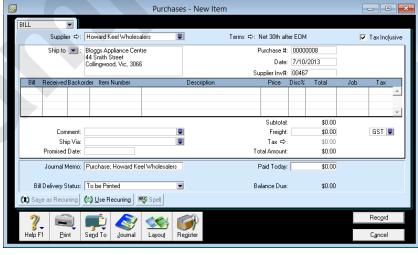**4** Click on *Howard Keel Wholesalers*, then click on **[Use Supplier]**

The supplier details now appear in the bill...

5 Click in *Date* and type **7/10/13**

6 Press Tab, then type **00467** in *Supplier Inv #*

Leave the Purchases – New Item window open for the next exercise

2

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For Your Reference…

To *create* a *new purchase*:

1. Click on **[Purchases]** in the command centre window
2. Complete the required details

Handy to Know…

- By default, AccountRight displays a *Bill* type of purchase when you first click on *Enter Purchases* in the *Purchases* command centre.
- The layout of the *Purchases – New Service* window is an *Item* layout – this is the layout specified in the selected supplier's card.

ADDING DETAILS TO A PURCHASE ITEM

Once the supplier details, date and supplier invoice details have been added to a bill, you are ready to start specifying the items that have been supplied. This can be done in a number of ways, but one of the easiest is to allow AccountRight to provide information using the *Select from List* dialog box for items.
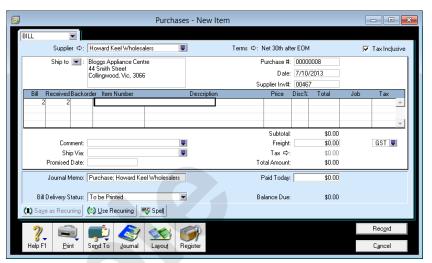
Try This Yourself:

Continue using the previous file with this exercise...

1. Click in the top field in the *Bill* column and type **2**, then press Tab twice to move to the *Item Number* column

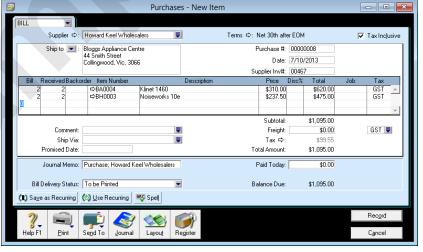2. Press Tab to display the *Select from List* dialog box with all inventory list numbers displayed

3. Click on *BA0004 Klinet 1460* – notice there are *5* in stock – and click on **[Use Item]**

4. Press Tab, type **310** in *Price*, then press Enter to complete the fields

5. Repeat steps *1* to *4* to add a second line, as shown

6. Click in *Freight*, type **27.50**, then press Enter

7. Click on **[Record]** to save the details

   Click on [Ignore] if the spell check dialog box appears...

8. Use the above steps to create the bills shown on the next page

9. Click on **[Cancel]** to close the *Purchases – New Item* window

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For Your Reference…

To *complete purchase item details*:

1. In the *Purchases* command centre, click on *Enter Purchases*
2. Complete the required details
3. Click on **[Record]**

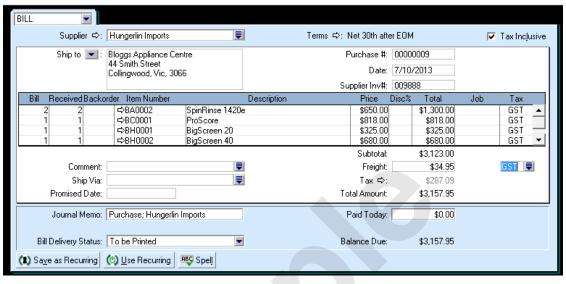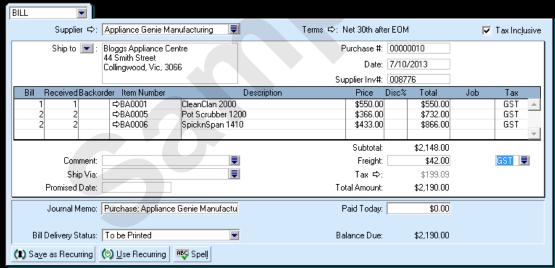## Handy to Know…

- When creating a bill, If you know the item number of a purchase item, you can type the number into the *Item Number* column and AccountRight will enter the details.

- If you type a value in the *Total* column when entering a purchase item, AccountRight will calculate the unit cost for you.
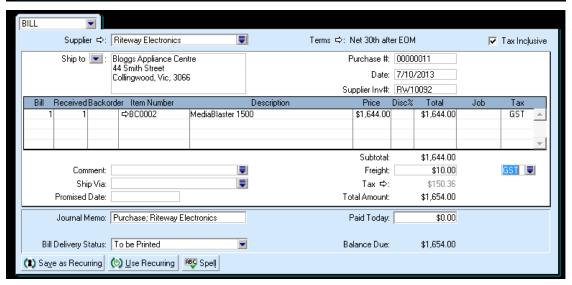
CREATING MORE BILLS

Typically, when you enter bills into AccountRight, you will enter several at a time. Fred has received items from three other suppliers, as shown below, and you'll need to enter these into

the case study file using skills and techniques learnt in the previous exercise. Ensure that *Tax Inclusive* is selected each time and also that you enter the *Freight* amount.

Bill 1 — Hungerlin Imports

Supplier: Hungerlin Imports | Terms: Net 30th after EOM | Tax Inclusive

Ship to: Bloggs Appliance Centre, 44 Smith Street, Collingwood, Vic, 3066
Purchase #: 00000009 | Date: 7/10/2013 | Supplier Inv#: 009888

Bill	Received	Backorder	Item Number	Description	Price	Disc%	Total	Job	Tax
2	2		BA0002	SpinRinse 1420e	$650.00		$1,300.00		GST
1	1		BC0001	ProScore	$818.00		$818.00		GST
1	1		BH0001	BigScreen 20	$325.00		$325.00		GST
1	1		BH0002	BigScreen 40	$680.00		$680.00		GST

Subtotal: $3,123.00 | Freight: $34.95 GST | Tax: $287.09 | Total Amount: $3,157.95
Journal Memo: Purchase; Hungerlin Imports | Paid Today: $0.00
Bill Delivery Status: To be Printed | Balance Due: $3,157.95

Bill 2 — Appliance Genie Manufacturing

Supplier: Appliance Genie Manufacturing | Terms: Net 30th after EOM | Tax Inclusive

Ship to: Bloggs Appliance Centre, 44 Smith Street, Collingwood, Vic, 3066
Purchase #: 00000010 | Date: 7/10/2013 | Supplier Inv#: 008776

Bill	Received	Backorder	Item Number	Description	Price	Disc%	Total	Job	Tax
1	1		BA0001	CleanClan 2000	$550.00		$550.00		GST
2	2		BA0005	Pot Scrubber 1200	$366.00		$732.00		GST
2	2		BA0006	SpicknSpan 1410	$433.00		$866.00		GST

Subtotal: $2,148.00 | Freight: $42.00 GST | Tax: $199.09 | Total Amount: $2,190.00
Journal Memo: Purchase; Appliance Genie Manufactu | Paid Today: $0.00
Bill Delivery Status: To be Printed | Balance Due: $2,190.00

Bill 3 — Riteway Electronics

Supplier: Riteway Electronics | Terms: Net 30th after EOM | Tax Inclusive

Ship to: Bloggs Appliance Centre, 44 Smith Street, Collingwood, Vic, 3066
Purchase #: 00000011 | Date: 7/10/2013 | Supplier Inv#: RW10092

Bill	Received	Backorder	Item Number	Description	Price	Disc%	Total	Job	Tax
1	1		BC0002	MediaBlaster 1500	$1,644.00		$1,644.00		GST

Subtotal: $1,644.00 | Freight: $10.00 GST | Tax: $150.36 | Total Amount: $1,654.00
Journal Memo: Purchase; Riteway Electronics | Paid Today: $0.00
Bill Delivery Status: To be Printed | Balance Due: $1,654.00

RAISING A PURCHASE ORDER

In a more formal purchasing process you would raise a purchase order on the supplier stating your intention to purchase goods or services from them. In AccountRight, these orders are placed into a pending situation until you receive the goods or services from the supplier. They serve as a record of what you have on order from that particular supplier.

Try This Yourself:
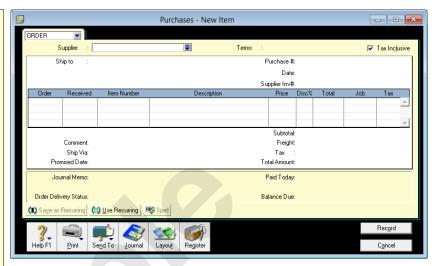
Continue using the previous file with this exercise...

1. In the **Purchases** command centre, click on **Enter Purchases** to display the **Purchases – New Item** window

2. Click on the drop arrow in the top left of the window, then select **ORDER**

   This will change the form to a purchase order...

3. Type **Hun** in **Supplier**, then press Enter to select **Hungerlin Imports**

4. Complete the purchase order details, as shown, ensuring that you enter the **Freight** value

   Notice how AccountRight recalls the item pricing from the previous order/bill...

5. Click on **[Record]** to save the purchase order

   A new, blank purchase order form is displayed…

6. Use the above steps to create the orders shown on the next page

7. Click on **[Cancel]** to close the **Purchases – New Item** window

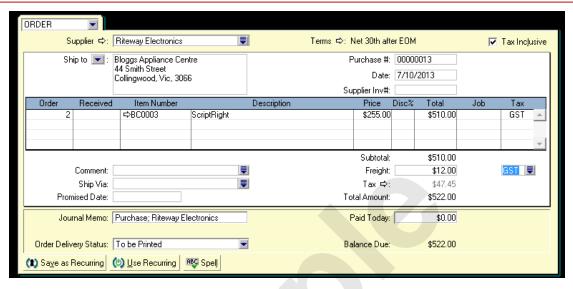## For Your Reference…

To **create** a **purchase order**:

1. In the **Purchases** command centre, click on **Enter Purchases**
2. Click on the drop arrow in the top left of the window, then select **ORDER**
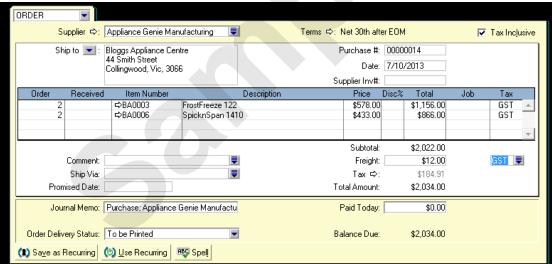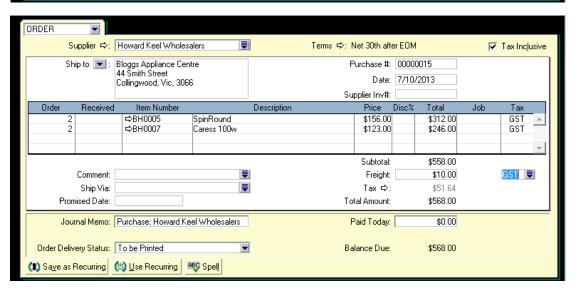3. Enter the details and click on **[Record]**

Handy to Know…

- AccountRight recalls item pricing from previous purchases. If no price appears then you can rest assured that the item has not yet been used in an order.

CREATING MORE PURCHASE ORDERS

Generally, just like when you enter bills, you will enter several purchase orders at a time. Fred has recently ordered items from three other suppliers and you will need to enter these into the case study file using the techniques and skills learnt in the previous exercise (*Raising A Purchase Order*).
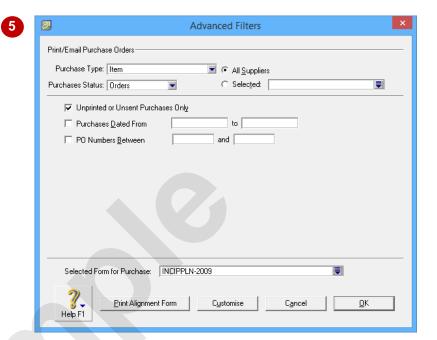
PRINTING PURCHASE ORDERS

The idea of raising a purchase order is to be able to *send* it to a supplier to request goods or services. Once the purchase ord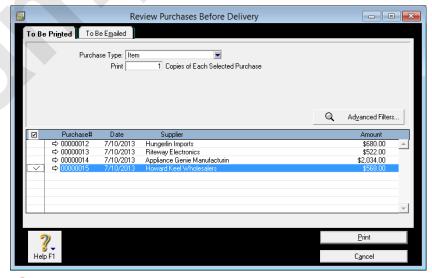er has been created, it can either be printed for postage or delivery to the supplier, or it can be emailed to the supplier. Purchase orders can be printed at any time.

Try This Yourself:

Continue using the previous file with this exercise...

1 In the **Purchases** command centre, click on **Print/Email Purchase Orders** to display the **Review Purchases Before Delivery** window

2 Click on **[Advanced Filters]** to display the **Advanced Filters** dialog box

3 Click on the drop arrow for **Purchase Type**, then select **Item**

4 Click on the drop arrow for **Purchase Status**, then select **Orders**

5 Click on the list arrow for **Selected Form for Purchase**, click on **Tax Inclusive Plain Paper PO**, then click on **[Use Form]**

6 Click on **[OK]** to display unprinted orders, then click in the tick column to the left of **00000015** so it appears ticked

7 Click on **[Print]**, then click on **[Print]** again

5

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For Your Reference…

To **print** a **purchase order**:

1. In the **Purchase** command centre, click on **Print/Email Purchase Orders**
2. Click on **[Advanced Filters]**, adjust the settings and click on **[OK]**
3. Tick the orders to print and click on **[Print]**

Handy to Know…

- In this exercise we selected to print only one purchase order in an attempt to conserve paper. In the real world, you would probably have selected all of the purchase orders and printed them together.

EMAILING PURCHASE ORDERS

In these days of almost universal internet access, it is more cost efficient, environmentally friendly and faster to email paperwork such as orders and even invoices. Providing AccountRight has been properly set up with email addresses for suppliers and customers, emailing orders is an absolute cinch.
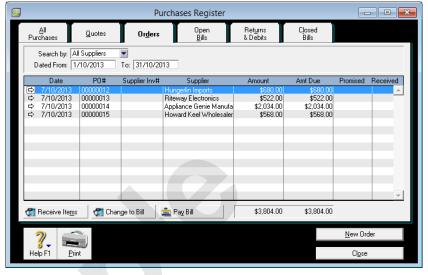
Try This Yourself:
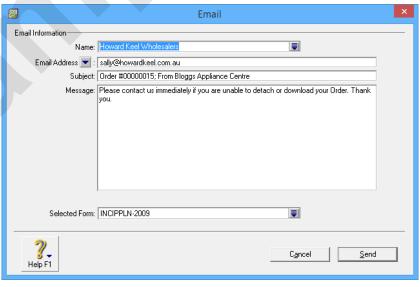
Continue using the previous file with this exercise…

1 In the *Purchases* command centre, click on *Purchases Register* to display the *Purchases Register* window, then click on the *Orders* tab

2 Click in *Dated From* and type **1/10/13**, press [Tab] and type **31/10/13** in *To*, then press [Tab] to see all of the orders for *October*

3 Click on the white arrow to the left of *PO# 00000015* to display the order

4 Click on **[Send To]** and select *Email* to display the *Email* dialog box

As this is a training session, we will not actually send this email...

5 Click on **[Cancel]** to return to the order, then click on **[Cancel]** to close the order

6 Click on **[Close]** to close the *Purchases Register*

For Your Reference…

To *email* a *purchase order*:

1. Display the order in the *Purchases* window
2. Click on **[Send To]** and select *Email*
3. Click on **[Send]**

Handy to Know…

- The email address used when emailing purchases, is derived from the supplier's *card file* and needs to be entered first. The email will be sent using the email application installed on your computer.
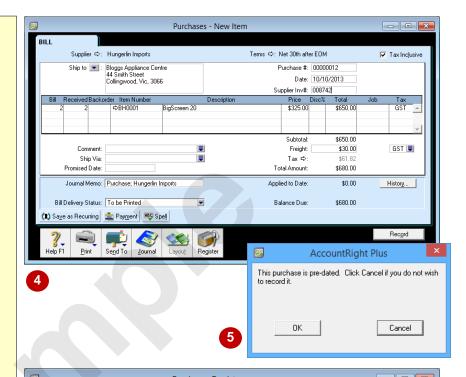
RECEIVING ORDERED ITEMS

Eventually goods on order will be sent by the supplier and you can receive them into your inventory. Normally, goods sent by the supplier will 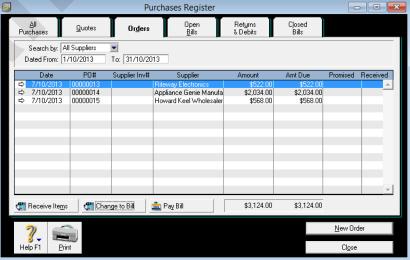be accompanied by the supplier's invoice (or *bill* as it is referred to in AccountRight). To do this you can use the **Purchases Register** to locate the original order and then have AccountRight change the order to a bill.

Try This Yourself:

Continue using the previous file with this exercise...

1 In the **Purchases** command centre, click on **Purchases Register**, then click on the **Orders** tab

2 Ensure that the **Dated From** and **Dated To** values are **1/10/13** and **31/10/13** respectively

3 Ensure **PO# 00000012** is selected, then click on **[Change to Bill]** to convert the order

4 Click in **Date** and type **10/10/13**, then press Tab and type **008742** in **Supplier Inv#**

5 Click on **[Record]**

You may be advised that the purchase is pre-dated. We'll accept this message to continue...

6 Click on **[OK]** (if the message appears), then click on **[Cancel]** to return to the **Purchases Register** – note that **00000012** is no longer listed

7 Click on **[Close]** to close the **Purchases Register**

For Your Reference…

To *receive ordered items*:

1. In the **Purchases** command centre, click on **Purchases Register**
2. Click on the required order
3. Click on **[Change to Bill]**
4. Adjust the details and click on **[Record]**

Handy to Know…

- When an order is converted into a bill, it is moved from the **Orders** tab of the **Purchases Register** to the **Open Bills** tab.

RECEIVING CHANGED ITEMS

Receiving items on order doesn't always go according to plan – or according to the original order. Sometimes quantities change or pricing is not as expected. In this exercise, Fred has received a couple of FrostFreeze refrigerators from Appliance Genie Manufacturing, but instead of being $578 they have come in at $630.

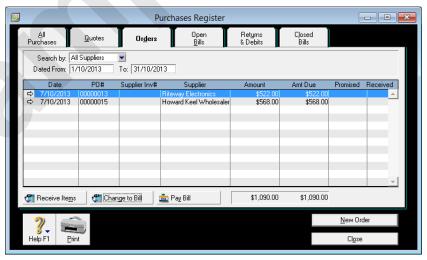## Try This Yourself:

Continue using the previous file with this exercise...

1 In the **Purchases** command centre, click on **Purchases Register**, then ensure the **Orders** tab is selected

2 Click on **PO# 00000014** to select it, then click on **[Change to Bill]** to convert the order

3 Click in **Date** and type **10/10/13**, then press Tab and type **006217** in **Supplier Inv#**

4 Click on **[Record]**, then click on **[OK]** to accept the pre-dated message

5 Click on **[Cancel]** to return to the **Purchases Register** – note that **00000014** is no longer listed

6 Click on **[Close]** to close the **Purchases Register**

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For Your Reference…

To *receive items* that have *changed*:

1. In the **Purchases** command centre, click on **Purchases Register**
2. Click on the required order
3. Click on **[Change to Bill]**
4. Adjust the details and click on **[Record]**

Handy to Know…

- The *Backorder* column is used to enter a quantity of a specific item that you have ordered but which has, as yet, not arrived. For example, if you have ordered **5** of a particular item and only **3** arrived then you should enter **2** in the *Backorder* column.