

THE PURCHASING AND PROCUREMENT CYCLE

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To meet the needs of its many customers, **maestro*** has a procurement cycle which offers various avenues and features. Each of its components works in harmony with the others to create an efficient transaction flow that benefits all of the process' stakeholders. At the heart of this process are the orders, around which estimations and quotations converge, the resources and requisitions, from which releases and receipts of goods are derived, implicitly or not, invoicing, and payment receipts.

Although many of the steps forming this cycle are optional in **maestro***, when combined, they can speed up the information processing time and reduce the risk of errors. What's more, many of these can be performed directly from the construction site, using the **maestro*MOBILE** application. In short, **maestro***'s purchasing and procurement cycle is highly flexible, efficient, and adapts to the realities and needs of the different verticals in the construction industry.

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ORDERS, A BASIC CONCEPT

As previously mentioned, **maestro***'s purchasing and procurement cycle is built around the orders. Indeed, whether or not an inventory is kept, placing orders in **maestro*** is a must for any company that wants to keep track of budgets and incur project costs. While order entry in **maestro*** can have an operational impact, there are many benefits, both from a financial and time-saving perspective. Furthermore, the time spent on order entry is recovered during the billing process.

Orders in **maestro*** offer many advantages and features, such as:

- Costs are incurred at the project level, giving better visibility on cost projections;
- Orders can be placed with or without an item catalogue in **maestro***, whether an inventory is kept or not;
- The invoice approval process is simplified;
- Prices are validated and it is possible to display the latest supplier prices associated with an ordered item;
- Follow ups can be done on outstanding items;
- Orders can be linked, or not, to a requisition, a service call, or a work order;
- Receipts of goods can be performed, which has the effect of enabling the management of accrued costs;
- Returns of goods can also be made;
- It is possible to take into account certain costs (customs, transport, etc.) which will be charged separately but which should be included in the average stock costs or in the costs allocated to projects;
- Etc.

To address the different needs, several types of orders are possible in **maestro***:

- **Basic Orders**, a basic functionality
- **Catalogue Orders**¹, the majority of orders placed in **maestro***

Items ordered from the catalogue are necessarily associated to a project or inventory. To be linked to the inventory, the **maestro*** catalogue option² must be used.

- **Project Orders**, also called internal orders

A project order allows to place an order on material already associated with a project, which may or may not have been manufactured in-house. It is usually a feature of profit centres³; it is a kind of internal procurement. For example, an order for panels for a project might be placed with another division of the company that manufactures panels itself. Costs will necessarily be incurred to the project.

Project orders facilitate the transfer of costs from a source project to a destination project by providing the customer with a structured framework to do so.

- **Subcontracts**

¹Despite their name, the use of the **maestro*** catalogue is not required.

²Refer to the **The maestro* Catalogue** document if needed.

³Refer to the **Cost Centre VS Profit Centre Notions** document if needed.

A subcontract is a sort of order placed with a subcontractor. This type of order has the advantage of being able to add change orders and use separate forms from the original order for these change orders. Several versions of the order can therefore be printed and the user has the order's change history.

Note that through an option called **Subcontractor Work Progress**, it is now possible, in **maestro***, to approve construction work and thus generate accrued costs that will be reversed once the invoice is entered, as is the case for receipts of goods from catalogue orders.

MATERIALS, RESSOURCES, AND REQUISITIONS

For most companies whose main activity is the management of construction projects, the purchasing and procurement cycle starts with the estimation of the needed materials and items, as well as the estimation of the required quantities. Different estimation methods can be used; some customers merely use an Excel file devoted to this purpose while others will focus on automating the process using **maestro***'s features, such as quotations and estimations.

Afterwards, the project resources must be created and identified. Let's recall that a resource is a list of materials required to complete a project or part of a project. It's sort of like a project's catalogue. A project can be made up of one or more resources; some prefer to create a resource by stage or sector, for example. Establishing the resources needed for a project also speeds up the completion of requisitions and orders, and avoids errors. Furthermore, the addition of items to the list of resources initially ordered can identify errors in the initial estimate and/or highlight change orders.



Finally, material requisitions can be created from resources. It is possible, from only one resource, to create one or more requisitions to, for example, space them out over time if needed. The user can also, at any moment, add items that are not part of the original resource list. Requisitions also go hand in hand with the presence, within the organisation, of one or more buyers dedicated to handling them.

It goes without saying that having an established process and completing the quotation - resource - requisition and ordering steps in **maestro*** reduces processing time and the risk of errors. The user avoids entering the same item codes repeatedly and as all information is automatically copied from one step and option to another, manual input errors are avoided. When producing a requisition, the workers on site only have to select the resource items and are assured of requesting the adequate items. Thus, if there are, for example, ten different types of wires available, the one to be used will be specified in the estimate. Unless there is a mistake on the

estimate, everything that needs to be requisitioned, ordered, and used should already be listed and not require any research on the part of the worker.

Of course, all of these steps can be integrated to the **maestro*** catalogue, which can or not be used complementarily.

RECEIPT OF GOODS

In **maestro***, receipts of goods can be performed before invoicing or implicitly when the invoice is entered. The use of **maestro***'s **Receipt of Goods** option, as opposed to automatic receipts, has the advantage of allowing, if desired, the entry of received quantities links to an order and unit conversion if applicable. What's more, the inventory is updated upon the transfer of this transaction and the accrued costs accounts can be charged.

If the Receipt of Goods option is used in **maestro***, the invoice breakdown grid is automatically completed. Otherwise, the entry of received quantities must be done manually. Receipts of goods can also be used by companies that do not manage an inventory and be put in place as a management and/or control procedure. In any case, they make it a lot easier to enter invoices in **maestro***.



When receipts of goods with accrued costs make up a step of the procurement cycle, companies who use work order and cost plus invoicing appreciate being able to quickly charge customers. Furthermore, receipts of goods can be performed directly in the **maestro*MOBILE** app. The photo of the delivery slip can be added to the daily entry. Let's also mention that receipts of goods make it possible to trace items and materials. That way, serial numbers or steel casting identification numbers (MILs) can be recorded so you know specifically which items/materials have been sent to a site or project. The billing step then confirms the receipt of an invoice linked to an order entered in **maestro*** and the supplier's account payable is charged. The incurred costs are reversed and, if applicable, the accrued costs entry, previously transferred during the receipt of goods, is cancelled and replaced by the real accounting entry. The payment of said invoices closes the purchase cycle.

Request for Delivery

An option called **Request for Delivery** allows to ask a supplier to perform multiple deliveries for a same order. This feature is particularly useful when quantities to be delivered are great and storage space is limited. Multiple invoices are therefore linked to the same order.



Maestro* allows multiple deliveries to be linked to one invoice or multiple invoices to be linked to one order. However, the software does not allow to link multiple orders to a single invoice.

Accrued Costs Management

Maestro* allows to manage receipts of goods with or without accrued costs and adapts to the company's needs.



REMINDER: The term "accrued" refers to a product or service received, but for which the supplier's invoice has not yet been received nor charged to the books. The cost of the products or services has, on the other hand, been applied to the project or inventory, hence the creation of the accrual. Accrued costs are costs incurred with suppliers. For example, an air conditioner that has been delivered, installed, and paid for by a customer but for which the invoice has not yet been entered into **maestro*** or received from the supplier.

With Accrued Costs

A receipt of goods with accrued costs means that these are accounted for. Accrued costs are reversed upon saving the supplier's invoice. The accounting of accruals is necessary to the efficient management of an inventory. Each invoice needs to be linked to a receipt of goods. Obviously, having a warehouse and a preexisting receipt of goods process are encouraged for companies that manage an inventory in order to properly control the ins and outs of merchandise.

The receipt of goods with accrued costs method has the advantage of keeping average costs more stable. A catalogue adjusting method should be put in place for invoicing to ensure the accuracy of inventory costs. On the other hand, this method forces buyers to be as precise as possible about the value of their purchases and requires that a tight management process be put in place for inventory entries and removals. Without a rigorous management of costs linked to purchases, discrepancies between the amounts invoiced to customers and charged to accruals and those invoiced after the fact by the supplier could arise (where cost plus invoicing⁴ is used).

⁴Refer to the **The Different Invoicing methods in maestro*** document if needed.

Without Accrued Costs



A receipt of goods without accrued costs does not result in any charges being made to projects and accounting entries in the books. Charges are made once the supplier invoice has been saved. Several receipts of goods can therefore be performed for a single invoice. Note, however, that if invoices are late in coming in, the profitability of the project seem skewed at first sight.

The Location and Localization Concepts

Companies are generally made up of various locations, for example: warehouses, garages, trucks, etc. **Maestro*** takes into account these locations. Indeed, it is possible to define the location and localization of items and, by doing so, track inventory movements from one location to another without having to place an order. Multiple locations can be assigned to a single item; this is known as multi-location, one of them designated as the primary location. Multi-location is therefore synonymous to multiple physical locations where items can be stored. These locations can be permanent or moveable. As such, a warehouse or garage is considered a location in the same way as a ventilation technician's truck or a container. In addition to locations, **maestro*** also provides localization, which refers to the shelves or rows where an item is stored at a location.



Companies who use the **maestro*** multidimensional mode also benefit from the multi-location inventory management system. Inventory can be managed using prefixes and items can easily be transferred from one company to another; the software generates the intercompany entries. Other companies instead decide to centralize their inventory in a "master" company; the latter performs all material purchases and supplies the other companies to meet their needs. Intercompany entries are also generated in this case. For more information, read [Maestro*'s Multidimensional Mode](#) **maestro*WAY** concept. .

MAESTRO*: EQUIPPED TO MANAGE PLANNING

Companies with a well-functioning and controlled supply system will certainly want to take advantage of "just-in-time" inventory and order management. **Maestro*** has an MRP (*Materials Resources Planning*) tool to do just that. This planning and decision help tool performs a number of calculations, fed by **maestro***'s database and information entered by the user. More precisely, it helps companies to better calculate which items and materials they need, when and in what quantities. The Production Resource Planning tool is an option that:

- facilitates and automates material orders by consolidating all requisitions;
- feeds inventories, taking into account the minimum and maximum quantities to be kept in stock;
- allows stocks to be grouped together and quantities to be validated;
- takes into account the supplier delivery times and applies the principles of Just-in-Time (JIT) management;
- Etc.

Whether **maestro***'s MRP is used to its full potential or not (for example, its use can be focused on the calculation of minimum and maximum quantities), this tool is worth considering for anyone concerned with good inventory management and planning.

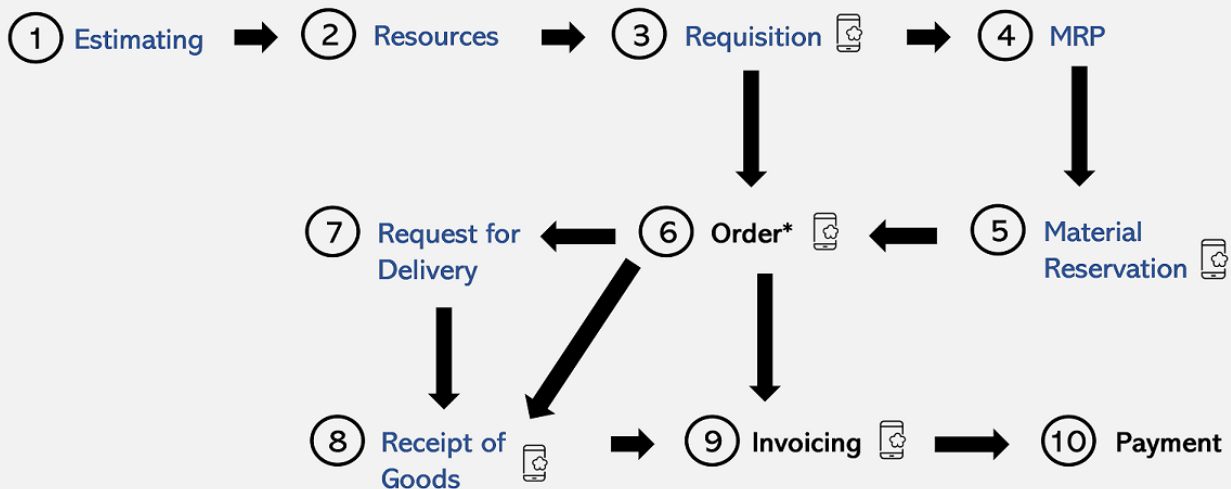
A functionality dedicated to the reservation of materials, both on the project and service call levels, is also offered to companies that tightly manage their inventory and resources. It is therefore possible to have better visibility of stocks and to distinguish the quantity of items held by the company from the quantity of items actually available for projects.

TRANSACTION WORKFLOWS

With the exception of orders, invoices and payments, which are common to all companies, it goes without saying that the procurement cycle scenarios in **maestro*** are as many and as varied as the needs and processes can be.

The following diagram illustrates all the possible transactions in a standard purchasing and procurement cycle. The steps shown in black are essential to the execution of a purchase cycle in **maestro*** while those in blue are optional; some companies choose to run them in parallel, without **maestro***, or not to use them at all. Finally, the mobile phone pictogram means that the step, whether mandatory or not in **maestro***, can also be performed in the **maestro*****MOBILE** application.

General Purchasing and Procurement Cycle



*Inventory-Project Transfer; Inventory-Site Transfer

APPROVAL PROCESSES AND PAYMENT AUTHORISATIONS

A functionality named **Workflow Management** has been developed to allow various mechanisms to be put in place to obtain approval and alert certain key players when a transaction meets certain conditions. Therefore, when the conditions are met, a process is triggered and the responsible person must give their approval for the transaction to proceed. In addition, a process may have more than one approval step, involve several actors and different types of variables (equal, not equal, contains, does not contain, is between). **Maestro*** can be set up to send an email or text message to one or more specific recipients about a specific transaction, such as a receipt of goods worth more than \$50,000. Many different scenarios can be set up to suit the needs of all companies. The following transaction types may currently be associated to an approval or alert process, or are in the process of being so:

- Project purchase;
- Orders;
- Disbursements;
- Receipts of goods;
- Transactions generated from subcontracts;
- Inventory-project or Inventory-site transfers;
- Sales;
- Etc.

Payment authorization workflows can also be set up in **maestro***. These differ somewhat from the processes presented above in that the objective is not to enable the transfer of a transaction, but to make the payment of an invoice possible by changing the payment authorization code.



When **maestro***'s multidimensional mode is used, workflows can easily be copied from one company to another. View the **maestro*WAY** concept [Maestro*'s Multidimensional Mode](#) for more information.

REMINDER

- **Maestro***'s procurement cycle offers various avenues to serve the needs of customers in different sectors. Orders are at the heart of the process and placing them using **maestro*** has many advantages.
- Depending on a company's complexity, optional features are available. Furthermore, many are compatible with the use of **maestro*MOBILE**.
- **Maestro*** has an MRP option that helps companies calculate exactly which items and materials they need, when and in what quantities.
- The software allows you to define the location and localization of items and, thus, track inventory movements from one place to another without having to place an order. Multi-location is when several possible locations are associated to the same item.
- In **maestro***, receipts of goods can be implicit or not. The **Request for Delivery** option also allows to partially receive an order, i.e. as the products are to be used. Receipts of goods can be performed with or without accrued costs.

REMINDER

- A feature called **Workflow Management** allows various mechanisms to be put in place to obtain approval and alert certain key players when a transaction meets certain conditions. Payment authorization workflows can also be set up in **maestro***.

FOOD FOR THOUGHTS - THE PURCHASING AND PROCUREMENT CYCLE

- ☐ How is the inventory decrease performed/accounted for, if applicable?
- ☐ Do you record accrued costs?
- ☐ Does your organization have estimators, buyers, storekeepers?
- ☐ Is there close management of the inventory, if any?
- ☐ How, and by whom, is the list of items needed for a project established?
- ☐ How are these needs communicated between the different stakeholders?
- ☐ Are items stored in a single place?
- ☐ Is there an approval and/or verification process for orders / receipts of goods / payments?
- ☐ Can there be multiple receipts of goods for a same order?
- ☐ Do you, or will you, use **maestro*MOBILE**?