

# Policy Code # A-FN-105-001/AG-001

## Chapter 51: Purchases - CANEX Retail Outlets and Central Billing

Date of Issue:  
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### INTRODUCTION

1. The CANEX Purchase Order (form DND 1353) shall be used for all purchases by retail stores and other CANEX outlets for departments on retail accountability and for warehouses. All other CANEX outlets shall use form CF 601 Purchase Order and Receipt to order and control merchandise. Central purchases (those which are made by CANEX HQ on behalf of base/station outlets) are recorded on CANEX form 2293-XXXX, HQ Distribution Purchase Order.
2. The usage and distribution of forms CF 601 shall be as outlined in Chapter 21.
3. Forms DND 1353 and CF 601 are accountable documents and must therefore be controlled in accordance with Chapter 6.
4. The HQ Distribution Purchase Order (DPO) shall be controlled in accordance with the CANEX Policy and Procedures Manual, Merchandising 607.

### ORDERING MERCHANDISE

5. The department supervisor will comply to stock control requirements as directed in the CANEX Policy and Procedures Manual, Merchandising 605 and 606. Where stock levels indicate a requirement for additional merchandise, the Purchasing Clerk will take action as follows:
  - a. Prepare a PO listing all the required information such as supplier, terms, date originated, shipping instructions, items and quantity ordered, cost and sell price, and any special instructions;
  - b. If the supplier offers a cash discount for prompt payment or offers dated terms, attach either a red discount or green dated invoice tag to the PO. It is important that POs with special terms be clearly identified for special action apart from the routine document stream. These special terms include discounts for prompt or early payment and single or multiple payments over a specified period of time. Identification of POs with these special terms is done by affixing a coloured tag to the PO thereby immediately alerting each person during the processing and payment steps to the requirement for special action;  
**NOTE:** Coloured tags denote purchase and payment terms as follows:
    - i. Red - discount available if payment is made by a specified date; and
    - ii. Green - extended terms - payment deferred until a specific date or payments made by instalments.
  - c. Total the PO at selling price and enter the totals and the PO number on the Open-to-Buy portion of the white copy of the PO;
  - d. Enter date originated, supplier, and department number against PO number in PO control register ([Annex A](#)); and
  - e. Pass completed POs to the manager.
6. The manager will then:

- a. Review the PO for accuracy, markup, and quantity ordered;
  - b. Adjust the quantities ordered if required. Ensure changes at retail are noted on the white copy of the PO;
  - c. Enter the cancellation date for the order on the PO;
  - d. Tear off the right hand strip "Open-to-Buy" (OTB) of the white PO copy and record retail totals in the Open to Receive Register, as directed in the CANEX Policy and Procedures Manual, Operations 419; and
  - e. Sign the PO and pass it to the Purchasing Clerk/Stock Control Clerk.
7. The Purchasing/Stock Control clerk will then separate and distribute the PO as follows:
- a. Copy No. 1 (white) is sent to supplier; and
  - b. Pass the other copies to the Receiving Section for filing in the Open Order File. Ensure that red discount or green dated tags are attached to these copies.

## ORDERING NEW MERCHANDISE

8. The department supervisor or Purchasing clerk will:
- a. Prepare a PO, listing all the required information such as supplier, terms, date originated, shipping instructions, items and quantity ordered, cost price only, and any special instructions;
 

**NOTE:** CANEX has standardized their supplier order forms for various departments. The order form is organized by department and includes item descriptions and the cost prices and retail prices. The total cost and retail prices will be indicated on the copy of the order form that is subsequently processed with the purchase order and the invoice, through the invoice register and the RAR. Instead of transcribing all the information on the order form to the purchase order, only the totals shall be carried forward to the purchase order. The purchase order shall be annotated with the words "as per attached". A copy of the order form with retail values will be attached to the purchase order and verified as per normal by the NPFAO prior to posting.
  - b. Establish the markup in accordance with the CANEX Policy and Procedures Manual, Merchandising 602, and insert the unit selling price on the PO;
  - c. If the supplier offers a cash discount for prompt payment or offers dated terms, attach a red discount or a green dated invoice tag to the PO;
  - d. Total the PO at selling price and enter the totals and the PO number on the Open-to-Buy portion of the white copy of the PO;
  - e. Enter the date originated and the supplier and department number against the PO number in PO control register; and
  - f. Pass the completed PO to the store manager.
9. The store manager will then:
- a. Review the PO for accuracy;
  - b. Enter the cancellation date for the order on the PO;
  - c. Tear off the right hand "Open-to-Buy" strip of the white copy and record the totals in the Open to Receive Register; and
  - d. Sign the PO and pass to Purchasing Clerk/Stock Control Clerk.
10. The Purchasing/Stock Control clerk will action the PO in accordance with para 7.

## RECEIVING

11. The receiving supervisor will:
  - a. Receive all 3 copies of the PO from Stock Control Clerk (with carbon intact);
  - b. place the PO on the Open File in alphabetical order by supplier for each department;
  - c. Receive the merchandise from the carrier;
  - d. Count the number of pieces and check for visible damage;
  - e. Sign the delivery slip annotating any damage or shortage, obtain the driver's signature acknowledging damage or shortage as the case may be and complete a Loss and Damage Claim Form as directed in the CANEX Policy and Procedures Manual, Operations 404;
  - f. Stamp or annotate the delivery slip "subject to concealed damage";
  - g. Obtain the applicable PO from the Open Order File;
  - h. From the detail on the way bill/delivery slip, complete the information in the Report of Goods Received (RGR) and assign an RGR number to the shipment, and then enter this number on the way bill/delivery slip and PO (all 3 copies);
  - i. If the shipment is received:
    - i. Collect (FOB supplier), forward the way bill/ delivery slip to Purchasing clerk for payment with the sales/department indicated on way bill,
    - ii. Collect (FOB supplier) but the carrier insists on cash payment at the time of delivery, payment may be made from petty cash with receipt for payment being obtained from carrier's driver. This practice however should be strongly discouraged in favour of that outlined in para j(1), and
    - iii. Prepaid, attach the way bill/delivery slip to the PO;
  - j. Complete the shipment information block of the PO (all 3 copies);
  - k. Check the merchandise by physical count and enter the quantity actually received (regardless of condition) on all 3 copies of the PO;
  - l. Inspect the merchandise for damage and advise the department manager of any damage noted. After determining the extent of damage, recovery should be made either by replacement of goods by the supplier, return of goods to the supplier for full credit or, if only partial loss is incurred, a credit from the supplier or carrier to offset the markdown required. Recovery as outlined must be actioned by a "Request for Credit" form as detailed in Chapter 24, with a damage claim attached as required;
  - m. Prepare price tags as per the PO indicating selling price, department number, date code, RGR number and such other information required by the manager;
  - n. Affix the price tags on the merchandise;
  - o. Repack the merchandise (if required) for immediate delivery to the sales floor unless scheduled for future sales promotions;
  - p. Deliver the merchandise to Sales Floor accompanied by the pink copy of the PO;
  - q. If order is complete destroy the gold copy;
  - r. If order is incomplete, indicating authorized back orders:
    - i. Return the gold copy of the PO to the Open Order File alphabetically by supplier,
    - ii. On receipt of the back order, obtain from the Open Order File the applicable gold copy of the PO,
    - iii. Originate another PO,

- iv. If the order is now complete destroy the gold copy of the original PO,
  - v. If the order is still not complete repeat steps (1), (2), and (3) for further back orders, and
  - vi. Repeat steps c. to t. inclusive, and
- s. Forward the yellow copy of the PO to the invoice clerk for matching with the suppliers invoice.

**NOTE:** If the PO has a red discount tag attached, immediately perform task h. and forward the completed pink copies of the PO with the red discount tag attached to the invoice clerk for immediate processing.

## RECEIVING MERCHANDISE ON THE SALES FLOOR

12. The department supervisor will:
- a. Receive the pink copy of PO with merchandise from the Receiving Section;
  - b. Immediately check the merchandise received against the pink copy of the PO for:
    - i. The quantity received,
    - ii. The price on the article is in agreement with the price on the pink copy of the PO, and
    - iii. The department number on the price ticket is identical to the department number indicated on the pink copy of the PO,
  - c. Advise the manager of any discrepancy;
  - d. Sign the appropriate receipt block on the pink copy of the PO;
  - e. Annotate the Basic Stock Control Sheet as directed in the CANEX Policy and Procedures Manual, Merchandising 605; and
  - f. Pass the pink copy of the PO to the Purchasing/Stock Control Clerk.
13. The Purchasing/Stock Control Clerk will file the pink PO copy, preferably by department, alphabetically by supplier for record purposes.

## PROCESSING OF YELLOW COPY OF PURCHASE ORDERS

14. The CANEX Invoice Clerk will:
- a. Receive the yellow copy from the receiving section; and
  - b. Enter the date received from the stock room, and the RGR number in the purchase order control register ([Annex A](#)) and search the PO/Invoice pending file:
    - i. If there is no invoice on the pending file, process the PO and delivery/packing slip as merchandise received but not invoiced in accordance with Chapter 21, and
    - ii. If the invoice is on file, take action in accordance with paragraphs 16 and 17.

## CANEX HQ GENERATED ORDERS

15. CANEX buyers will offer outlets (by way of the Basic Stock Control Programs, Seasonal Commitment Programs, National Flyer Programs, V.S.S. Offerings, Margin Maker Deals, etc.) merchandise that can be ordered. Outlet managers respond to these offerings by indicating on the appropriate order documents the quantities required. The CANEX buyer then places a CANEX HQ Distribution Purchase Order with the supplier for shipment of merchandise to the outlets. The CANEX HQ Distribution Purchase Order shall be processed in accordance with CANEX Policy and Procedures Manual, Merchandising 607.

## PROCESSING OF INVOICES

16. Upon receipt of the invoice, the CANEX Invoice Clerk will:
  - a. Date stamp the invoice;
  - b. Check payment terms and attach special terms tag if applicable;
  - c. Check for trade discounts (deducted from invoice), delivery terms, etc;
  - d. Search the "PO/Invoice Pending File" for the applicable PO:
    - i. If there is no PO (yellow copy) on the pending file, file the invoice in the "PO and invoice Pending File" to await receipt of the PO from the receiving section, or if the PO has been processed as merchandise received but not invoiced, process the invoice in accordance with Chapter 21, and  
**NOTE:** Should the invoice indicate a cash discount and no yellow copy of the PO is on file, hasten the receiving section for the receipted PO.
    - ii. If the PO is on file, continue the processing action as outlined in paras 16 and 17.
  - e. Check the quantity received and the cost on the yellow copy of the PO against the invoice and if a discrepancy exists, immediately forward the PO copies and the supplier's invoice to the manager for investigation. 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.
      - (b) When the PO price is determined to be correct, a "Request for Credit" form 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.
      - (b) When the PO quantity is determined to be correct a "Request for Credit" form shall be raised and actioned as per Chapter 24.
  - f. Extend the cost and selling columns of the merchandise received and total the PO;
  - g. Check the yellow copy of the PO for the correct mark-up, department number, and terms;
  - h. Obtain approval for payment from the appropriate authority;
  - i. Enter all details on the Invoice Register; and
  - j. Enter the supplier's invoice number and the date entered on Invoice Register in the PO Control Register ([Annex A](#)).
17. At the end of each day, the clerk shall complete the Invoice Register and submit it with the invoices and supporting POs to the NPFAO under cover of the weekly RAR.

## CENTRAL BILLING

18. CANEX HQ has made arrangements with certain suppliers to have merchandise orders invoiced and paid centrally. The purpose of this program is to obtain more favourable pricing from the various suppliers.

19. Central billing invoice procedures at CANEX HQ are as follows:
  - a. The supplier forwards an invoice to CANEX HQ for the merchandise shipped to the bases/stations;
  - b. CANEX HQ issues payment to the supplier and debits the base/station customer account;
  - c. A copy of the invoice is stamped with the CANEX HQ stamp, and the amount to be paid by the base/station is annotated on the invoice; and
  - d. A copy of the invoice is forwarded to the base/station.
20. Central billing invoice procedures to be followed at the base/station are as follows:
  - a. Upon receipt of the stamped copy of the invoice, the CANEX manager shall process the invoice for payment to CANEX HQ immediately, even if merchandise is damaged, short-shipped or the shipment has not been received;
  - b. When the merchandise is received prior to receipt of the invoice, the procedures detailed at Chapter 21 for merchandise received but not invoiced are to be followed; and
  - c. The NPFAO shall make central billing payments to CANEX HQ via a transfer voucher in the format shown at [Annex B](#).
21. Request for Credit and credit note procedures are summarized as follows (for detailed information, refer to the CANEX Policy and Procedures Manual, Merchandising 612):
  - a. When the invoiced shipment was not received, or the merchandise was short-shipped or damaged, the CANEX manager shall raise a Request for Credit as per normal;
  - b. Depending on the supplier, the CANEX manager will forward request for credits directly to the supplier or to CANEX HQ;
  - c. The supplier will issue a credit note to CANEX HQ, who will deduct the amount from the next payment to the supplier, and credit the base/station customer account;
  - d. A copy of the credit note with the CANEX HQ stamp will be forwarded to the base/station CANEX manager, who will process the credit note in the normal manner; and
  - e. The NPFAO shall apply the stamped credit note against the account Accounts Payable - CANEX HQ (central billing); and
  - f. If the credit note has not been received within 45 days, the outlet manager will send a copy of the Request for Credit to CANEX HQ. CANEX HQ will verify that a credit note has not been issued and stamp the Request for Credit with a "CANEX CREDIT ISSUED" stamp. The stamped Request for Credit will be returned to the originating outlet who will process it as a credit note, through the SUIREG/Invoice Register. The NPFAO will deduct the amount from the next payment to CANEX HQ.

**NOTE:** Only credit notes or Request for Credits stamped with the CANEX HQ stamp are to be applied against Accounts Payable - CANEX HQ. If credit is deducted from payment prior to receipt of the authorized credit note or Request for Credit, the TV/cheque will not be processed by DNPFS.

## FREIGHT

22. 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" (by department as applicable) which forms part of the "laid-in cost" of the merchandise.
23. 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.

24. 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 through the invoice register. The charge from the invoice register 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.

## **ACTION BY THE NPFAO**

25. Upon receipt of the RAR, Invoice Register and Transfer Register, the NPFAO shall:
  - a. Process the RAR and registers in accordance with Chapter 25;
  - b. Action accountable documents in accordance with Chapter 6;
  - c. Action the invoices complete with POs in accordance with Chapter 19; and
  - d. Action forms CF 603 in accordance with Chapter 22.

[Annex A - Purchase Order Control Register](#)

[Annex B - Transfer Voucher](#)