

PURCHASE ORDER GUIDELINES

Best practices for demand-driven purchasing, coordinated MRP, accurate costs, and complete PO processing.

1 PURCHASING SETUP

1 Use Stock Items — Not Descriptors



- Never use descriptors as substitutes for stock items.
- Descriptors are not compatible with manufacturing costing, MRP generation, and job release.

2 Maintain Lead Days for All Purchased Items



- Assign realistic Lead Days to every purchased item.
- Lead Days represent standard supplier delivery time.
- Do not inflate allocation settings because all system dates, planning periods, and priorities are interrelated.

3 Use Strategic Inventory for Long Lead-Time Items



- Use a Demand Driven order policy together with Monthly Demand and Supply Days.
- MRP will generate a steady pipeline of staggered purchase orders at consistent intervals.

2 PURCHASE ORDER RULES

4 Let MRP Generate Manufacturing-Related POs



- All manufacturing-related purchasing should be generated by MRP.
- MRP creates a coordinated master schedule with interconnected dates and priorities.

5 Manual Job POs Are a Sign of Bad Process



- Manually created jobs and purchase orders bypass the coordinated schedule.
- Manual purchasing can misallocate materials and distort work center priorities.

6 Do Not Use Blanket or Future-Supply POs



- Blanket and future-dated POs are a crude forecasting method.
- They are not compatible with demand-driven planning and the coordinated master schedule.

3 MRP GENERATION & CONVERSION

7 Run MRP Daily to Completion



- Generate MRP through all levels of production.
- Convert suggested jobs to establish demand for subassemblies and purchased materials.

8 Convert Planned POs Immediately



- Convert all suggested POs immediately following job conversion.
- MRP aligns purchased materials with planned job start dates.

9 Never Run Partial MRP Sessions



- Each MRP session should complete generation and conversion through all job levels.
- Every session should finish with PO generation and PO conversion.
- Planned POs should be converted immediately to avoid introducing late dates.

4 PO PROCESSING

10 Verify Supplier Prices During PO Conversion



- Review default supplier prices when converting planned purchase orders.
- Receipt cost becomes the inventory cost basis for future job issues and sales picking.

11 Keep Estimated Purchase Costs Current



- After supplier price changes, update Estimated Purchase Costs by Default Supplier.
- Follow immediately with a Cost Rollup to keep estimated costs current.

5 SUBCONTRACTING & PO INVOICING

12 Generate Subcontract Purchase Orders



- Create subcontract and Misc Job purchase orders from the Job Subcontracting screen.
- Material sent to suppliers is issued to WIP before shipment.
- PO Receipt automatically absorbs subcontract and Misc Job costs into Job WIP.

13 Complete the Process with PO Invoice



- Match supplier invoices against PO receipts and quantities.
- PO Invoice reconciles Received Not Invoiced balances.
- Matching automatically closes completed PO lines.



Best Practice: Let MRP drive demand-related purchasing, maintain realistic dates and costs, and complete the full PO receipt-to-invoice workflow every time.