

# What is a Purchase Order Form?



## What is a Purchase Order Form?

A purchase order form is a template used for a purchase order. The purchase order is a written (or electronic) document meant to record business transactions between a buyer and a seller. The buyer issues the purchase order, and once the seller accepts the order, a legally binding contract forms between the two parties.

## What Does a Purchase Order Include?

A basic purchase order features the following elements:

- **Buyer:** Name, address, and the contact information of the party paying for the goods.
- **Seller:** Name, address, and the contact information for the party

accepting payment for the goods.

- **Purchase Order Number:** A unique identifier assigned to each purchase order for easy tracking.
- **Order Information/Item Description:** The details, quantity of goods, unit price and total cost of goods.
- **Shipping Address:** Where the goods will be shipped.
- **Shipping Date:** When the goods will be delivered to the final location
- **Billing Address:** Where the seller should send the invoice for payment so the buyer can make payment
- **Signatures:** Each purchase order should contain at least two signatures: one (or more) for the person or people authorizing the purchase on behalf of the business and one (or more) for the person or people accepting the order on behalf of the seller.
- **Order Date:** The date which the business transaction occurred.

A purchase order may also be referred to as a PO or a contract purchase agreement. The buyer may also be referred to as the vendee, purchaser, or customer. The seller may also be referred to as the vendor or supplier.

The PO must identify:

- What is being purchased and how many or how much
- Where the goods are being shipped
- Payment terms – when the payment should be made and for how much
- Who the buyer and seller are in this particular transaction

It's also a good idea to include other details, such as:

- **Currency:** Will the goods be charged and paid for with U.S. dollars or another foreign currency?
- **Payment Method:** Will the buyer pre-pay, pay in cash, use a credit card, or a check?

- **Delivery Method:** How will the goods be delivered? Who is the carrier? Will they be delivered by courier or picked up?
- **Shipping Costs:** The cost associated with packing and sending the goods to the buyer.
- **Which Party is Paying Shipping Costs:** This should be decided ahead of time. Shipping costs should only be entered when the buyer is paying for shipping. Use a carrier calculator, provided by USPS, UPS, and FedEx to estimate the shipping costs based on package weight.
- **Shipping Information/Tracking Number:** Like the PO number, this is a unique identifier that's used to track the progress of goods delivered. It's provided by the seller when they ship the items and updated as it makes its journey from the seller to the buyer. It provides an estimated delivery date and time depending on the shipping service used, and depending on the service, can also be used to confirm receipt of goods – such as by requiring a signature at delivery. Carriers generally keep a record of signatures at delivery so if any issues arise, the packages can be further traced.
- **Insurance:** Will the seller insure the goods to protect both parties in the event the package is lost or damaged?
- **Terms and Conditions:** Any fine print regarding whether or not goods can be returned or what will happen and who is responsible if items are lost or damaged during delivery. If goods can be returned, indicate the return time frame and whether or not the buyer will pay a restocking fee or return shipping fee.
- **Governing Law:** By default, the seller's state laws will apply.

*Though a purchase order, upon seller acceptance, forms a legally binding contract that a business transaction occurred between the buyer and seller, it does not offer as much legal protection as a contract.*

# Sample Purchase Order Form

**PurchaseControl™**

Boston Office  
One Post Office Square, Suite 3600  
Boston MA, 02109  
USA

**Purchase Order**

PO No.: PO00495  
04/26/2017  
PO Status Closed Completed

SUPPLIER	DELIVERY ADDRESS
<b>Taylor Dickens</b> 70 Bowman St. South Windsor, CT 06074 USA  <b>Terms:</b> 30 Days <b>Phone No.:</b> 800-123-4567 <b>Email:</b> john@taylordickens.com	Boston Office One Post Office Square, Suite 3600 Boston MA, 02109 USA  <b>Phone No.:</b> 800-504-3364 <b>Attn:</b> Patrick

DELIVERY DATE	REQUESTED BY	APPROVED BY	DEPARTMENT
04/28/2017	Patrick Smith	Patrick Smith	IT Department

NOTES
Description ABC

ITEM NAME	ITEM CODE	QTY.	ITEM PRICE	DISC.	TOTAL
Nescafe Gold Blend Coffee 7oz	QD2-00350	1.00	34.99	0.00	34.99
Tettley Tea Round Tea Bags 440/Pk	QD2-TET440	1.00	20.49	0.00	20.49
Niceday Economy Lever Arch File A4 Black	Q81-4857579	15.00	1.90	0.00	28.50
3 Tier Letter Tray	QD2-1523055	3.00	23.89	0.00	71.67
Viking A4 Economy Copier	QD2-9537	5.00	3.59	0.00	17.95
Economy Manilla Envelopes - 500	QD2-2071074	2.00	15.49	0.00	30.98
3 Tier Letter Tray	QD2-1523055	1.00	23.89	0.00	23.89
<b>ORDER TOTAL</b>					<b>\$228.47</b>

# When You Need Purchase Orders

The PO is most commonly used in business transactions that are more sophisticated. If you're buying a high volume of goods, or many types of products, it's a good idea to use the document to formally document the purchase.

Since these are legally binding, buyers can use them as a formal paper trail - even if they're opting for e-procurement solutions that offer electronic POs. This official record keeping helps the finance and inventory departments keep track of orders placed, items received, and inventory.

Use a purchase order when any of the following apply:

- Ordering a large number of items for any business purpose
- Buying several items from another company or supplier
- Managing purchases of a large inventory
- Matching shipments with purchases for auditing or bookkeeping purposes
- Accounts payable department wants to specify the precise terms of goods provided

Doing so helps the buyer:

- Keep a record of purchases for their accounting department
- Track arrival and payment of goods ordered
- Make sure the purchased items are delivered
- Manage incoming and pending orders for better cash flow and inventory management
- Streamline the procurement process by adopting a standard procedure.

U.S. government agencies such as the Department of Defense (DoD) and the Department of Energy (DOE) use purchase orders to track their purchases. While you would expect an organization of that size to use POs to manage everything - it's even a good idea for small businesses to use them too, since they help you

keep track of what you've ordered, received, and paid for. And if you're selling goods to other businesses, the documents can also help you track what people have ordered from you, what you've shipped out, and what you've been paid for.

## **Consequences of Not Using a Purchase Order Form**

Because the PO clearly documents whether a business transaction has occurred between a buyer and a seller, both parties risk suffering preventable consequences by operating with one.

Buyers deal with lost opportunity costs associated with receiving shipments on time, tracking down goods they've paid for, and buying goods elsewhere. Sellers deal with receiving payments on time, tracking down goods they've shipped, and selling goods elsewhere.

Buyers deal with the possibility of retaining a lawyer and paying high fees in order to get money back for paid goods or enforcing a business transaction. Sellers deal with the same possibility to go after the money they're owed and to also enforce their end of a business transaction.

Both buyers and sellers have potential stressors to deal with at opposite ends of the same issues, including: the stress of not receiving goods they've paid for, not getting paid for items they've sent, having to find another supplier, having to pursue debt collection, and the damaged relationship.

To make things easier on everyone involved, it just makes sense to develop a standard process that includes the use of purchase requisitions and purchase orders.

Want to make your purchasing process a bit easier? With Planergy, we offer purchase order templates that you can customize to meet your business needs.

It's easy to create purchase orders electronically and to convert a purchase requisition to a PO upon requisition approval using our purchase order software.

## What's your goal today?

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