Ezine @rticles®

Electronic Purchase Order System - "Pain in the Neck" Or Crucial Job-Costing Tool

By Volker Bendel

Article Word Count: 546   [View Summary] Comments (0)

When running training classes for project managers, one of the issues coming up time and again is that projects look profitable only until after they have been completed. Only when some time later all third party invoices have been received by the accounts department and been allocated to the job bag, the profitability suddenly turns out to be much less favorable.

It doesn't have to be this way as a lot of information is readily available:

- In most cases there is a budget for a project agreed with the customer after the brief has been accepted. Part of this budget will be covering third party costs. A lot of thought and experience from similar jobs will have helped generating this budget.

- Project managers will more often than not also have some kind of (hand written or memorised) record of what they have ordered for their job. So all the information is available at a much earlier time than when the purchase invoice arrives.

That is where an electronic purchase ordering system comes in. It is an easy method to record forthcoming costs against jobs at the point of initiating them.

People are sometimes a bit concerned that using a computer to record those costs might be time consuming, but it only takes about half a minute to enter a PO, not longer than it would take to hand write a note with the additional benefit that - unlike a note - the information on the system can't get lost.

If any third party costs are recorded in the job bag at the time of ordering them, there won't be any surprises, when the invoices come in.

There will always be cases where costs change from what was originally budgeted for, but this will usually be discovered when the supplier is approached with the detailed work description during creation of the PO, not at the very end, when all the supplier work has been received and needs paying for.

If the price quoted by the supplier when ordering the work turns out to be more (or less) than the original budget, the budget can be amended accordingly. Ideally when preparing the initial budget and a quote to the client a mark-up was added that will cover cost rises. If this is not sufficient, the client may be contacted at the time of the purchase order and be informed of the changed costing allowing for either an increase in their budget or a change of the project brief.

An electronic PO system is therefore an excellent way to track actuals against budgets at the earliest possible time and avoid nasty surprises after a project is finalized.

In addition to this benefit from a job costing perspective, a computerized PO record will also save time for the finance department:

When the supplier invoice arrives, this invoice can then in an integrated job costing and accounting system be married to the PO that triggered it. Since this PO will contain all the details of work, there is no more typing in of invoice lines into the finance system required. If invoices come in higher

than the order value this is immediately flagged up and they can be questioned with the supplier.

A win-win result for the entire organization.

Volker Bendel is manager of the training department of Agency Software Worldwide, the producers of the "Paprika/Rebus" job costing software (http://www.paprika-software.com) (http://www.rebus-software.com) Originally from a legal background, he has several years experience in planning and implementing Job Costing and Accounting Software Systems in the Creative Industry. He has also delivered training courses in the UK, Europe, Dubai, the US and Australia. Prior to that he worked as a senior business consultant in Hong Kong and as a department manager of a design department in Hong Kong.

Article Source: http://EzineArticles.com/?expert=Volker_Bendel