

# Organizing Your Purchases with Purchase Orders

by Paul Krebs, CPF

**H**ave you ever wondered why moulding suppliers ask for your name when you call to place an order, rather than your purchase order number? The reason is that most frame galleries have not taken the time to set up and maintain a simple purchase order system. This is unfortunate because a purchase order system easily pays for the little time it takes to set up and maintain, and helps with managing the day-to-day operations of the typical picture framing gallery.

There are four major reasons that using a purchase order system to track ordering activity can benefit your operation. Having a system in place enables you to:

- 1) Make sure the order was placed
- 2) Ensure that materials delivered match what was ordered. A comparison of the material description on the purchase order with what was actually received can catch discrepancies, such as wrong materials, incorrect quantities, or mistakes in moulding cutting instructions.
- 3) Make sure that the pricing on the materials matches what you anticipated. The monetary saving is evident when the invoice comes a week after the shipment was received, and the price on the purchase order, when compared to the price on the invoice, including applicable shipping/handling charges and discounts, is different than what was expected.
- 4) Refer back to past purchase orders to not only check purchasing habits, but as a reference point for other needs that may arise.

Furthermore, when you are placing orders for a specific job (such as chop moulding or a matboard you do not have in stock), making notes on the purchase order as to what was received and when it was received, makes it easier to determine the status of the customer's order. Reviewing open purchase orders also helps to identify when a supplier's delivery is past due, and allows for adjustments to be made before the customer's order becomes late.

## Getting Started

The first step in setting up a system is to create the purchase order form. The form we use in our shop includes: a space at the top for the supplier's name; phone number, your account number; the person you spoke with; the order number from your supplier; date issued; estimated due date; method of shipment;

## Sample Purchase Order Form

<b>XYZ FRAME SHOP, INC. <i>PURCHASE ORDER # 0123</i></b>				
1234 GALLERY ROAD; YOUR CITY, STATE, ZIP CODE	Your Phone Number and Fax Number Here			
<b>TO:</b>	<b>Date:</b>			
<b>Phone Number</b>	<i>Ship Via:</i>			
Fax Number:	<i>Date Due:</i>			
<b>Account Number:</b>	<i>Tracking #:</i>			
Contact:	<i>Payment App'd:</i>			
<b>Order Number:</b>	<i>Terms: Chg _ COD _ CC _</i>			
<b>Issued by:</b>	<i>Freight: Chg _ COD _ (chk# _____)</i>			
Date Received: _____ Rec'd By: _____				
<b>Qty</b>	<b>DESCRIPTION</b>	<b>Cost/ea</b>	<b>Total cost</b>	<b>Cust/Job Number</b>

## Sample Purchase Order Log

PURCHASE ORDER NUMBER	VENDOR	DATE ISSUE D	CUSTOMER, JOB NUMBER, DESCRIPTION
100	XYZ Moulding	7-14-03	Clark #3589, Smith #3591, Jones #3596
101	Total Frame Supplies	7-15-03	Hangers, offsets, screws, picture wire
102			

payment approval; payment terms; and of course, your purchase order number. The body of the form should have space for the quantity and description of the items purchased, pricing, and a reference customer name or job number. (See sample purchase order form above.)

The next step is to create a purchase order log. The log we use has columns for the: purchase order numbers; supplier's name; date; and a reference customer name, or job number. (See the sample above.)

Either of these can easily be created by hand, or by using a computer software program such as WinWord or Excel. (Many of the framing industry software programs also feature purchase order, and inventory tracking features. See the sidebar for more information on this.)

The third part of establishing this system is to set up two clipboards in your backroom. One will be for "open purchase orders" that have been called in but not yet received, and the other is for "received purchase orders" that have been delivered and accepted.

### Using the System

Once you fill out the purchase order, assign a unique number, and call the order in to the supplier, the purchase order form should be placed in alphabetical order by supplier on the open purchase orders clipboard. It remains there until the order is delivered. A quick browse through this clipboard every morning can be very helpful for determining what deliveries to expect for that day, and can also serve as an early warning system for orders that may be running late.

When an order comes in, the purchase order for that shipment is pulled from the open purchase orders clipboard and used to verify that the items and quantities received are correct. (This is a good time to make notes about the items received on the purchase order for future reference if needed.) The customer name or job number listed on the purchase order can also be transferred from the purchase order onto the items themselves (e.g., a chop for Ms. Johnson, Job #2556) so it is clear who the items are for.

## Planning Purchases with Industry Software

(Editor's Note: Many of our industry's software programs include features that help framers to utilize a purchase order system. Let's take a look at a few...)

With its Pick List feature, **LifeSaver Software** allows the user to gather the information needed to create a purchase order (PO) for each vendor. This feature is located in the Daily Closing section of the software program. A pick list is a materials report that can be used to gather information on three different aspects of pending work orders: mouldings; mats; or by customer. You can select one, two, or three reports at a time.

The program begins generating the pick list where it left off the last time a pick list was generated. Therefore, any given list will contain all the materials for all the work orders written since the last list was printed. The program also calculates the chop size and length of the moulding, and matboard size required to complete a given work order. The program generates a separate line on the report for this information. Each vendor has a separate sheet so you can print the order and fax it to the vendor. Or, as mentioned above, you can create your own PO from the information.

FrameReady software from **SoftTouch Solutions** features a Purchase Order section that is accessed through the system's main menu. Framing components are automatically compiled from the Work Order file (user selects the range) to ease the process of creating POs. The system sorts the materials needed (including moulding, mats, glazing, mounting, and artwork) for the work orders by vendor. A PO for each vendor is then created, which can be printed and faxed or saved as a PDF file and e-mailed. The PO functions also include: consolidation of matching items, such as length moulding and matboards; and an auto update of stock, with the user clicking on the items that were delivered.

One of the features of the **SpecialtySoft** point-of-sale software program is an Electronic Ordering/Purchase Order system that enables users to order moulding, matboard, and general inventory by vendor. The user selects the "Purchase Order" icon on the computer desktop and the order appears on the screen. These orders are compiled as work orders are entered into the system, and it determines what materials are needed. The PO can then be submitted to the vendor electronically. It can also be printed out if the user wants a hard copy. Once the order is delivered from the vendor, inventory is automatically updated through the PO system. The user enters the PO# and clicks on materials received; this data is updated to inventory records.

The SpecialtySoft Lite version is a cost-effective alternative to the full system, and also features the above PO system. The company also offers a Commercial version—targeted for commercial and wholesale framers—which

After the shipment has been verified, the packing slip can be stapled to the purchase order and placed in alphabetical order by supplier on the received purchase orders clipboard, and remain there until the invoice is received from the supplier. Reconciling the invoice, packing list, and purchase order together makes it easy to confirm that everything is in order so that the invoice can be approved for payment.

This reconciliation of the invoice and the purchase order is the most important step, and the surest way to catch incorrect charges. For example, the supplier could be billing for the wrong quantity or wrong material, charging a chop price for length moulding, or invoicing for next day air when it was shipped ground... the list can go on and on, and sometimes does.

Purchase orders can also help to document problems, such as moulding that comes in damaged and needs to be replaced by the supplier. It can be very confusing and all too easy to pay for both the original moulding as well as the replacement moulding if there is not clear notation as to what actually came in, what was sent back, and what was replaced.

Finally, after the invoice is reconciled with the purchase order and approved for payment, the purchase order can be filed—by supplier—in a file cabinet for future reference if required. This history of all purchase orders, by supplier, is helpful in making sound business decisions.

For example, looking through the purchase orders to a particular supplier might show that over time, a large volume of one particular item was purchased in small, individual batches, whereas if that item were purchased in volume and stocked in-house, the price of the item could be reduced (as well as shipping costs for multiple individual shipments) Or, by totaling up the amount of glass or foam-board used over some period of time, the average usage could be calculated in order to set a realistic stocking level to avoid running out of critical materials in your shop.

Setting up and maintaining a purchase order system does take some time, effort and thought. However, the money saved from catching incorrect charges on invoices can justify implementation of a simple purchase order system. ■

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