

## **Purchase management system: A panacea for business improvement**

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### **Abstract**

In today's knowledge-driven economy, businesses must adopt effective IT systems that can deliver the consolidated information required for decision-making, competitive advantage and growth. Purchase Management module is an advanced, web-enabled Supply Chain Management and Execution solution. The purchasing module of ERP supports all phases of material management, material planning and control, purchasing, goods receiving, inventory management and invoice verification. Purchase Management module streamlines procurement of required raw materials, packaging material, sub assembly and other non-inventory materials. It automates the processes of identifying potential suppliers, supplier quote evaluation, negotiating price, awarding purchase order to the supplier, and billing processes. It also evaluates vendors and purchasing, controls and administers requisitions, repetitive supplier schedules, performance; purchase orders, and receiving; facilitates the procurement process; and integrates fully with accounts payable. Purchasing is a very important component of material management module. This module is fully integrated with other module in ERP. Purchase module is tightly integrated with supply chain management software, the inventory control and production planning modules. It is designed to reduce supply chain costs, reduce inventory and increase operational efficiencies. Purchase module of ERP gives you total flexibility to control each commodity based on how it is utilized and consumed, including discrete purchase orders, standard forecast, shipping schedules or supplier managed inventory. It delivers significant return on investment by increasing supplier visibility, enabling inter-enterprise communication, and providing a high level of systems integration. This paper examines the implementation of ERP's Purchase Management module in organizations and how organizations may be affected by implementing these modules. ERP software is designed to include modules so that it is easy to access a particular option; it is easy to train staff, easy to provide security features. Such a module based design is more intuitive to use and staff find it easy to understand.

**Keywords:** Purchase Management module, ERP systems, Systems implementation, Decision-makers.

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### **1. Introduction**

Purchasing is a very important component of material management module. Purchase Management System aims at the management of the asset purchase in the organization. The application focuses on creating well defined purchase reports for individuals as well as cost reports categorized yearly / monthly. Purchase module is tightly integrated with supply chain management software, the inventory control and production planning modules. It is designed to reduce supply chain costs, reduce inventory and increase operational efficiencies. Purchase module of ERP gives you total flexibility to control each commodity based on how it is utilized and consumed, including discrete purchase orders and standard forecast.

In today's competitive world many major companies have decided to use popular applications like Enterprise Resource Planning that has evolved over the past few decades. In the past, ERP systems were used in larger more industrial types of companies. However, the use of ERP has changed and is extremely comprehensive, today the term can refer to any type of company, no matter what industry it falls in. In fact, ERP systems are used in almost any type of organization - large or small. Thus, the ERP system has become very popular as an enterprise management software tool in manufacturing and service enterprises. The global success of enterprise resource planning systems has not only attracted the interest of researchers from the IT discipline, but from all major disciplines in business research. The emergence of ERP system has moved the topic "computerized business information

systems" increasingly from the IT domain to the business domain; from systems design and programming to business configuration, process mapping and reengineering. ERP systems impose their logic on organizations and force employees to think in terms of integrated processes and to change the way they do accounting, production planning and control, etc.

Purchase management systems offer the necessary resources for the implementation of a common database for everyone's use in a real-time environment. This database can be updated as changes occur, thus providing up-to-date status information to everyone in their part of business. Therefore, users can use data from today's events to make accurate decisions about tomorrow's activities. Globally, ERP can work in worldwide markets with multiple languages and currencies. It can tell users about how many parts are at a warehouse in one particular country and the parts' value in the respective currency. Accounting practices, government tax requirements, human resource management practices, and even manufacturing practices that are local to different regions around the globe are incorporated into the ERP system. This gathering and usage of information for complicated demand, inventory and other types of planning gives staff the ability to quickly act, and the organization the ability to greatly optimize performance.

Now these days ERP is easy to implement and cost effective solution for SME segment. ERP is an enterprise solution for all type of companies to enhance efficiency of resources of the organization "Man, Money, Machine & Material". ERP caters the needs of fast growing businesses. It is easy to use, and fully

scalable to accommodate multiple locations, currencies and business units. ERP provides an integrated view of multiple functions that help you take quick and well informed decisions in real time. ERP applications automate and support a range of administrative and operational business processes across multiple industries, including line of business, customer-facing, administrative and the asset management aspects of an enterprise. However, ERP deployments tend to come at a significant price, and the business benefits are difficult to justify and understand.

### 1.1 Purchase Management Module

A purchase management system is web-based software, capable to connect organization's departments, branches, customers, and suppliers under a central system. ERP comprises of host of integrated functionality including, Purchase Management, Inventory & Material Management, Manufacturing, Sales and Distribution Management, Finance Resource Management, Supplier, Human Resource Management, Plant Maintenance and Excise management.

ERP's Purchase Management module is an advanced, web-enabled Supply Chain Management and Execution solution. The purchasing module of ERP supports all phases of material management, material planning and control, purchasing, goods receiving, inventory management and invoice verification. ERP's Purchase Management module enables the purchasing only when purchase requisitions are generated. The purchase management module never encourages the buying of anything without valid requisition. The purchase module communicates with other modules to ensure a constant flow of information.

ERP's Purchase Management module streamlines procurement of required raw materials, packaging material, sub assembly and other non-inventory materials. It automates the processes of identifying potential suppliers, supplier quote evaluation, negotiating price, awarding purchase order to the supplier, and billing processes. It also evaluates vendors and purchasing, controls and administers requisitions, repetitive supplier schedules, performance; purchase orders, and receiving; facilitates the procurement process; and integrates fully with accounts payable. Further, Vendor evaluation process is integrated in purchase module of ERP enabling the purchase orders to be raised only to the approved vendors.

The purchase module can also determine whether the performance, quality and services of vendor are within the specified time frames. Purchasing is a very important component of material management module. This module is fully integrated with other module in ERP. Purchase module is tightly integrated with supply chain management software, the inventory control and production planning modules. It is designed to reduce supply chain costs, reduce inventory and increase operational efficiencies. Purchase module of ERP gives you total flexibility to control each commodity based on how it is utilized and consumed, including discrete purchase orders, standard forecast, shipping schedules or supplier managed inventory. It delivers significant return on investment by increasing supplier visibility, enabling inter-enterprise communication, and providing a high level of systems integration.

#### Procurement cycle for a material in ERP's purchase management module

**1. Determination of materials requirements:** Materials requirements are identified by the user departments or

purchase department. The regular checking of stock levels of materials defined by master records, customer orders, and forecasting on the basis of past usage are important aspect of the purchasing. User can enter purchase requisition, or these can be generated automatically by the materials planning and control system. This speeds up the process of creating requests for quotation (RFQs), which can be sent to vendors electronically.

- 2. Vendor selection and quotations:** The ERP system is capable of simulating pricing scenarios, performance, quality and services of vendor, allowing one to compare a number of different quotations. Rejection letter can be sent automatically.
- 3. Purchase order processing:** Purchase Management module enables the purchasing only when purchase requisitions are generated. The purchase management module never encourages the buying of anything without valid requisition. The purchasing system adopts information from the requisition and the quotation to help one create a purchase order. ERP system is enables the purchase orders to be raised only to the approved vendors. As with purchase requisitions, one can generate purchase orders (Pos) himself or have the system generate them automatically.
- 4. The follow-up of Purchase order:** The ERP system also provides an up-to-date status of all purchase requisitions, quotations and purchase orders. The ERP system checks the reminder period one has specified and, if necessary, automatically prints reminders or expeditors at the predefined intervals.
- 5. Goods receiving and inventory management:** The purchasing module of ERP system supports all phases of material management, purchasing, goods receiving, inventory management and invoice verification. Goods receiving personnel can confirm the receipt of good simply by entering the purchase order number. By specifying permissible tolerances, buyers can limit over and under-deliveries of ordered goods.
- 6. Invoice verification and payable:** The ERP system supports the process of invoice verification after receiving the goods. The system automatically does checking and matching of invoices. The accounts payable department is notified of quantity and price variances because the system has access to PO and goods receipts data. This speeds the process and auditing and clearing invoices for payment.

### 1.2 Inventory & Material Management Module

Whether you are a manufacturer, wholesaler or retailer, management of your inventory is critical to controlling your costs and ensuring the smooth operation of your business. Stock management and valuation activities, which form the backbone of any organization generally, take a lot of time and resources. Inventory handles all the store activities of issues, dispatches, receipts and quality control. The lot wise stock of each item is maintained and various computerized information reports are provided for tracking stock movement. ERP Software gives you real time information on current stock levels and values including stock on order, raw materials, work in progress and finished goods.

ERP inventory module covers all stock related functions of an organization. Inventory control module is a tool which can help you maintain the appropriate level of stock in a warehouse and facilitates recording of data in the inventory department /

warehouse. The activities of inventory control involves in identifying inventory requirements, setting targets, receipt of goods, delivery of goods, maintenance of material in the stock sections, classifying all the materials, issuing of materials to the manufacturing department, rejections from the suppliers are recorded with full details. It also provides replenishment techniques and options, monitoring item usages, reconciling the inventory balances, and reporting inventory status.

The key functions in this module enable you to keep correct information of current level of stock by evidencing inputs and outputs of different resources in or out of the warehouse. Also, history of each resource on the stock is available, enabling you to identify business trends and plan orders.

The module provides a high degree of flexibility for handling complex storage needs, and assures continuous update of warehouse inventory through multiple inventory methods and different types of auditing. The module offers advanced warehousing features such as modification, balancing, transfer, and reverse operations. Integration of inventory control module with sales, purchase, finance modules allows ERP systems to generate vigilant executive level reports. The high level of integration found within the ERP system provides end-users with the highest level of visibility into materials transactions within their enterprise, and assures the accuracy of the data relating to the inventory within the warehouse. Inventory analysis analyzes inventory items by category, supplier, product ID, date, etc. The analysis function selects, sorts, and summarizes these transactions and presents them in numeric and graphic forms. It supports both pre-defined and ad hoc queries.

All materials input and output transactions are fully automated due to the seamless integration with other associated modules within the system. This also enables efficient, prompt and trouble-free inventory transactions within enterprises. The Inventory module automatically tracks inventory balances, serial numbers, and lots, and product line information. The module's sophisticated tracking functionality ensures that you always know your inventory costs, serial numbers and locations. It also control offers an extensive array of reports, enabling you to easily analyze and control your inventory. All balances are updated in real time for up-to-the-minute, on-screen access. Inventory Control integrates with Accounts Payable, Purchase Orders, Order Entry, and Accounts Receivable to deliver automated up-to-the-minute status of current balance, inventory value, period-to-date gross margin, billings, receipts, discounts, and cost of goods sold.

## 2. Features of Inventory Module

Inventory module is significant importance in a highly integrated supply chain and the module facilitates accomplishment of organizational objectives including cost efficiency and enhanced customer loyalty by rendering superior visibility and streamlined processes. The Inventory management module offers effective features to minimize inventory costs and to optimize storage needs in line with the requirements in an organization. Efficient inventory management should be able to quickly respond to customer requirements; at the same time should be flexible enough to undertake any corrections when required, and do the so without affecting operational efficiencies.

## 3. Conclusion

Purchasing is a very important component of material management module. This module is fully integrated with other module in ERP. ERP's Purchase Management module is an advanced, web-enabled Supply Chain Management and Execution solution. Purchase module is tightly integrated with supply chain management software, the inventory control and production planning modules. It is designed to reduce supply chain costs, reduce inventory and increase operational efficiencies. The purchasing module of ERP supports all phases of material management, material planning and control, purchasing, goods receiving, inventory management and invoice verification. ERP's Purchase Management module enables the purchasing only when purchase requisitions are generated. The purchase management module never encourages the buying of anything without valid requisition. The purchase module communicates with other modules to ensure a constant flow of information. Purchase module of ERP gives you total flexibility to control each commodity based on how it is utilized and consumed, including discrete purchase orders, standard forecast, shipping schedules or supplier managed inventory. It delivers significant return on investment by increasing supplier visibility, enabling inter-enterprise communication, and providing a high level of systems integration.

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