



# UNDERSTANDING THE POLICY AND PROCESSING OF LEASE PURCHASE ORDERS

Monthly Lunch & Learn Series presented by the **FAST Team**

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UNIVERSITY OF  
**TORONTO**

Financial Services

# PRESENTER

**RAMES PARAMSOTHY**

SENIOR BUSINESS ANALYST (TRAINING)

Financial Advisory Services & Training (FAST)



# AGENDA

- What is a Lease Purchase Order (PO)?
- How is a Lease PO different from a Standard PO?
- How to create a Lease PO that spans multiple fiscal years?
- Common errors related to Lease POs
- Reporting on Lease POs



# LEARNING OBJECTIVE



The objective of the session is to understand the policy regarding Lease Purchase Orders and how to process them in the AMS system.

For more information on the University's Procurement Policy that governs Lease Purchase Orders, [please visit the Procurement Services site.](#)



For resources to assist with processing Lease Purchase Orders, [please see these Documentation & Support pages on the Financial Services site.](#)

# ADVANTAGES OF LEASING

When evaluating whether to purchase or lease, consider the following advantages of leasing:



<b>Conserve Cash</b>	Leasing provides 100% financing. Capital can be conserved and used to finance other projects or activities.
<b>Access to Capital</b>	Leasing does not impact existing credit lines – e.g., an existing bank operating line, thereby providing another source of capital.
<b>Budgeting</b>	With fixed (monthly, quarterly, annual) payments, cash flow is more predictable making budgeting easier.
<b>Certainty of payment</b>	The interest rate and payments are known for the term of the lease regardless of fluctuations in market interest rate.
<b>Protects against obsolescence</b>	Equipment can be returned at the end of the lease and replaced with updated equipment.
<b>Flexibility</b>	There are numerous ways to structure lease payments to meet the particular requirements of the lessee.

 Visit Procurement Services’ website to learn more on the advantages of leasing.

# LEASE PURCHASE ORDERS

**Leasing is a flexible form of financing that allows the use of a product without having to pay for the full-face value.**

At the end of the lease, you may either return the product, purchase the product at Fair Market Value or you may choose to re-lease the item based on the current value and interest rates. These different options for the end of lease terms are structured before the lease is signed.

## Characteristics:

- Typically spans 18 – 60 months
- Has a unique Purchase Order Type (WLS) in AMS
- If **Equipment Acquisition Value** or the **sum of the Lease Value** (i.e., all the payments over the life of the lease) is \$50,000 or greater, the Lease PO will be routed in AMS to Procurement Services for review. Leases under \$50,000 will be automatically released.



 Visit Procurement Services' website to learn more on leasing.

# OVERVIEW OF BUSINESS PROCESS LEASE ORDERS

**Lease PO follows the same business workflow process as Standard PO.**

- **St. George and UTM create Purchase Orders** for all orders over \$10,000. Any orders \$50,000 or greater, will be reviewed by the respective Procurement Services department (i.e., UTM or Central).
- **UTSC creates Purchase Requisitions** for orders over \$25,000.



[Learn more about how to purchase goods/services.](#)

# PURCHASE/LEASE ORDER WORKFLOW (\$50,000 OR GREATER – BEFORE TAX)

To enable Procurement Services to conduct their review, they require departments to attach relevant supporting documentation to the Purchase/Lease Order in AMS.

## This includes:

- Quotations/Contracts
- Procurement Policy Exemption Justification (PPEJ) form
- Invoices
- Lease Agreements

Once the PO is saved with the attachments, it will be automatically sent to Procurement.

- **If the PO is released**, the processor will receive an email with the PDF of the PO.
- **If it is rejected**, the processor will be notified of the reason and **MUST** resolve the issue prior to it being released.



# UNDERSTANDING THE ME21N - PO CREATE SCREEN

Within the ME21N – Create Purchase Order screen, you can enter a Lease PO by selecting the order type, **WLS: Lease WF Order**.



Create Purchase Order

Document Overview On Hold Print Preview Messages Personal Setting

1 WLS:Lease WF Order  2 Supplier 110365 Ricoh Canada Inc. Doc. Date 15.10.2024

Header

3 Item Overview

4 Item  New Item

PO screen is separated into the following sections:


2. **Header** (i.e., information relevant to the entire order)
3. **Item Overview** (line-item breakdown)
4. **Item Details** (enter account codes)

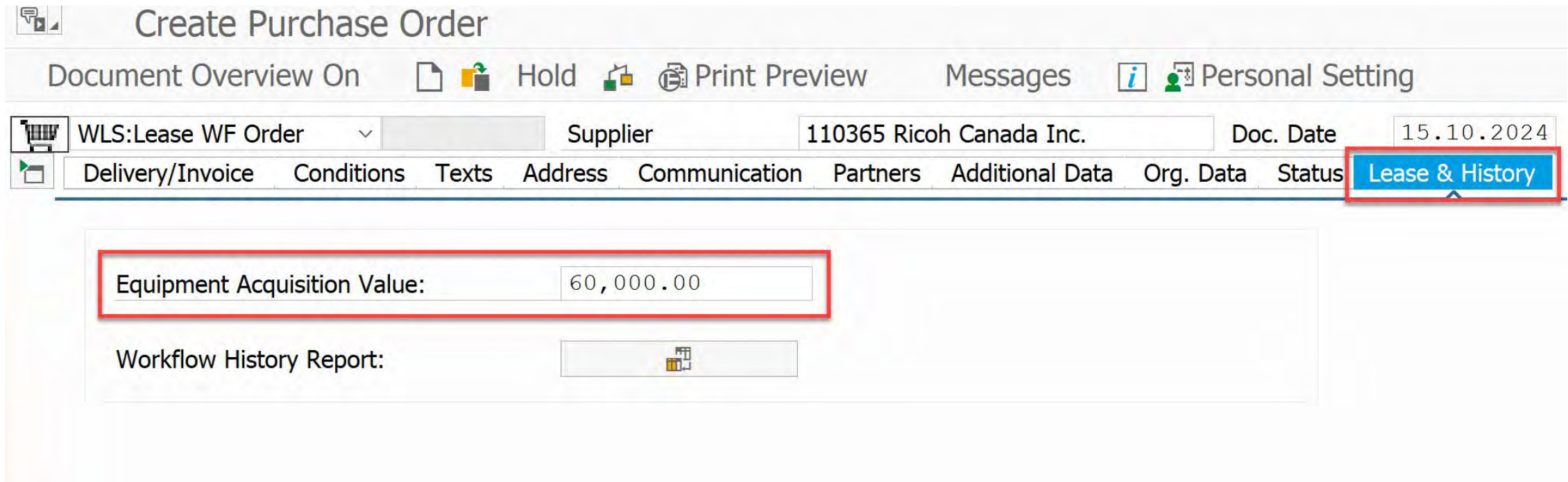


Visit the [Purchase Order Documentation & Support page](#) for guides and simulations.

# LEASE ACQUISITION VALUE

Enter the **Equipment Acquisition Value** located within the **PO Header** → **Lease & History tab**. This amount (and the sum of the Lease Value) is used to determine if a Lease PO gets routed to Procurement Services for review.

 **TIP!** Look for the Equipment Acquisition Value in either the **Lease Agreement OR Lease Schedule**.



The screenshot shows the SAP 'Create Purchase Order' interface. At the top, there are navigation options: 'Document Overview On', 'Hold', 'Print Preview', 'Messages', and 'Personal Setting'. Below this, the order details are displayed: 'WLS:Lease WF Order' (selected), 'Supplier: 110365 Ricoh Canada Inc.', and 'Doc. Date: 15.10.2024'. A horizontal menu contains several tabs: 'Delivery/Invoice', 'Conditions', 'Texts', 'Address', 'Communication', 'Partners', 'Additional Data', 'Org. Data', 'Status', and 'Lease & History'. The 'Lease & History' tab is highlighted with a red box. Below the menu, the 'Equipment Acquisition Value' field is highlighted with a red box and contains the value '60,000.00'. Below that, there is a 'Workflow History Report' button with a document icon.

# LEASE HEADER TEXT

In the **Header Text** field located within the PO Header **Texts** tab, enter the:

- Vendor name
- Vendor contact information
- Schedule or lease agreement number
- Lease terms and payment frequency
- Lease start and end date
- End of lease agreement for the product

The screenshot shows the SAP 'Create Purchase Order' interface. The 'Texts' tab is selected and highlighted with a red box. The 'Header Text' field is also highlighted with a red box and contains the following text:

Vendor: Ricoh Contact: Bill Curan  
Schedule #: UT555-425 IM C400SRF Printer  
Terms: 3-year lease agreement with monthly payments  
Start Date: 01.01.2025 End Date: 31.12.2027  
End of Lease Agreement: Return machine to vendor

The interface also shows the following information:

- Document Overview On
- Hold
- Print Preview
- Messages
- Personal Setting
- WLS:Lease WF Order
- Supplier: 110365 Ricoh Canada Inc.
- Doc. Date: 15.10.2024
- Delivery/Invoice
- Conditions
- Address
- Communication
- Partners
- Additional Data
- Org. Data
- Status
- Lease & History

# CALCULATING THE LEASE AMOUNT FOR EACH FISCAL YEAR

Leases often span multiple fiscal years. **In order to conserve funds in a given fiscal year, and budget effectively, ensure each fiscal year is a separate line in the Item Overview section.**

## **Important Notes:**

- U of T fiscal year is from May – April.
- **PO Quantity field** = The number of payments per fiscal year
- **Net Price field** = The amount per payment period before tax

**Example:** For a 3-year lease with monthly payment frequency of \$1,000 per month, starting in January 2025 and ending in December 2027, you will need to create four (4) Item lines in your PO:

- FY2025 (January – April: 4 payments, \$1,000/month, total \$4,000 value)
- FY2026 (May – April: 12 payments, \$1,000/month, total \$12,000 value)
- FY2027 (May – April: 12 payments, \$1,000/month, total \$12,000 value)
- FY2028 (May – December: 8 payments, \$1,000/month, total \$8,000 value)



# USING A PLACEHOLDER AMOUNT FOR FUTURE FISCAL YEARS & UPDATING THE COMMITMENT FOR THE CURRENT YEAR

**To conserve budget, you only want to reserve enough funds to cover payments for the current fiscal year.** If you enter the actual payment amounts in the Item lines for all future years, the system will reserve the total amounts in the current year in which you entered the PO into the system.

When you create a Lease PO, for future fiscal years Item lines, **enter a nominal placeholder net price amount (e.g., \$1).**

**In the beginning of each new fiscal year, you'll need to update the net price** for your existing Lease Purchase Orders to the actual payment amount to ensure reserves are accurately held for the current fiscal year.

Use the **ME22N – Change PO** screen to update the net price.





# CREATE A LINE ITEM FOR EACH FISCAL YEAR OF THE LEASE

Create Purchase Order

Document Overview On Hold Print Preview Messages Personal Setting

WLS:Lease WF Order Supplier 110365 Ricoh Canada Inc. Doc. Date 15.10.2024

Header

S...	Itm	A	Material	Short Text	PO Quantity	OUn Deliv. Date	Net Price	Curr...	Per	OPU Matl Group	Plant	Stor. Location	Reqmt
	1	K		IM C400SRF Printer UT555-425 FY2025	4	EA 06.01.2025	1,000.00	CAD	1	EA Office machin...	U OF T, ST. GEORG...	ACCT.PAY. COM...	
	2	K		IM C400SRF Printer UT555-425 FY2026	12	EA 01.05.2025	1.00	CAD	1	EA Office machin...	U OF T, ST. GEORG...	ACCT.PAY. COM...	
	3	K		IM C400SRF Printer UT555-425 FY2027	12	EA 01.05.2026	1.00	CAD	1	EA Office machin...	U OF T, ST. GEORG...	ACCT.PAY. COM...	
	4	K		IM C400SRF Printer UT555-425 FY2028	8	EA 01.05.2027	1.00	CAD	1	EA Office machin...	U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K						CAD			U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K						CAD			U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K						CAD			U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K						CAD			U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K						CAD			U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K						CAD			U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K						CAD			U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K						CAD			U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K						CAD			U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K						CAD			U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K						CAD			U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K						CAD			U OF T, ST. GEORG...	ACCT.PAY. COM...	

# LINE-ITEM LEASE VALUE

For each line item, enter the actual amount of Lease Value in the Item Details > Lease Tab. As mentioned above, the sum of the Lease Value for all lease years (along with the Equipment Acquisition Value) is used to determine if the PO gets routed to Procurement Services for review.

WLS:Lease WF Order 4700002256 Supplier 110365 Ricoh Canada Inc. Doc. Date 15.10.2024

Header

S...	Itm	A	Material	Short Text	PO Quantity	OUn	Deliv. Date	Net Price	Curr...	Per	OPU	Matl Group	Plant	Stor. Location	Reqn
	1	K		IM C400SRF Printer UT555-425 FY2025	4	EA	06.01.2025	1,000.00	CAD	1	EA	Office machin...	U OF T, ST. GEORG...	ACCT.PAY. COM...	
	2	K		IM C400SRF Printer UT555-425 FY2026	12	EA	01.05.2025	1.00	CAD	1	EA	Office machin...	U OF T, ST. GEORG...	ACCT.PAY. COM...	
	3	K		IM C400SRF Printer UT555-425 FY2027	12	EA	01.05.2026	1.00	CAD	1	EA	Office machin...	U OF T, ST. GEORG...	ACCT.PAY. COM...	
	4	K		IM C400SRF Printer UT555-425 FY2028	8	EA	01.05.2027	1.00	CAD	1	EA	Office machin...	U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K							CAD				U OF T, ST. GEORG...	ACCT.PAY. COM...	
		K							CAD				U OF T, ST. GEORG...	ACCT.PAY. COM...	

Default Values

Item [ 2 ] IM C400SRF Printer UT555-425 FY2026

Material Data Quantities/Weights Delivery Schedule Delivery Invoice Conditions Account Assignment Texts Delivery Address Confirmations Condition Control Retail **Lease**

Lease Value: 12,000.00



# ATTACHING DOCUMENTS

**Purchase Order** Edit Goto Environment System Help

Held WLS:Lease WF Order 4700002256 Created by Thuy Thanh Huynh

Document Overview On Hold Print Preview Messages Personal Setting

WLS:Lease WF Order 4700002256 Supplier 110365 Ricoh Canada Inc. Doc. Date 15.10.2024

S...	Itm	A	Material	Short Text	PO Quantity	OUn	Deliv. Dat
	1	K		IM C400SRF Printer UT555-	4	EA	06.01.21
	2	K		IM C400SRF Printer UT555-	12	EA	01.05.21
	3	K					01.05.21
	4	K					01.05.21

Archive from Frontend

Scenario: Assign then Store

Document Type

- Purchase Order
  - Acknowledgement of Asbestos (PDF)
  - Asbestos Awareness Training (PDF)
  - CCN Documentation (PDF)
  - Change Order (PDF)
  - Funds Commitment Form (PDF)
  - Letter of Assurance (PDF)
  - Letter of Intent (PDF)
  - Letters
  - Letters
  - Notice to Reader (PDF)
  - PO Amendment (PDF)
  - PO Bid Analysis (PDF)
  - PO Bid Analysis (XLS)
  - PO Change (PDF)
  - PO Change Order (PDF)
  - PO Contract (PDF)
  - PO Departmental Approval (PDF)
  - PO Form - Goods (PDF)

Reqmt No.

Drag & Drop: Drag your files into the empty field

To attach documents,

1. Click on **Purchase Order > Other Purchase Order** and enter your PO document number to display your PO.
2. Click on **Purchase Order > Display/Change** to activate the **Services for Object** icon.
3. Click on the **Services for Object icon > Create > Save Business Document**. Select your Document Type and file to upload.



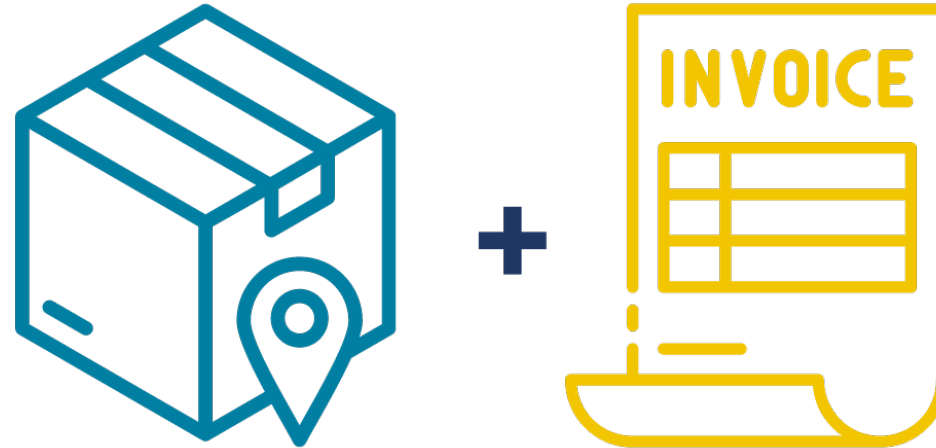
# GOODS RECEIPTS FOR LEASE ORDERS



In a standard PO, a good receipts represents an acknowledgement that the goods have been accepted by the University, matches what was ordered and are in usable condition. This typical definition may be counterintuitive with leases since the equipment has already been received.

With Leases, the goods receipt is a necessary step in the Purchasing Cycle in order to pay the periodic lease payment.

# CHANGES TO PO AFTER **BOTH** GOODS RECEIPT AND INVOICE RECEIPT ARE POSTED



Once both a Goods Receipt and Invoice Receipt have been posted, the only changes that can be made to that particular line-item is to release any remaining reserve using one of the [two methods indicated in this article](#).

**NOTE:** The status and changes that can be made will vary depending on the activity in each line item.



For more information, [please see this simulation](#).

# ACCOUNTING FOR ADDITIONAL EXPENSES NOT INCLUDED IN THE PO RESERVES

There may be expenses on the PO Invoice that could not have been known at the time of the quote.

For example, with lease agreements there may be a per copy (e.g., printer ink charge) on the invoice based on periodic usage.

To facilitate this, use the G/L Account tab in the [MIRO – Create Invoice Receipt screen](#) to enter the payment.

Enter Incoming Invoice: Company Code UOFT

Show PO structure Show worklist Hold Simulate Messages Help

Transaction Invoice Balance 0.00 CAD

Basic Data Payment Details Tax Contacts Note

Invoice date 20.06.2024 Reference 2433243  
Posting Date 26.06.2024 Period 2  
Amount 678.00 CAD  Calculate Tax  
Tax Amount 78.00  
Text 2425424, Lease Invoice #1  
Paymt terms 25 Days net  
Baseline Date 20.06.2024  
Company Code UOFT University of Toronto

Vendor 0000110365  
Ricoh Canada Inc.  
100-5560 Explorer Dr  
Mississauga ON L4W 5M3  
905-795-9659 905-795-5732

PO Reference **G/L Account**

Layout

Status	G/L acct	Short Text	D/C	Business ...	Cost center	Order	Funds center	Fund	Commitment itm	Assignment
✓	837200	Printg/Photocopy	Debit	1000	11040		100654		SER-PRINTING	



To learn how to use the G/L Account tab, [please see this simulation.](#)

# REPORTING ON LEASE PURCHASE ORDERS

**After you have created a PO, you may want to run a report to ensure funds are accurately reserved. You may also want to run a report at the beginning of each fiscal year to review your commitments and identify if you need to update the payment reserves for the current fiscal year.**

## **ZFIR079A All Postings Line Items Report**

- You can run this report to view actuals and commitments for your Lease POs. This can help you review that your PO commitment is accurate and whether you need to make changes to your PO and/or update your reserve for the current year.
- A guide for the report is available [here](#).

## **ZFIR055: Open Commitment Carry Forward Report**

- This report is most commonly used at the start of a new fiscal year to report on the commitments that are carried forward into the next fiscal year.
- A guide for the report is available [here](#).

# REPORTING ON LEASE PURCHASE ORDERS

## ZFIR079A – ALL POSTINGS LINE ITEMS REPORT

The [ZFIR079A – All Postings Line Items](#) report provides a list of all commitments/reserves tied to a Lease Order. It enables departments to see which line(s) needs to be updated in the new fiscal year.

All Postings: Line Items by Document Number (w/ addnal flds)

28.10.2024 14:53:06

Line Item Text	Reference Item G/L	ε Pymt Bdgt G/L Acct Long Text	Cost ...	Funds Ctr Fu...	Vendor Name	Supplier	Posting Date	UserNm(FI)	Assig...
		• • 4,169.49							
<b>Ref. document number 4700002181</b>		• 4,169.49							
IM C400SRF Printer UT555-425 FY2025	<u>1</u> 821420	4,136.40	Equip:Copiers:Leased	11040 100568	Ricoh Canada Inc.	110365	28.10.2024	PARAMRAM	
IM C400SRF Printer UT555-425 FY2026	<u>2</u> 821420	12.41	Equip:Copiers:Leased	11040 100568	Ricoh Canada Inc.	110365	28.10.2024	PARAMRAM	
IM C400SRF Printer UT555-425 FY2027	<u>3</u> 821420	12.41	Equip:Copiers:Leased	11040 100568	Ricoh Canada Inc.	110365	28.10.2024	PARAMRAM	
IM C400SRF Printer UT555-425 FY2028	<u>4</u> 821420	8.27	Equip:Copiers:Leased	11040 100568	Ricoh Canada Inc.	110365	28.10.2024	PARAMRAM	



# REPORTING ON LEASE PURCHASE ORDERS ME2N/ME2K – PO LIST REPORT

## Purchasing Documents For Cost Center



Cost ...	G/L A...	Funds ...	Fu...	Supplier/Supplying Plant	P...	It...	Doc. Date	Short Text	Quant...	O...	Net Price	Net Val...	To be d...	To be del.	To be i...	To be inv.
												0.00	4,032.00	4,032.00		
<b>Purchasing Document 4700002181</b>												0.00	4,032.00	4,032.00		
11040	821420	100568		110365 Ricoh Canada Inc.		1	28.10.2024	IM C400SRF Printer UT555-425 FY2025	4	EA	1,000.00	0.00	4	4,000.00	4	4,000.00
11040	821420	100568		110365 Ricoh Canada Inc.		2	28.10.2024	IM C400SRF Printer UT555-425 FY2026	12	EA	1.00	0.00	12	12.00	12	12.00
11040	821420	100568		110365 Ricoh Canada Inc.		3	28.10.2024	IM C400SRF Printer UT555-425 FY2027	12	EA	1.00	0.00	12	12.00	12	12.00
11040	821420	100568		110365 Ricoh Canada Inc.		4	28.10.2024	IM C400SRF Printer UT555-425 FY2028	8	EA	1.00	0.00	8	8.00	8	8.00

# REPORTING ON LEASE PURCHASE ORDERS

## ZFIR055 – OPEN COMMITMENT CARRYFORWARD REPORT

At the beginning of a fiscal year, departments can review all the Lease Purchase Orders that were carried forward from the prior fiscal year and can:

- update the Net Price associated with the line in the new fiscal year
- release any reserves that are no longer needed.

Open Commitment Carry Forward Reporting

<< >> Excel Overview

University of Toronto      Open Commitment Carry Forward Reporting      Page: 36  
 Fiscal Year: 2024      Date: 29.10.2024  
 Purchase Orders      Time: 11:40:53  
 Carried Forward      Name: ZFIR055(QS1)

From Funds Center: UOFT100305 with funds center hierarchy.

Funds Center Name	Purchase Orders	Amount
E	4700002045 00002	0.00
E	4700002045 00003	0.00
E	4700002045 00004	0.00
E	4700002086 00002	1.04
E	4700002086 00003	1.04
E	4700002086 00004	1.04
E	4700002093 00002	1.04
E	4700002093 00003	1.04
E	4700002094 00002	1.04
E	4700002094 00003	1.04
E	4700002094 00004	1.04
E	4700002100 00003	1.04
E	4700002100 00004	1.04
E	4700002109 00002	1.04
E	4700002109 00003	1.04
E	4700002109 00004	1.04
E	4700002137 00002	1.04
E	4700002137 00003	1.04
E	4700002137 00004	1.04
<b>Total: 101811</b>		<b>288,208.91</b>

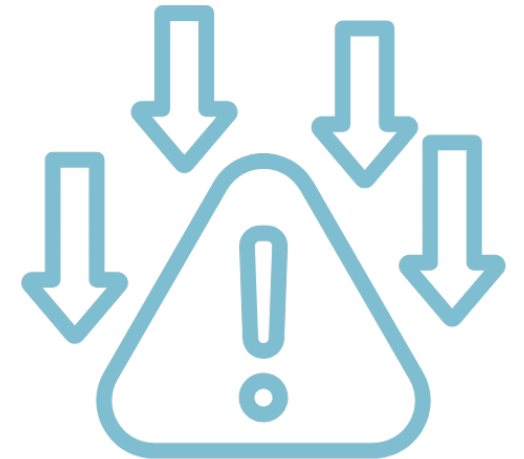
Lease PO Line Item

Lease PO Document #s

Carried forward reserve tied to each line in the Lease PO.

## COMMON ERRORS RELATED TO LEASE PO

- Lease Acquisition value not accurate in PO
- Lease paid via Accounts Payable invoice instead of PO regardless of value.
- Putting the full lease payment for all fiscal year.





# Demonstration

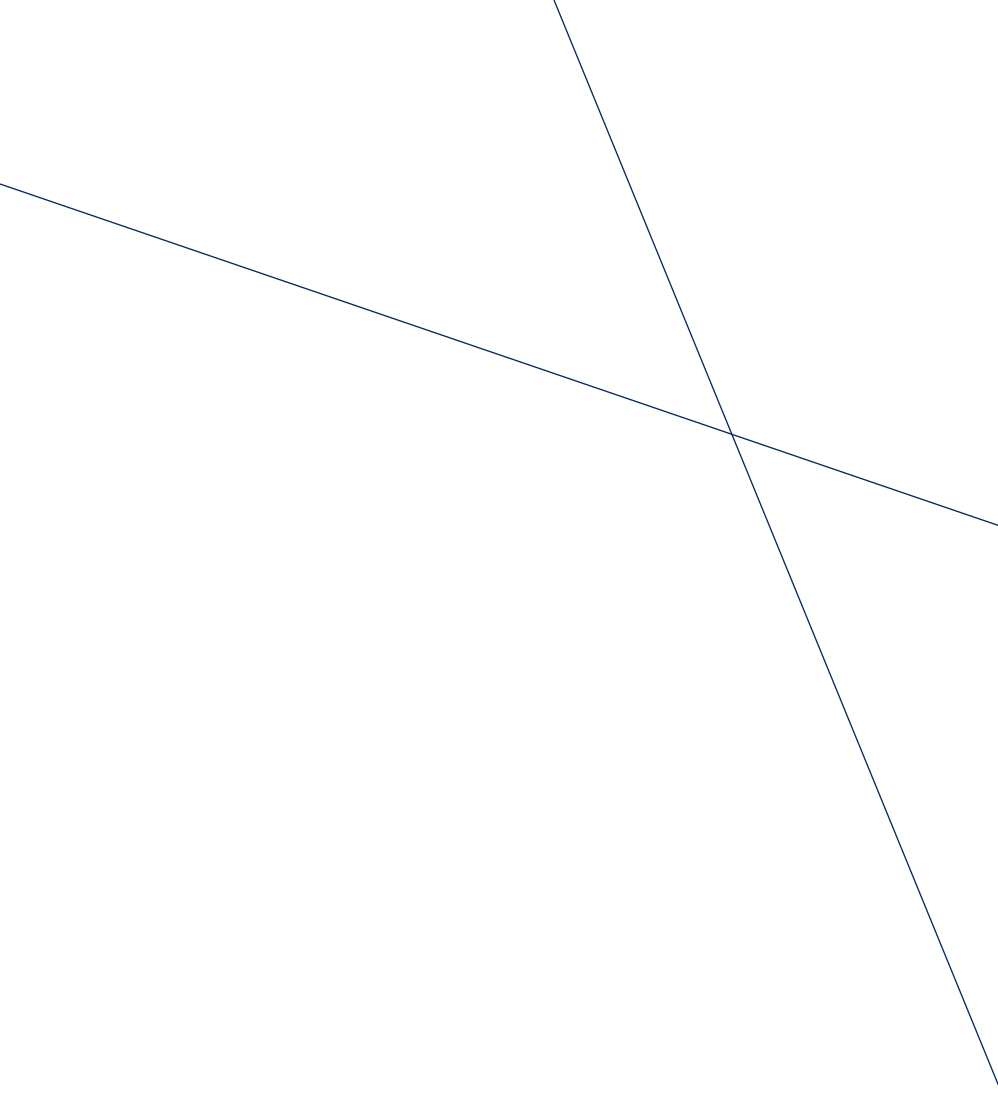


## WHO DO I CONTACT?



For questions/clarification on questions related to processing and troubleshooting Purchase Orders, Purchase Requisitions, Goods Receipts and Invoice Receipts, contact your [FAST Team representative](#).

For questions regarding Procurement Policy, and related Procurement form/templates, please contact [purchasing.help@utoronto.ca](mailto:purchasing.help@utoronto.ca).





**THANK YOU!**