

Oracle Fusion Inventory & Purchasing Configuration

A comprehensive step-by-step guide to configuring Procure-to-Pay — from foundational inventory structures and purchasing setups through invoice matching, approval rules, and end-to-end P2P cycle testing.

PROCURE TO PAY

ORACLE FUSION

IMPLEMENTATION GUIDE



What Are Inventory Management & Purchasing?



Inventory Management

A cloud-based system managing the flow of goods, tracking stock levels, and organizing inventory — enabling restocking plans, order fill rates, and full visibility across warehouses.

Purchasing for Inventory

Used for stock-based operations including retail items, internal consumption, manufactured goods, and MRO items. Enables full integration between Oracle Procurement and Inventory Management systems.

Purchasing Configuration Options

- Price change tolerance on PO lines
- Default ship-to location derivation
- Cancel backing requisitions behavior

Enable & Assign Offerings to Your Project

Three offerings must be **enabled** and **assigned** to the implementation project before any configuration begins. All three are required for a complete P2P setup.

Procurement

Configures all purchasing setups — POs, requisitions, and supplier management.

Product Management

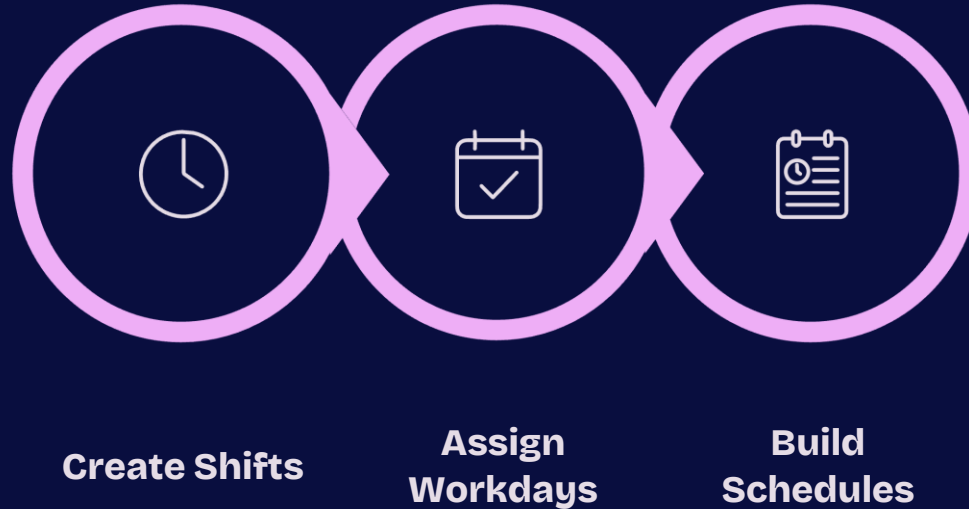
Configures inventory setups — item master, item classes, and item definitions.

Materials Management & Logistics

Configures sub-inventory, locator, and warehouse-related structures.

Navigation: Setup and Maintenance → Go to Offerings → Verify Enabled status → Manage Implementation Projects → Add Offerings to your project.

Define Facilities & Workday Calendar



Facility schedules define operational hours for inventory organizations — used for lead time calculations, receipt processing windows, and delivery scheduling. All three components are configured via **Setup and Maintenance** under the respective Manage Facility tasks.

Item Master vs. Inventory Organizations

Item Master Organization

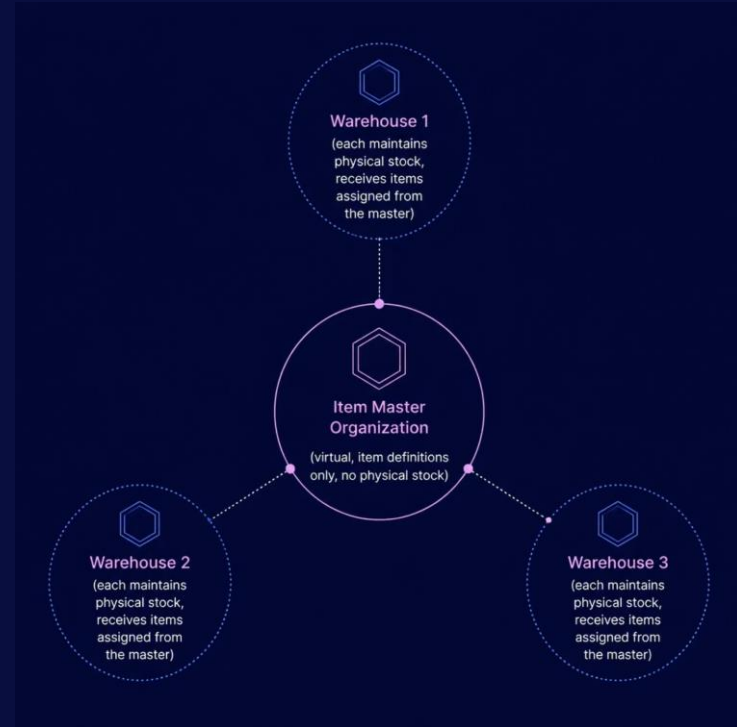
A **virtual organization** used solely for item definition. Items are created *once* here and shared across all child inventories — eliminating duplication.

Inventory Organization (Child)

Physical warehouses where actual stock is maintained. Items from the master are *assigned* here; quantities are tracked per location.



Rule of thumb: For N warehouses, create **N+1** organizations — N real + 1 Item Master.



Configure Procurement & Requisition Business Functions

These **BU-specific** setups enable PO and requisition creation. Configure separately for each business unit.

Procurement Business Functions

Enables PO creation. Set default line type (Goods), currency, and **matching approval level**: 2-Way (PO only), 3-Way (PO + Receipt), or 4-Way (PO + Receipt + Inspection).

Requisitioning Business Functions

Enables requisition creation. Set default deliver-to organization and BU-specific defaults.

Common Options for Payables & Procurement

Shared setup covering both applications. If already configured during Payables implementation, review and reuse — no need to reconfigure.

Accounting, Receiving & Procurement Agents

PO Transaction Account Builder (PO TAB)

Defines accounts for every PO transaction. Three are **mandatory**:

- **Accrual (Liability)** — passed to AP Invoice
- **Charge (Expense)** — derived at requisition creation
- **Variance** — balances PO-to-invoice price differences

Destination Charge and Destination Variance are optional. Create accounting rules, then assign PO TAB to the Primary Ledger via **Manage Subledger Accounting Options**.

Receiving Parameters

Set at **Inventory Organization** level — governs how materials are received. Never configured on the Item Master.

Procurement Agent & Default Buyer

The Procurement Agent (created during Payables setup) enables supplier creation. Assign a **default buyer** per BU so the system auto-derives buyer info during PO creation.

Approval Rules, Sub-Inventories & Items



Requisition & PO Approval Rules

Enable a node, disable conflicts, create a rule with BU condition, set Action Type = **Automatic / Approved**, and **Deploy**. Undeployed rules are ignored by the system.



Sub-Inventories & Locators

Partitions within a child inventory (e.g., Raw Materials, Finished Goods). Locators subdivide sub-inventories. Always created in **real inventories**, never Item Master.



Item Classes & Item Creation

Item Class is mandatory in Fusion. Controls number generation, security, and assignment rules. Create items under Item Master using the **Purchased Item** template, then assign to child inventories.

Procure-to-Pay: Requisition to Purchase Order



Set Preferences

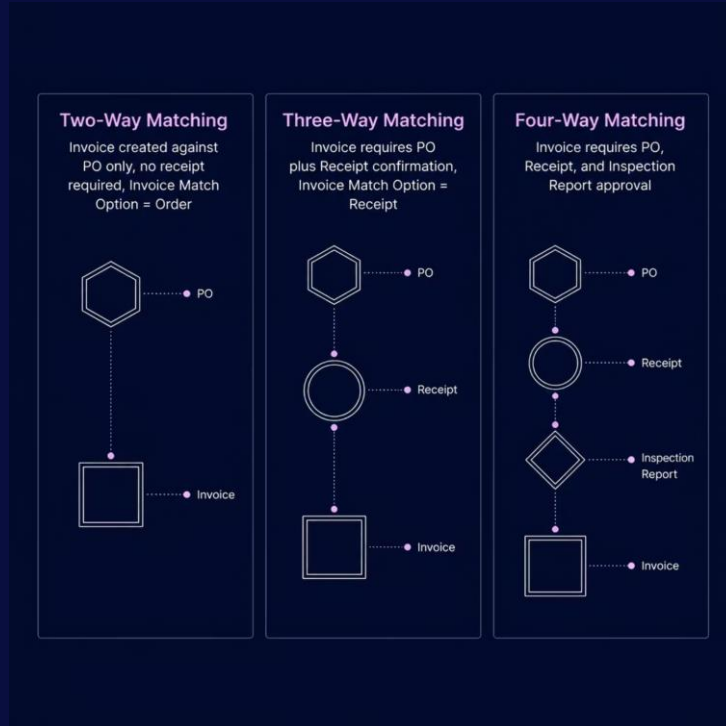
Create & Submit PR

Convert PR to PO

PO Auto-Approved

Set **Requisition Preferences** first — without them, the system blocks requisition creation. Once the PR is approved (automatically, per your BPM rule), convert it to a PO via **Process Requisitions**. Supplier info is mandatory. The PO inherits the Match Approval Level and Invoice Match Option from your BU configuration.

Invoice Matching, Receipts & Pay-on-Receipt



Pay-on-Receipt (Evaluated Receipt Settlement)

Enable **Pay on Receipt** at the supplier site. When a receipt is created, run **Send Pay on Receipt** → **Correct Import Invoices**. The system auto-generates an AP invoice (ERS-prefixed) using receipt quantity and PO price.

PO Lifecycle: Status = **Open** (approved, ready to receive/invoice) → **Closed** (fully invoiced, no further invoices allowed).