**TYPES OF PURCHASE ORDERS**

Banner allows three types of purchase orders: Regular, Standing and Blanket.

**Regular Purchase Order**: Use when all commodities have quantity and unit prices. Funds will encumber.

**Standing Purchase Order**: Use for purchases that don’t require quantity and unit prices. Funds will encumber. This might be useful in situations where there will be multiple payments that are not specifically known up front. For example, a PO for consulting services where periodic invoices will vary. Payments will be applied to the overall PO amount. A fixed asset account may not be assigned to a standing order. Fixed assets need to have a quantity and amount per commodity and standing orders do not use quantities. An error message will occur if a fixed asset account is attempted on a Standing Order.

**Blanket Purchase Order**: A blanket order is a master document that permits tracking of multiple transactions related to a specific vendor and/or project. Multiple year projects or agreements may be recorded using blanket orders. Blanket orders do not require FOAPAL codes therefore do not encumber. Invoices cannot be paid against a blanket order. A regular PO must be created against the blanket order referencing the blanket order in order to identify the FOAPAL codes, establish an encumbrance, and make payments. Blanket orders are used as an internal tool to manage complex or multiple year projects such as building construction. Be advised that using a blanket order will involve complex tracking, adjusting and payment processes.

**Multiple Year Agreements**

**Using a regular order for multiple year agreements (where separate payments are made each year)**

The terms of the contract should be outlined in the body of the PO but the PO will be issued (and encumbered) for the current year expenditure amount only.

At the start of each successive year, a new PO should be issued for that particular year’s expenditure amount. Each year will have its own PO and encumbrance. The PO copy feature will be useful for generating successive year PO’s.

**Using a standing order for multiple year agreements (where separate payments are made each year)**

The same process for a regular order multiple year agreement will apply to a standing order. The terms of the contract should be outlined in the body of the PO but the PO will be issued (and encumbered) for the current year expenditure amount only.

At the start of each successive year, a new PO should be issued for that particular year’s expenditure amount. Each year will have its own PO and encumbrance. The PO copy feature will be useful for generating successive year PO’s.

**Multiple year agreements where full payment must be paid up front in the first year**

Purchase orders are not recommend in cases of multiple year agreements where payment is required up front. A requisition is most efficient. The first year payment will use regular expense FOAPAL codes but the future year expenses must be coded to a prepaid expense account (balance sheet, asset account). There is no advantage to issuing a PO in this case as the invoice is in hand and any encumbrance would be immediately liquidated upon payment. Also, PO testing has showed that a single PO cannot contain both a general ledger account (balance sheet) and expense accounts.

The purchaser should complete a Requisition Form to pay the vendor. Expenses related to the current year should be charged to expense accounts. Future year expenses should be coded to a prepaid account (180000). A good practice would be to review the situation and payment coding with Accounts Payable staff before submitting the requisition for payment. Although the full amount will be paid, expenses will only be incurred for the current year. In each of the following years the prepaid expense account will be reduced by one year's worth of expense and the departmental expense accounts will be charged one year of expense. Over the course of the multi-year agreement, one year's worth of expense will be charged each year to the departmental expense account. See an example at: <http://www.snc.edu/financedepartment/login/Prepaid-expense-example.xlsx> .

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| **Item** | **Regular** | **Standing** | **Blanket** |
| Encumber funds | Yes | Yes | No |
| Invoice payment unencumbers funds | Yes | Yes | No (encumbrances not applied) to blanket orders |
| Order shows commodity (item) quantity | Yes | No | Yes |
| Fixed asset purchases allowed | Yes | No | Yes |
| FOAPAL codes required | Yes | Yes | No |
| Termination date | No | No | Yes |
| Document closed | When invoice indicates final payment or manually closed using FPAEOCD. | When invoice indicates final payment or manually closed using FPAEOCD. | On termination date. |