NETWORK BUSINESS SYSTEMS
SOFTWARE SYSTEM DOCUMENTATION

PURCHASING/RECEIVING

FEATURES

* Independent Accounts Payable and Purchase Order vendor
* User-defined vendor I.D. number
* F7 Options menu
* Blanket Purchase Order Capability, allowing multiple delivery times for same part
* Unlimited number of receipts per Purchase Order
* Receiving directly from NBS Orders or NBS RMAs
* Provides for materials inspection process
* Detailed purchase order information
* Inventory and non-inventory purchasing
* Automatically verifies part number
* Valuable part standard information pull-up
* Edit programs to correct entries
* Complete interface with Receiving
* Unlimited Vendors per part or parts per vendor
* Separate closing routines for quantity and cost
* Purchase directly against work order, for subcontractor or indirect materials

REPORTS

* Vendor listing parameter driven
* History reporting, parameter driven
* Items to be received
* Items received, to be paid
* Open purchase order status review
* Purchase orders by work order
* Exception report
* Standard item cost vs. Purchase order item cost review
* Cash Requirements
* C.O.D. Cash Requirements
* Parts Average Costs

INTEGRATED WITH:

* Receiving system
* Inventory systems
* Manufacturing/MRP system
* Accounts Payable system
* Sales systems

SYSTEM OVERVIEW

Network Business Systems, Inc.   1

NBS's Purchase order system updates inventory on line and organizes all Company purchases. This means that purchasing responsibility can be central or logically divided. Extensive reporting provides strong analysis and tracking. Direct interface into the NBS Accounts Payable system provides for true on line auditing and activity controls that allow for separation of duties as needed. You can have independent purchase order entry, printing, receiving, invoice matching, and invoice paying function in a paperless environment.

Purchasing can be directly linked to the work order, for either indirect materials or for subcontractors, by simply entering in a valid work order number. The Purchase order and Receiving module is a standard sub-module of the Inventory system.

The PURCHASE ORDER AND RECEIVING SOFTWARE provides the ability to enter purchase orders for both inventory and non-inventory items. This method is highly recommended and provides for many powerful benefits as it is integrated into the inventory master file, the manufacturing work order file, and many other software programs.
Inventory costs go into the system as a standard cost, based on the purchase order price, and are updated to the true actual cost when the accounts payable invoice is actually entered using the NBS ACCOUNTS PAYABLE SYSTEM. Until the invoice is entered, the value of the inventory item will be based on the purchase order unit cost! This is referred to the "STANDARD COST".

PURCHASE ORDER VENDOR

The NBS Purchase Order Vendor is a complete separate file from the NBS Accounts Payable Vendor file. If you are using both systems you may need to create the vendor in both files. This separation provides for different accounts that you buy or pay to. While in the purchase order vendor master file, you can create a purchase order vendor from an accounts payable vendor. Use the F7 options menu, and use the accounts payable vendor viewing program that also allows you to pull that vendor over into the purchase order vendor file automatically.

The NBS inventory system supports multiple vendors per part. Within the part will be a primary vendor and as many alternate or secondary vendors and the vendor part number as needed.

SHIPPING CODES

You can control the manner of shipping delivery using the shipping codes that are set up for access by the purchase order system.

ENTER/EDIT THE PURCHASE ORDER

Enter the purchase order (POENTRY) which updates immediately upon confirmation of each purchase order and feeds the "on order" to the part master file. This will provide sales and manufacturing personnel with on-line information for expected delivery dates. The "on order" is also used in the forecasting software for consideration in future buying, based on sales forecast and manufacturing plan.

The system automatically assigns a purchase order number, which will always be unique to each order. This is controlled from the system setup file. When starting a new purchase order, if

you enter in a number that has already been used, the system will notify you by pulling up the purchase order.

You can enter in valid part numbers or not. The system allows you to purchase non-inventory items and will prompt you if you have entered in a part number that is not valid. If you enter in a valid part number then the part information will be presented on screen with information to assist you while buying. If you purchase a non-inventory item, then by using the NBS system you will be able to set up the automatic interface with the NBS Accounts Payable system to automatically check the quantity and price data when the invoice is received and entered. So, you can use the system to purchase office supplies, etc. and provide for a system of checks and balances for purchase controls for the entire company purchasing!

You can also enter in comments in a purchase order, and have them print on paper or be view only. In order to have them print, you can place an asterisk "*" at the beginning of the comment.

You can edit or delete a purchase order that has not been received against. You cannot edit a purchase order that has been received against or closed. If you need to change the delivery date of items that have been partially received, then you will need to use the maintenance program to do so. This program is called "Purchase Order Detail Guts/PODETAIL".

You should never add to a purchase order that has been created. You may want to delete it and then recreate the order with the amended quantities, or you can add the same part number again for the additional quantities with the proper delivery date.

Purchase orders can be printed as they are generated, or they can be held for batch printing.

The delivery date of each item is the important date, which is used by all reports including the NBS MRP System.

BLANKET PURCHASE ORDER

The NBS system allows you to create a blanket purchase order, which means you can have the same part on the purchase order more than once, with different delivery dates. NOTE: You must use the same price for each entry of the same part, as the system only creates one detail record for duplicate entry. See the costing section below for more discussion on this subject.

PURCHASE ORDER PRICING

After the part number and quantity is entered, the purchase order program will automatically bring up the standard raw or finished cost from the inventory master file, depending on the flag set to "R" or "F" within the file.

The price entered in during purchase order entry will override the standard price for the value of the materials on order and the value once received. This will set up the new standard for the purchased materials, but will not override the cost in the parts master file. The invoiced entered in to the accounts payable will determine the actual cost, once the invoice has been paid. You can set up the system to automatically update the inventory master file as materials are received by turning on the flags in the system setup file. You have the choice to update based on FIFO, LIFO, MOVING AVERAGE, or CURRENT PRICE.

UNIT OF MEASURE CONVERSION

Each inventory item is required to have a unit of measure. This represents the purchasing quantity required. An example is where you sell individual rolls of tape but are required by the vendor who sells you the tape to buy in minimum quantities of 12. The inventory master file will store the tape as individual units with the price of each unit. Now, when generating a purchase order, when you enter in a quantity of one, the system will automatically present on screen and calculate times the unit of measure of 12, and show unit price of 1 quantity of 12ea rolls of tape. It will then extend the quantity of 1 times the price of 12 for the extended price. This function can also be used to convert manufacturing materials from pounds to inches of steel, etc.

PURCHASING DIRECTLY TO A WORK ORDER

You can enter a purchase order against a work order for indirect materials and subcontractor services directly to the work order. By doing this you will be able to tie the exact cost to the work order through the accounts payable interface. This provides true actual cost.

You cannot purchase the direct materials into a work order, which will be handled by the work order programs. AGAIN, DO NOT PURCHASE DIRECT MATERIALS (valid inventory part numbers) TO THE WORK ORDER. This cost is updated to the work order once the purchase order is closed, either through the purchase order closing routine or the Accounts Payable closing routine, which is integrated with the purchase order.

GENERAL RULES/CHECKLIST

All inventory must be purchased on the system with accurately predicted prices. Here are some suggestions for managing purchasing that may help you set up the controls for accurate data.

     1. Only managers have the authority to issue purchase orders. In this capacity, any of these people may delegate the authority to an individual within their department. However, a signature of the manager must be obtained prior to the actual purchase.

     2. All purchase orders will be forwarded to the purchasing dept. for centralization of processing.

     3. Other than approved scheduled inventory purchases, any purchase order totaling in excess of $500 must have the controller's approval before the purchase is made.

     4. ALWAYS use a purchase order as provided for

          a. Inventory
          b. Supplies
          c. Sub-contractors work
          d. All else not mentioned in a,b,, or c.

5. ALWAYS fill out the purchase order completely. This in   cludes date, price, quantity, company name, terms of payment, terms and conditions of acceptance, print if required, signature of purchasing agent, and any other pertinent information.

6. Purchasing will maintain a file of unfilled purchase orders, which will be matched up against copies of the receiving forms as they come together.

7. Purchasing will maintain a file of uncompleted receiving   forms that are to be matched up with the copies of the purchase orders and forwarded to accounting for payment processing, on a daily basis.

8. In the case of PARTIAL RECEIPTS, purchasing will forward a copy of the purchase order along with a copy of the receiving form, to the accounting department. The original copies of the purchase order are maintained in the purchasing department and will remain there until the order is completed. This can be tracked by writing the partial on the purchase order with the use of receiving forms.

9. When accounting detects a difference in price according to the purchase order, the purchasing department will be notified immediately to determine the final price with the vendor. The purchase order will be noted to reflect the corrected price, or the invoice will be modified. In either case, the change must be documented on the corresponding paperwork communicated to the inventory control department if necessary.

RECEIVING

The system automatically assigns a receiving ticket number that will be unique to each ticket created. This number is controlled by the system setup file and will not necessarily be the same number as the purchase order and in most cases will not. This is because you can receive against a purchase order multiple times, and also because you can receive directly against an NBS RMA or an NBS SALES ORDER.

The receiving system allows you to utilize your receiving department to process all inbound materials and goods, allowing centralization of all similar duties...receiving. The powerful F7 options menu provides all the necessary information at your fingertips to operate a fast paced receiving department in a totally paperless environment.

RECEIVE AGAINST AN NBS ORDER

You can receive directly against a sales order created by the NBS Sales system. This provides for fast easy receipt of refused orders, such as C.O.D. order that are completely refused by the customer. You may consider creating an RMA for this as well, so that RMA analysis consists of all returned goods, no matter what the reason. If you choose to do this, you will not want to use a part number in the RMA. Use the RMA to record an order returned, for the appropriate reason and fill out the received date at the same time. Use the NBS order number to perform the receiving function. You will be able to create the inventory item detail on the receiving ticket automatically, and update inventory as well.

There is another option to consider also. The NBS order modification program "CUSTSERV" allows you to update inventory when canceling shipped orders. This is turned on by setting the

flag in the system setup file to "Y" to allow restocking of orders. You will want to decide where the actual function of restocking the inventory on the system is to be performed, in the receiving department with all other receiving, or in a customer service department that processes the returned order.

RECEIVE AGAINST AN NBS RMA

You can receive directly to an RMA from the receiving system. If you use a valid part number in the RMA you will be presented with the opportunity to update inventory automatically. You will need to be aware not to update your inventory with what is actually the customers inventory so be careful with you procedure. This would overstate your inventory value. The receiving system will not only create the necessary proof that you have received merchandise back from a customer, but will also automatically update the RMA with the receiving date and receivers's initials.

RECEIVE AGAINST A PURCHASE ORDER

Receive the purchase orders in the program (RCENTRY), which creates a receiving ticket. You can receive more than once against a valid purchase order. If a purchasing agent has closed down any or all items on a purchase order, then you will not be able to receive against those items that are closed. You will need to contact the purchasing agent if you receive goods on a packing list against a purchase order that has been closed. This is a very important feature of the purchasing/receiving system in that you can set up an operations policy to instruct the receiving personnel to refuse delivery of good that are shipped against an invalid purchase order, a closed purchase order, or no purchase order at all, or to contact the authorized Company personnel if it happens for further direction. This prevents from potentially receiving merchandise you want to refuse. You should close items in the receiving program if you know that this is the only receipt against the purchase order.

Do not change the purchase order item quantities to match the receiving quantities if they are different. Go ahead and receive over or under the quantity, thereby retaining the true details of the purchasing transaction as they occurred. Pay close attention to the closing routing.

NOTE: If you choose to run a paperless purchasing and receiving environment, you do not have to print either purchase orders or receiving forms. You may want to write down on the packing slip or invoice of the merchandise received the purchase order number, the receiving ticket number, the date, and your initials. This will provide easy lookup when tracing backwards from the paid invoices!

INSPECTION PROCESS

The receiving process consists of two steps, the entry of the goods to be received and the update of the entry. If a part has been flagged to be inspected in the part master file, then as you enter in the receiving ticket items you will be made aware if any parts need to be inspected prior to update into the live inventory.

CLOSING A PURCHASE ORDER

Closing a purchase order consists of quantity closing and cost closing. Both provide entirely separate controls over purchasing, allowing materials management, accounts payable, and receiving departments to operate independently...yet on a fully integrated basis. This is another area of checks and balances that can be set up according to your company structure.

Quantity closing a purchase order is done per each line item that is ordered. This means that no other receipts will be allowed against a line item on the purchase order. If you do not close the purchase order, then any balance of parts not received will continue to show as on order. You can quantity close items on a purchase order during receiving. As a rule, this should be done in all cases where the full quantity of goods have been received. This will save the follow up routine that materials management should set up to audit unclosed purchase orders on a regular basis.

Cost closing a purchase order means that the final price of the purchase order items have been determined and no more invoices will be received against the purchase order. Cost closing is also per line item on the purchase order.

If you are operating the NBS Accounts Payable software, then you can cost close the purchase order during the accounts payable invoice entry. In this case, the value of the items will now be set as actual price as per the invoice and not the standard price that was set by the purchase order.

If you are not using the accounts payable system, then you will use the "Close Purchase Orders/POCLOSE" program to cost close items. The inventory value will stay as standard in this case, meaning what you entered as the purchase order unit price.

When both quantity and cost closing has been completed, the purchase order will mark the header record as closed.

NOTE: There are function keys that allow you to globally quantity close or unclose items during receiving. Be careful that you do not close items accidentally. They will have to be unclosed one at a time in the program "Purchase Order Detail Guts/PODETAIL". Cost closing is done one line at a time.

UPDATE THE PURCHASE ORDER

After you have created the receiving ticket, you can now update the ticket with the program (RCUPDATE). This program allows you to change the information entered into the receiving ticket in the program (RCENTRY).

INVENTORY COSTING

When a purchase order is created, a header record is created with all the information of the vendor, shipping instructions, date, who, etc. This database is called "POHEADER".

Detail records are created in a detail database separate from the header database. The detail database contains all the line item information of what was ordered, such as the part number, quantity, cost each, unit of measure, and delivery date. The detail database also contains notes and comments and is called "PODETAIL". When inventory is received against a purchase

order, then the detail records are updated and a subsidiary database is created called "POTRANS". This database contains the actual receipt information per detail record. This design is what allows for multiple receipt of the same part, unlimited.

A third database is created which is the actual inventory record, called "SYSINVEN". This record is what actually backs up the inventory master file and can represent either a purchase order or a work order. It will contain the purchase order or work order number, the quantity on order, the quantity received thus far, the standard cost and the actual cost. A cost flag of "Y" will indicate that the purchase order has been cost closed and will show up as actual cost for inventory reports.

Regarding a blanket purchase order, only one "SYSINVEN" record will be created to represent the multiple quantities of the same part ordered with different delivery dates. Because of this, you must have the same unit price for all delivery dates. In the case that you need different unit prices for different delivery dates, you will need to create separate purchase orders.

PURCHASING FOLLOWUP

This section is for the purpose of suggesting several reports that may be utilized on a scheduled basis to maintain the purchase data as accurately as possible. Usually there is enough activity in the purchasing and receiving functions that some regular auditing should be performed by either accounting personnel or materials management personnel. Remember, this data is as important as it gets. Cost and quantity management are the foundation for all present day activities and future planning.

Tickets Entered/Not Updated:RCRPT1: This program will show all receiving tickets not updated. You should establish a deadline by which all receiving, inspecting, and updating activity is completed by.

Items Yet To Be Received:POTORCV: Manage your open purchase order dates accurately. Anything that should have been here by now should be modified to show the correct date for delivery. Also, manage your open quantities. If you see small quantities left on order, maybe they are not really coming in and the purchase order should be quantity closed.

Items Yet To Be Paid:POTOPAY: Look for old receipts that are not cost closed. Either accounting did not do this during receipt entry, or the bill has not yet arrived!

BASIC SYSTEM OPERATIONAL FLOW

1. **Enter/Edit Purchase Orders/POENTRY**....Enter or Modify all purchasing as it occurs, printable for faxing or preferably while on the phone so that the purchase order number can be verbally communicated to the seller. This should include all Company purchasing. You can enter in comments that are printable or not printable, by placing an asterisk in front of the description to flag printing of the comment. Non-inventory items will not have a part number, but you can enter in the non-inventory by entering a comment with the asterisk to print on the purchase order. Purchase orders can be cut against work orders, but you do not use a part number. You use comments to describe the subcontract work or indirect materials purchased directly to a work order. This program pulls up the part master standard cost and allows you to change this cost on the purchase order. It does not however change the cost in the part master

file. Until the invoice is entered into the accounts payable system, the cost entered in the purchase order will be the inventory cost. The invoice entered into the A/P will over-ride the purchase order cost. If you do not use the NBS accounts payable system, then you will want to verify the price with the invoice.

2. **Enter Receiving Tickets/RCENTRY**....Receive and update all goods against purchase orders, including non-inventory items. Items that are to be inspected prior to update should be at least entered as a receiving ticket for proof of receipt. You can enter in items that have been purchase ordered, returned orders from the sales/distribution system, and RMA system. You can use this also to receive all other goods for proof of receipt by placing purchase orders for those goods using the comment function, and then receiving against that purchase order.

3. **Update Receiving Tickets/RCUPDATE**....Run this after you have created your receiving ticket. This will update RAW/FIN quantities of inventory items effected by the receiving ticket. You have the opportunity to quantity close a purchase order at this time. If all goods have been received, then it is suggested to quantity close the purchase order at this time.

4. **Close Purchase Orders/POCLOSE**....Close purchase orders at the time when all business has been concluded for a purchase order you are trying to close. HOWEVER, do not cost close the purchase order until the accounts payable invoice has been entered. If you are not using the accounts payable, then cost close the purchase order at the time you are final quantity closing the order.

5. **Items Yet to Be Received/POTORCV**....This report shows items yet to be received, usually from open purchase orders.

6. **Items Yet To Be Paid/POTOPAY**....This report will show received goods that have not been paid by the accounts payable system.

7. **Cash Requirements/POTORCS**....This report will show monies required to pay for open purchase orders yet to be paid on open account terms.

8. **C.O.D. Cash Requirement/POCODREQ**....This report will show C.O.D amounts needed to pay for open C.O.D. purchase orders your company has yet to hit the receiving docks.

9. **P.O. Parts Average Standard/POAVGCMP**....Analyze parts costs averages and modify as your accounting cycle dictates.

10. **Store Avg. P.O. cost in Parts/POAVGNEW**

SYSTEM SETUP REQUIREMENTS

In addition to the programs listed below, the system will require that the inventory system be set up for valid part reference.

Enter/Edit P.O. Vendors:POVENDOR
Enter/Edit Ship Via Codes:POSHPVIA
System Setup File:SYSGUT

MENU STRUCTURE/PROGRAM DOCUMENTS

3. INVENTORY/MFG.   MENU #1

   2. PURCHASE ORDERS   MENU #1
       1. PURCHASE ORDER PROCESSING   MENU #1
          1. Enter/Edit Purchase Orders:POENTRY
          2. Print Purchase Orders:
          3. View Purchase Orders:
          4. Close Purchase Orders:
          5. Change P.O. Delivery Dates:

       2. PURCHASE ORDER MAINT/SETUP   MENU #1
          1. Enter/Edit P.O. Vendors:POVENDOR
          2. Enter/Edit Part Cross Ref file:INXREF
          3. Enter/Edit Ship Via Codes:POSHIPVIA
          4. Edit P.O.:POGUTS
          5. Adjust P.O. Cost:POFIXCST
          6. Purchase Order Errors Report:POPROB1
          7. Purchase Order Header Guts:POHDRGUT
          8. Purchase Order Detail Guts:PODTLGUT
          9. Purchase Order TRX Guts:POTRNGUT

       3. PURCHASE ORDER MAINT.
          1. Rpt/Match P.O. \SYSINVEN OnOrd:POFIXORD
          2. Rpt/CstClose SYSINVEN w/o P.O.:SYSPOBAD
          3. CstClose SYSINVEN from P.O.:SYSCLSFX

       4. PURCHASE ORDER BUYING SYSTEM   MENU #1
          1. Parts on Order:WOONORD2
          2. Automatic P.O. Calculation:INORDER
          3. Print Calculated Purchase: powrkprt
          4. Edit/Create Automatic P.O.s:powrkprt

       5. PURCHASE ORDER RPTS   MENU #1   MENU #1
          1. Items Yet To Be Received:POTORCV
          2. Items Yet To Be Paid:POTOPAY
          3. P.O Line Item Status:POCURRNT
          4. P.O. By Work Order #:PO-WO
          5. P.O. Over&Under Rec'd QTY:POOVRUND
          6. P.O By Vendor: PO-VEN
          7. P.O. Vendor Listing:POVENDOR
          8. P.O. Detail History:POPDHIST

       6. PURCHASE ORDER RPTS   MENU #2   MENU #1
          1. Cash Requirements:POTORCS
          2. C.O.D. Cash Requirements:POCODREQ
          3. P.O. Parts Average w/o A/P:POAVGCMP

4. P.O. Parts Average w/ A/P: POAVGCMP
5. P.O. Cost Enter:POFIXCST
6. Store Avg. P.O. Cost in Parts:POAVGNEW

3. RECEIVING FUNCTIONS   MENU #1
     1. Enter Receiving Tickets:RCENTRY
     2. Update Receiving Tickets:RCUPDATE
     3. View Updated Receiving Tickets:RCVWHIST
     4. Tickets Entered, Not Updated:RCRPT1
     5. Print Receiving Tickets:RCPRINT
     6. Print Updated Receiving Ticket:RCPRNTUD
     7. Quick Receiving Program:WORCV