

Date of Issue:

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POLICY

1. All entities and outlets shall follow the purchasing procedures set forth in this chapter unless specifically instructed otherwise. Policy and procedures relating to purchasing unique to CANEX are contained in Chapter 51.
2. This chapter deals with purchases of resale merchandise and expense items where payment is through accounts payable. Where purchases or expense items are purchased using petty cash or the Corporate Purchase Card, the procedures at Chapter 7 apply.
3. Forms CF 601 are accountable documents and must therefore be controlled in accordance with Chapter 6.

REQUIREMENT FOR RAISING PURCHASE ORDERS

4. A Purchase Order (PO) form CF [601\(Annex A\)](#), shall be prepared when:
 - a. merchandise is required from a supplier who will ship only as a result of receiving the PO;
 - b. supplier requests written confirmation of order given via telephone, telex, etc;
 - c. required to calculate detailed retail values for those outlets on retail accountability (excluding those instances covered by paragraph 5;
 - d. required for control over outstanding merchandise in transit;
 - e. resale merchandise is purchased with cash in an emergency situation;
 - f. resale merchandise is received as a sample, donation or free goods; and
 - g. the RAM/NPFAS or CANEX Mgr so directs.
5. A PO need not be prepared when:
 - a. part of a standing order is received on a regular scheduled basis;
 - b. receiving multi-delivery shipments in the same week from the same supplier;
 - c. merchandise quantities are not determined until time of delivery such as with deliveries of bread, milk, soft drinks, and ice cream;
 - d. the PO would be prepared after receipt of goods and therefore becomes merely a record of receipt or approval for payment form; and
 - e. the goods are being supplied by a local Base/Station outlet. Procedures for this type of transaction are provided at Chapter 22.

DISTRIBUTION OF PURCHASE ORDERS

6. After the PO has been raised and signed by the outlet manager or authorized personnel, the PO is distributed as follows:
 - a. Copy No.1 (White) - sent to the supplier;

- b. Copy No.2 (Yellow) - maintained in outlet's "Open Order File" pending receipt of the goods; and
- c. Copy No.3 (Pink) - held with yellow copy pending receipt of the goods.

PROCEDURES WHEN PURCHASE ORDER IS NOT ISSUED

7. When a PO has not been raised to cover merchandise received, the following procedures shall be followed:
 - a. the outlet manager and the supplier's representative shall agree to conditions of delivery;
 - b. the supplier's representative will, at the time of delivery, provide an itemized delivery invoice showing product description, quantities shipped, and invoice prices with full extensions and totals;
 - c. the outlet staff shall verify the quantities and condition of merchandise received; and
 - d. the outlet manager shall record the retail value (if on retail accountability) of merchandise received on the delivery invoice and acknowledge receipt.

NOTE: A rubber stamp on the face (space permitting) or reverse of the delivery invoice will be used to record the above information. The information contained on the rubber stamp must at least include the following:

Outlet/Dept _____
 Date Received _____
 Received by _____
 Total Invoice (At Cost) _____
 Total Invoice (At Selling) _____
 Approved for Payment By _____

RECEIVING OF MERCHANDISE

8. Upon receipt of merchandise, the outlet manager shall:
 - a. obtain copies 2 and 3 of the PO from the Open Order File (if a PO has been prepared) or, the copy of supplier's invoice shipped with the merchandise;
 - b. count the quantity received against that listed on the PO or invoice and check for visible damage;
 - c. sign the delivery slip or invoice annotating any damage or discrepancy in quantity and obtain the driver's signature acknowledging the damage or discrepancy as the case may be;
 - d. check the cost price, as indicated on the supplier's invoice, against the PO or other store cost records which should be maintained by both retail and cost controlled outlets;
 - e. when a discrepancy occurs, prepare a Request for Credit Form (CF 1333) against either the supplier or carrier. After determining the reasons for the discrepancies, the following action shall be taken:
 - i. Price Discrepancy
 - (a) when the invoice price is determined to be correct, the PO copies shall be changed at cost and the new sell price established and noted on the PO. Note that this will lead to a requirement to re-ticket merchandise and process mark-

downs or mark-ups for merchandise sold at the incorrect price and/or merchandise which existed prior to this delivery; or

- (b) when the PO price is determined to be correct, a Request for Credit Form (CF 1333) shall be raised and actioned as per Chapter 24.

ii. Quantity Discrepancy

- (a) when the invoice quantity is determined to be correct, all copies of the PO shall be amended. No other adjustments are required; or
- (b) when the PO quantity is determined to be incorrect a Request for Credit Form shall be raised and actioned as per Chapter 24.

NOTE: In the case of a quantity difference or pricing error on an internal merchandise transfer then the CF 603 shall be changed at the time of pickup or delivery and the change initialed by both parties so that a Request for Credit Form will not be required

- f. price the merchandise at retail value (where applicable) and forward it to the selling area of the outlet or to the storage room;
- g. attach copy 2 of the PO to the supplier's invoice and process it according to paragraphs 12 to 14; and
- h. retain copy 3 of the PO for information and record purposes.

BACK ORDERS

- 9. If the order is incomplete and a back order is required, the receiver shall:
 - a. return copy 3 of the PO (properly annotated to indicate items back ordered) to the outlet's "Open Order File";
 - b. on receipt of the back order, obtain the applicable copy 3 of the PO from the Open Order File;
 - c. originate a new PO for the back ordered merchandise received;
 - d. check the merchandise received to the PO according to paragraph 10;
 - e. process the copies of the PO according to paragraphs 12 to 14; and
 - f. if the order is still not complete and the balance of the shipment is expected to be received, repeat steps a. to e.

PROCESSING OF INVOICES

- 10. For cost controlled outlets, the outlet manager shall:
 - a. after properly receiving merchandise as detailed in paragraph 8, extend and add the supplier's invoice;
 - b. sign for the receipt of the goods and approve for payment in the appropriate place on the PO or, if a PO was not used, complete the information as required on the rubber stamp placed on the supplier's invoice;
 - c. after properly receiving internal merchandise transfers as detailed in paragraph 8, check the extensions and additions of the applicable CF 603; and
 - d. on a daily basis, submit to the NPFAS the POs, suppliers' invoices and MRs under cover of one DND 728.
- 11. For retail accountability outlets, the outlet manager shall:
 - a. after properly receiving merchandise as detailed in paragraph 8, extend and add the

- supplier's invoice and PO (where applicable) at cost and retail;
 - b. sign for the receipt of the goods and approve for payment in the appropriate place on the PO or, if a PO was not used, complete the information as required on the rubber stamp placed on the supplier's invoice;
 - c. after properly receiving internal merchandise transfers as detailed in paragraph 8, check the extensions and additions of the applicable CF 603 at both cost and retail;
 - d. on a daily basis, submit to the NPFAS the POs, suppliers' invoices and MRs under cover of one DND 728.
12. Invoices covering expense items (repairs, telephone, etc) that have been properly approved shall be annotated with the expense coding and submitted under cover of the daily DND 728.

ACTION BY THE NPFAS

13. The NPFAS shall process the supplier's invoices and POs in accordance with [Chapter 19](#).
14. The NPFAS shall process the Merchandise Requisitions and NPF Invoices in accordance with [Chapter 22](#).

SPECIAL PROCEDURES

15. Special purchasing procedures have been developed for purchases of liquor, wine, and beer at those locations where the responsible provincial agency require payment at the time of delivery or pick-up. However, RAMs should arrange EFT payment or automatic debit to authorized bank accounts if possible.
16. These procedures are:
- a. the purchasing authority shall raise a PO and deliver copy 1 to the NPFAS;
 - b. the purchasing authority shall obtain either an itemized receipt or cash register tape from the supplier;
 - c. the receipt is to be attached to the PO;
 - d. the NPFAS shall confirm the accuracy of the cost prices shown on the PO with the approved price list and provide the purchasing authority with the necessary cheque;
 - e. the NPFAS shall verify the information in the normal manner and process the PO in order to have a payment cheque available at the time of merchandise delivery. The cost is to be charged to Prepaid Expense and transferred to Purchases when the receipted delivery slip is received.

MERCHANDISE CASH PURCHASES

17. Merchandise purchases (for resale) shall not be paid for in cash unless emergency situations dictate. Where such a situation occurs, a PO must be raised. The PO and the supporting paid invoice is to be submitted to the NPFAS under cover of the daily DND 728. The petty cash/employee providing the purchase funds will be reimbursed accordingly.

PURCHASE DISCOUNTS

18. All income earned from suppliers through the purchase of merchandise (volume rebates, merchandise allowance, promotional allowances, free goods display allowances, etc) which is shown as a deduction from the invoice or received by subsequent credit note or cheque

must be credited to the applicable departments' purchases account. Income from suppliers is not directly credited to purchases in the following cases:

- a. advertising income shall be credited to "Advertising Expense" only when the charge to the supplier was to offset a specific advertising expense incurred, such as a newspaper ad or handbill; and
- b. promotional allowances sponsored by CANEX HQ shall be credited to the account designated by CANEX Headquarters.

DONATIONS, SAMPLES, AND FREE GOODS

19. Donations, samples, and free goods shall be covered by a purchase order. The receiving outlet shall complete the purchase order to show full details of the goods received and shall insert the notation donation, sample or free goods after the suppliers' name. Normal receipt action shall be taken. Suppliers shall be requested to issue a "no cost" invoice for these items, which are to be brought on inventory at a zero cost and normal selling price.

FREIGHT

20. The cost of shipping merchandise from the suppliers point of origin to the Base is considered a freight cost and shall be charged to "Freight Account" (by department if applicable) which is part of the "laid-in cost" of the merchandise.
21. When the supplier ships the merchandise prepaid, there is no individual freight charge as the supplier has included the cost of shipping the goods in his invoice price.
22. When the supplier ships the merchandise to the base on a "collect" basis, the freight costs are charged to Freight and shall be processed under the Direct Payment Control Method. Under this system, the freight costs are not recognized until the invoice is received and processed. The charge for the collect freight cost is to the freight account of the applicable department and is shown at cost only as the retail value is included in the amount shown on the invoice register when the supplier's invoice is processed.

MERCHANDISE RECEIVED BUT NOT INVOICED (MRNI)

23. Inaccuracies in financial information and weaknesses in inventory control are two major problems resulting from the practice of selling merchandise that had not been invoiced and therefore not taken on inventory. To address these problems, a method of accounting for merchandise received but not invoiced must be established.
24. Upon receipt of merchandise that has not been invoiced, the outlet manager shall:
 - a. Make every attempt to receive a fax copy of the invoice, if not available then;
 - b. Record the cost and retail price of the merchandise on the Purchase Order (PO); and
 - c. Submit the PO with the packing slip to the NPFAS under cover of the daily DND 728. The PO number recorded on the DND 728 must indicate that no invoice is included (eg. PO 1234567 (no invoice)).
25. Upon receipt of the PO and packing slip from the outlet, the NPFAS shall process the supporting documents on a SUIGEN, through the supplier record Accounts Payable - MRNI. The NPFAS retains the PO and packing slip directly on a pending file in the local office.
26. Upon subsequent receipt of the invoice, the outlet manager shall:
 - a. verify the invoice with this copy of the PO; and
 - b. submit the invoice to the NPFAS under cover of the daily DND 728. The invoice number recorded on the DND 728 must refer the PO previously submitted (eg. PO 1234567 (no invoice) submitted on DND 728 Retail 52/xx).

27. Upon receipt of the invoice from the outlet, the NPFAS shall remove the PO and packing slip from the pending file, reverse the entry actioned in para 25, and process the purchase as per normal. If there is a discrepancy between the invoice and the PO, the NPFAS shall ensure that the correct amount is processed so that subsequent adjusting entries are avoided.
28. At month end, the NPFAS shall:
 - a. obtain a total current cost value for all POs remaining in the pending file and ensure it balances to the Accounts Payable Report (SUAGED) of the SU record for that entity; and
 - b. forward a copy of the Accounts Payable Report to the entity manager for action under cover of memorandum to the manager (sample at [Annex B](#)).

YEAR-END PROCEDURES

29. The Purchases account is to be closed to Equity in the same manner as other Revenue and Expense Accounts.

OUTLETS UNDER OTHER THAN RETAIL ACCOUNTABILITY METHOD

30. These MRNI instructions are equally applicable to outlets accounted for on the cost accountability method. Naturally there would be no adjustment made to a retail inventory account, but adjustments to the appropriate cost accountability record shall be made. Where there is no packing slip, cost will be estimated based on the delivery slip and previous cost information.

[Annex A - Purchase Order \(PO\) form CF 601](#)

[Annex B - Accounts Payable Report](#)