AccountMate
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Article # 1180

Technical Note: Pricing Hierarchy in the Purchase Order Module

Difficulty Level: Intermediate Level AccountMate User

Version(s) Affected: AccountMate 6.5 for SQL/MSDE and
VAM/LAN Version 5

Module(s) Affected: PO

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DESCRIPTION

AccountMate offers various pricing features which control the prices that the system uses as default when creating purchase order/quotes. Depending upon how AccountMate is set up, each pricing feature will provide a default unit price on items entered on a purchase order (PO). This TechNote discusses the pricing options available and illustrates the priority that AccountMate uses to determine what unit price will be provided as the default for each line item on a PO.

SOLUTION

AccountMate follows a definite priority scheme that controls the default unit price for each line item on a PO. The following are the default unit price types used by the system, listed according to their priority in the hierarchy:

1.) Inventory Vendor Price

This price is the one provided by the vendor from whom you are purchasing and is set up in the **Inventory Vendor Maintenance** function. You can set up several vendor records for an inventory item or designate all inventory items as supplied by a single vendor. For more information regarding these two options, as well as other information about the **Inventory Vendor Maintenance** function, refer to the Online Help.

Once you have set up an inventory vendor record for an item, AccountMate will use the default unit price and vendor specified there. If you create multiple inventory vendor records, the system computes from among all of them the best price and uses the best price as the default unit price. The best price is the lowest vendor price calculated by the system after taking into consideration each of the vendor prices; the item's unit of measurement; and, in multi-currency situations, the vendor currency.

Note: *The best price rule applies only to purchase orders created through the* *Create Purchase Order by Item*, *Create Purchase Order by Sales Order* *and* *Create Purchase Order by Reorder Quantity* *functions.*

If you are using the *Create Purchase Order by Vendor* *function, the default unit price is the price offered by the vendor for whom you are creating the purchase order. If the vendor is not one of the vendors defined in the inventory vendor record, the next order in the hierarchy is used.*

You can also set up a default vendor in the system. In most cases, the default vendor is your preferred vendor regardless of the price it is offering for the item; however, indicating a default vendor does not set the default unit price to the price offered by the default vendor. The system still uses the best price among all the vendor prices.

2.) Last Received Cost

In the Vendor Maintenance function you can set the system to use the last received cost as the default unit price when creating a PO for that vendor; however, items for which you desire to use the last received cost should have no inventory vendor record set up. If you set up an inventory vendor record the system uses the best price even though you activate this option. For more information about this setting and other details about the Vendor Maintenance function visit the Online Help.

Note: *This feature is available only in AccountMate 6.5 for SQL/MSDE. For VAM/LAN Version 5, Average Cost (the next item on the list) is used as the default unit price in the absence of the Inventory Vendor in the hierarchy.*

3.) Average Cost

The system uses the average cost of the item as the default unit price if the item does not have an inventory vendor price and the vendor from whom the purchase is made was not set up to use the last received cost. The average cost is used regardless of the cost method defined for the item.

4.) Zero

If the item for which you are creating the PO is a newly created item and has no inventory vendor price defined, the default unit price is zero.

Sample scenarios are provided below to illustrate the above discussion:

```
Inventory Item: Bracket

Inventory Vendor Record
Vendor#          Vendor Price
AFF1             $15
CBA32            $25
CLF32            $20


Default Vendor: CLF32
Inventory Cost Method: FIFO
Next FIFO cost: $10
Average Cost: $18


Record of Latest Purchases
Vendor#          Received Date          Unit Price
AFF1             05/10/05               22
CBA32            03/01/05               25
CLF32            04/01/05               20


Vendor Settings:
AFF1 – Use Last Received Cost option activated; Expire Days = 30
CBA32 – Use Last Received Cost option activated; Expire Days = 30
CLF32 – Use Last Received Cost option not activated
```

Scenario 1

When you create a PO on May 31, 2005 using the **Create Purchase Order by Item** function, the default vendor is AFF1 and default unit price is $15, which is the best price.

Scenario 2

If no inventory vendor record is setup, the default unit prices for each of the 3 vendors when you create a PO on March 31, 2005 using the **Create Purchase Order by Item** function are as follows: *AFF1 -> $22; CBA32 -> $18; CLF32 -> $18*

Scenario 3

If no inventory vendor record is setup and the last received cost option is not activated, the default price of the item when you create a PO on March 31, 2005 using the **Create Purchase Order by Item** function is $18.

Understanding how AccountMate's pricing hierarchy affects the PO module will enable you to properly set up the system so that you can take full advantage of its default pricing design.

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including direct, indirect, incidental, consequential, loss of business profits, or special damages, even if AccountMate has been advised of the possibility of such damages.