

Purchasing to AP Passoff

By now I hope that you've had a chance to view some of the General Ledger classes in which we talk about the different types of Passoffs to General Ledger, such as Point of Sale passoff to General Ledger, Transfer to General Ledger passoff, and Gift Card to GL passoff just to mention a few. If so, you've had a chance to see how the automatic passoff to General Ledger can help businesses minimize data entry errors, reduce transaction processing time and create an audit trail as transactions move from each of the applications to the General Ledger. Following this general principle, there is a function in Eagle for Windows that connects the Purchasing application with the Accounts Payable application.

There is a natural flow that occurs from the time a Purchase Order is received to it being transitioned to Accounts Payable to be paid. Since such a process is repetitive for every received PO, with whatever is received at the Purchasing end being paid for on the AP end, the Purchasing application can pass the Receiving information along to the Accounts Payable module using what is known as the Purchasing to AP passoff.

In this class we will explain the benefits of using Purchasing to AP Passoff, as well as how to set up your system to handle the automatic creation of the necessary documents.

Topics

- Benefits of Passoff
- Control File Setup
- Options Setup

Benefits of Passoff

As mentioned earlier there are a handful of business benefits that you can reap if you set up Purchasing to AP passoff. Whenever this function is activated, it will create accrued vouchers directly in your New AP Transactions file for the vendor and the amount of goods that were finalized at the Receiving end. These vouchers will be posted against the appropriate General Ledger accounts that you specify during the set up process. Because the creation of these vouchers is automatic, you will be able to account for All the merchandise that is in your inventory, not only under the Inventory Maintenance Module, but also in the General Ledger, as the new inventory received will be reflected in your balance sheet. Without this function, you normally would wait until you receive the vendor's invoice to reflect the new inventory received in your general ledger.

Therefore one of the benefits of having Purchasing to AP passoff activated is up-to-date accounting information that reflects the physical inventory value.

Another advantage of the system creating these vouchers automatically is that it will save you data entry time since the voucher and the distributions will be created by the system. All you have to do is review and modify the voucher before pushing it forward to the Posted AP Transactions file.

Having the system automatically create these vouchers will guarantee better information accuracy as well, as the voucher information is cloned from the Receiving document. Therefore the Receiving document will always match the Accounts Payable voucher. The result is fewer accuracy and variance issues, meaning that the figures in your accounts are more reliable.

Control File Setup

In a couple of earlier Accounts Payable modules, we spoke about the Accounts Payable Control file and how it governs the way the Accounts Payable Module behaves. We also spoke about the concept of accrued inventory. Purchasing to AP Pass-off is where these two concepts come together. In order to use Purchasing to AP passoff, you Must use accrued inventory. If you are unsure what it is, take a look at the Accrued Inventory class before continuing with this session.

Of course, to use accrued inventory, you must be using the perpetual inventory method. If you use the periodic inventory method, you must first switch to Perpetual Inventory to be able to take advantage of the Purchasing to AP Passoff. The details of both methods are covered in an earlier Accounting module.

The automatic vouchers that are created once an invoice has been received are called Temporary vouchers. We will cover their creation in detail in the next class of this series. However, to turn on the ability to create such vouchers in the system, we need to revisit the AP control file.

Let's access A/P Control File Maintenance by going to Eagle Browser and opening the Accounts Payable – Set Up menu. Most of the fields in this screen were set up when you began using Accounts Payable. In this session we will only review the fields that are relevant to Purchasing to AP passoff.

Since we will be using accrued inventory, we need to tell the system to create the temporary vouchers we spoke about earlier. The field responsible for this function is Accrue temporary AP Transactions? Set this field to Yes.

The next thing we must do is to tell the system which General Ledger accounts to use when posting the accrued AP vouchers. Normally, two accounts are needed for such a purpose: Accrued AP, which will be credited, and Accrued Inventory, which will be debited whenever a PO is received. The opposite entries will occur if the received PO was a credit PO.

Make sure that both of these accounts exist in your Chart of Accounts, then assign the Accrued AP account in the Accrued AP category and the Accrued Inventory account under the Accrued Purchases account. Their subaccounts must be set to three asterisks if you use Departmental Passoff. (Again, this is a concept that was covered in an earlier General Ledger module if you'd like to review it.) This notation forces the system to look in the GL Passoff File to identify the correct Inventory accounts in which to post the entries if you keep track of inventory value separately by department.

Once done, click Change to save the changes made to the ACON file.

Remember, that if you have a multi-directory Accounts Payable set-up, then the ACON changes Must be made to each of your AP directories.

Options Setup

The last portion of the set up for Purchasing to Accounts Payable Passoff is done in Options Configuration. Use the ID key to locate Option ID 107 – Create AP Vouchers. This must be set to T – All Vouchers As Temporary.

Setting this option to T allows the system to create accrued vouchers as Temporary vouchers, or T-vouchers, which helps you segregate computer-generated vouchers from those created manually by your AP staff. This is because only the system can create T-vouchers. T-vouchers cannot be posted to the AP file unless they have been reviewed and converted to R-regular vouchers.

Setting this Option to R – regular vouchers, although it may save you a few keystrokes, is Not recommended. This is because you may end up inadvertently posting vouchers, simply because they are marked as regular vouchers. The system cannot distinguish between them and the ones created manually. You may also miss reviewing them, and end up posting them to the incorrect accounts or for incorrect amounts

Click Change to save the changes. This option is kept by store, so make sure to change it for each of your stores separately.

That's it! Pretty simple. With those two steps, you've completed the necessary set-up for the system to handle Purchasing to AP Passoff. Be sure to follow up with the next class where we will go into the specifics of how T-vouchers are created, as well as how to review them and then post them to the AP file for further payment processing.

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