



Core Business Process: Purchase Order Creation

Objective: To ensure the efficient, accurate, and consistent creation of purchase orders (POs) to streamline procurement, enhance supplier relationships, and maintain financial accountability.

Step 1: Initiation of Purchase Request

1. **Identify Need:**
 - Determine the need for goods or services based on inventory levels, project requirements, or operational needs.
 2. **Prepare a Purchase Requisition:**
 - Complete a purchase requisition form with the following details:
 - Item description and quantity
 - Specifications and quality standards
 - Expected delivery date
 - Budget code or cost center
 3. **Obtain Approvals:**
 - Route the purchase requisition for approval according to organizational policies (e.g., department manager, procurement lead).
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Step 2: Vendor Selection

1. **Choose Vendor:**
 - Select a vendor from the approved supplier list or conduct a competitive evaluation if a new vendor is needed.
 2. **Verify Vendor Details:**
 - Ensure vendor credentials, payment terms, and delivery capabilities meet organizational standards.
 3. **Negotiate Terms (if necessary):**
 - Discuss pricing, delivery schedules, and any other contractual terms before finalizing the purchase order.
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Step 3: Creation of Purchase Order

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1. **Use Standard Template:**
 - Utilize the organization's approved purchase order template or procurement software.
 2. **Enter Details:**
 - Include the following key information:
 - Purchase order number
 - Vendor name and contact information
 - Buyer name and contact information
 - Item description, quantity, and unit price
 - Total cost (including taxes and shipping, if applicable)
 - Delivery address and expected delivery date
 - Payment terms and conditions
 - Any special instructions or requirements
 3. **Verify Accuracy:**
 - Double-check all details for accuracy, including item descriptions, quantities, and pricing.
 4. **Assign PO Number:**
 - Generate a unique PO number for tracking and reference.
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Step 4: Approval and Dispatch

1. **Internal Approval:**
 - Submit the draft PO for approval by designated authorities (e.g., procurement manager, finance department).
 2. **Dispatch to Vendor:**
 - Send the approved PO to the vendor via email, procurement software, or other agreed methods.
 3. **Confirmation:**
 - Request and document acknowledgment of the PO from the vendor to confirm receipt and acceptance of terms.
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Step 5: Tracking and Follow-Up

1. **Track Order Status:**
 - Monitor the progress of the order, including production and shipping updates.
2. **Communicate with Vendor:**

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- Maintain open communication to address any potential delays or issues.
 - 3. **Update Internal Records:**
 - Record updates in the procurement system for transparency and future reference.
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Step 6: Receipt and Reconciliation

1. **Receive Goods or Services:**
 - Inspect the delivery to ensure compliance with the PO in terms of quantity, quality, and specifications.
 2. **Reconcile Invoice with PO:**
 - Match the vendor's invoice to the PO and delivery receipt to verify accuracy.
 3. **Authorize Payment:**
 - Approve payment based on successful reconciliation.
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Step 7: Documentation and Archiving

1. **Maintain Records:**
 - Store copies of POs, invoices, and related documents in a centralized system for audit and compliance purposes.
 2. **Analyze Data:**
 - Use historical PO data to identify trends, assess vendor performance, and improve procurement processes.
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Conclusion: An effective purchase order creation process ensures organizational needs are met efficiently and cost-effectively while fostering accountability and strong vendor relationships. Regular reviews and adherence to standardized procedures support long-term operational success.