Oracle EBS Training
Procure to Pay (P2P) cycle
Training Agenda

Areas Covered:

– P2P Cycle Overview
– Process Flow
– Step-by-Step Process
– Use Case in Oracle ERP
– Q&A
Procure to Pay (P2P) Cycle Overview:

- Procure to Pay Lifecycle is one of the important Process in Oracle Applications.
- Procure to Pay means **Procuring Raw Materials** required to manufacture the final or finished Goods from a Supplier to **Paying the Supplier** from whom the material was purchased.
Process Flow:

- The Oracle Procure-to-Pay (P2P) process enables the integration of purchasing department with account payables department of a company.

- Oracle Procure-to-pay process is designed to provide organizations with control over the entire life-cycle of a transaction, i.e., from placing an order for goods to the payment of invoice.
Process Flow:

- **Demand:** The procurement process generates and manages requests for the purchase of goods. The demand for purchase items may be a one-time event or may recur in either predictable or random intervals.

- **Source:** The procurement sourcing covers the business activities related to the search, qualification and selection of suitable suppliers for requested goods and services.

- **Receive:** The receipt process acknowledges that a purchase order has been duly executed. For orders of physical goods, it will typically include receipts, inspection and delivery of the goods to inventory or to another designated location. For orders of services, it will typically consist of a notification from the requester or the approving person that the service has been performed as agreed.

- **Invoice:** The invoice process includes entering supplier and employee invoices.

- **Pay:** The payment process consists of these activities involved in the payment for ordered goods and services.
Step-by-Step Process:

- **Creation Of Purchase Requisition:** Requisition is nothing but a formal request to buy something. Requisitions represent the demand for any goods or services that an organization needs.
Step-by-Step Process:

- Requisitions for goods and services:
  - Are generated by applications including Inventory, Work in Process (WIP), Material Requirements Planning (MRP) and Order Management.
  - May be entered manually through Purchasing windows.
  - May be entered using iProcurement.
  - May be imported from external systems.

- There are two types of Requisitions:

  **Internal Requisition** – Basically used when there is a Requirement from One Inventory Organization to the Other Inventory Organization (Inter-Organization Transfer)

  **Purchase Requisition** – Basically used when there is a Requirement to be fulfilled by External Sources i.e. Suppliers, Requirement from MRP, Requirement from WIP, Requirement from Sales Order etc.

- With Oracle Purchasing module, you can create, edit, and review requisition information on-line. Then the Requisitions went for approvals from proper authorities.
Step-by-Step Process:

⬢ **Sourcing:** Oracle sourcing enables buyers to source more of the organizations spend at lower total cost. Oracle Sourcing application creates immediate savings through rapid deployment, and ensures long-term savings with consistent execution and compliance.

⬢ With Oracle Sourcing you can:
  - Manage more sourcing events in less time and bring them to conclusion faster, so you can exploit additional savings opportunities
  - Make more best-value award decisions based on total cost, not just on unit price
  - Create immediate savings and faster ROI with rapid deployment; then gain additional savings with consistent execution through the Oracle Advanced Procurement suite.

⬢ There are three typical business flows that utilize Oracle Sourcing.
  - Create New Documents Using Demand Workbench
  - Create New Documents from Existing Blanket PO Agreements
  - Create Documents Directly in Oracle Sourcing
Step-by-Step Process:

- **Creation of Purchase Order:** Based on the Purchase Requisition and its approval next we have to create a Purchase order to buy the item.
Step-by-Step Process:

- Purchasing supports four types of purchase orders:
  - **Standard**: Create standard purchase orders for one-time purchases of various items. You create standard purchase orders when you know the details of the goods or services you require, estimated costs, quantities, delivery schedules, and accounting distributions.
  - **Blanket**: Create blanket purchase agreements when you know the detail of the goods or services you plan to buy from a specific supplier in a period, but you do not yet know the detail of your delivery schedules.
  - **Contract**: Create contract purchase agreements with your suppliers to agree on specific terms and conditions without indicating the goods and services that you will be purchasing.
  - **Planned**: A planned purchase order is a long-term agreement committing to buy items or services from a single source. You must specify tentative delivery schedules and all details for goods or services that you want to buy, including charge account, quantities, and estimated cost.
Step-by-Step Process:

- Once purchase orders are created, they may be submitted for approval.
- The approval process checks to see if the submitter has sufficient authority to approve the purchase order.
- Once the document is approved, it may be sent to your supplier using a variety of methods including: printed document, EDI, fax, e-mail, iSupplier Portal and XML.
- Once the purchase order or release is sent to your supplier, they are authorized to ship goods at the times and to the locations that have been agreed upon.
Step-by-Step Process:

- **Receipt of Material**: After receiving the PO, the supplier will send the items.
- **Purchasing** lets you control the items you order through receiving, inspection, transfer, and internal delivery. You can use these features to control the quantity, quality, and internal delivery of the items you receive.
Creation of Payables Invoice: Once you’ve received goods or service from your supplier, you’ll also receive an invoice. Using Payables you can record invoices in a number of different ways.
Step-by-Step Process:

With Payables you can:

- Import/Enter invoices manually, either individually or in batches.
- Use Quick Invoices for rapid, high-volume entry of standard invoices and credit memos that are not complex and do not require extensive online validation.
- Automate invoice creation for periodic invoices using the Recurring Invoice functionality.
- Use iExpenses to enter employee expense reports using a web browser.
- Import EDI invoices processed with the e-Commerce Gateway.
- Import XML invoices.
- Match invoices to purchase orders or receipts to ensure you only pay what you’re supposed to be paying for.
Step-by-Step Process:

- **Payment to Supplier:**
  - Once invoices are validated, they can be paid.
  - Payables integrates with Oracle Payments, the E-Business Suite payment engine, to handle every form of payment, including checks, manual payments, wire transfers, EDI payments, bank drafts, and electronic funds transfers.
  - Payables also integrates with Oracle Cash Management to support automatic or manual reconciliation of your payments with bank statements sent by the bank.
Use Case in Oracle ERP:

- **Create Purchase Requisition**:
  - Go to Purchasing Responsibility and open Requisition Screen.
  - Create a new Requisition for the item which is of Purchase type in nature.
Use Case in Oracle ERP:

Click on Distributions to View the charge Account.
Use Case in Oracle ERP:

- Save and Submit for Approval.
- Note down the Requisition number and open the “Requisition Summary Form” to view the status of it. Example, Requisition number is: 14855
Use Case in Oracle ERP:

As per the default approval hierarchy, Requisition is approved.
Use Case in Oracle ERP:

- **Creation of Purchase Order:**
  - For creating a Purchase order, let us use the “Autocreate Documents” Form. Follow the below Navigation.
Use Case in Oracle ERP:

Query for the Requisition.

Click on Automatic as shown in the below figure to create a Purchase Order.
Use Case in Oracle ERP:

Click on “Create” button to create a Purchase order
Use Case in Oracle ERP:

Verify the Purchase order created.
Use Case in Oracle ERP:

View the shipment screen to change the “Match Approval Level” to “2-Way”.

Other Match Approval Levels are:

- **2-way** matching verifies that purchase order and invoice information match within your tolerances as follows:
  - Quantity billed is less than or equal to Quantity ordered.
  - Invoice price is less than or equal to Purchase order price.

- **3-way** matching adds a third criterion to verify that receipt and invoice information match with the quantity tolerances you define:
  - Quantity billed is less than or equal to Quantity received.

- **4-way** matching adds a fourth criterion to verify that acceptance documents and invoice information match within the quantity tolerances you define:
  - Quantity billed is less than or equal to Quantity accepted.
Use Case in Oracle ERP:

Click the “Receiving Controls” to make sure that the “Routing” is made as “Direct Routing”.

Receipt Routing are of three types:

**Direct:**
Once the goods arrive at the gate we directly move them to Sub-Inventory.

**Standard:**
Once the goods are at gate we receive it at the receiving point first and then move them to the Sub-Inventory.

**Inspection:**
Once the goods are at gate we receive it at the receiving point and then we perform inspection and accordingly we either accept it or reject them.
Use Case in Oracle ERP:

Click Save and submit for Approval.
Use Case in Oracle ERP:

PO Number: 7642 created successfully.
Use Case in Oracle ERP:

Query with the Purchase order.

Check the check box near to the lines that are received and click save.
Use Case in Oracle ERP:

Click the “Header Button” to view the Receipt Number.

Creation of Invoice.
Navigate to any Purchasing Responsibility and view à Requests Submit the below requests by providing the Receipt number as Parameter to create an invoice.
Use Case in Oracle ERP:

Change to any Payables Responsibility.
Open the invoices Form. Query for the Purchase order.
Use Case in Oracle ERP:

Click “Actions” Button then tick the “Validate Check Box” and press “Ok” to validate the invoice. Verify the Status of the Invoice.
Use Case in Oracle ERP:

**Creation of Accounting and Payment:**
- Once invoice got approved, we can “Create Accounting” and “Create Payments” via “Action” Button in the “Invoice Form” as we validated the invoice.

- Do the Final Post.

**Transfer to General Ledger:**
- Run the concurrent program “Payables Transfer to General Ledger” which will transfer the posting details to GL.
Q&A:
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