

PO-Flip: automatically converting a purchase order into an invoice

PO-Flip refers to the system-supported conversion of a purchase order (PO) into an invoice, without the supplier having to create their own invoice document. The process typically takes place within the Purchase-to-Pay process and is based on the principle that a sufficiently precise purchase order already contains all invoice-relevant data. In practice, PO-Flip is frequently combined with Evaluated Receipt Settlement (ERS) and significantly reduces processing effort and error rates in invoice receipt.

Key facts

- PO-Flip converts an approved purchase order into an invoice within the system – without a separate supplier document.
- Prerequisites are stable master data, fixed prices and a reliable goods receipt or proof of service.
- Typical use cases are framework orders, catalogue orders and delivery schedule releases with pre-agreed terms.
- The process frequently replaces the classic three-way match (purchase order, goods receipt, invoice) with a two-way check.
- In practice, manual processing effort per invoice falls significantly, typically by a high double-digit percentage.
- Legally, it remains to be verified whether the flipped document meets the VAT requirements for an invoice in the respective country.

Definition: PO-Flip

PO-Flip is a method in digital procurement in which an order document is automatically converted into an invoice document. The user or the system 'flips' the data structure of the purchase order: line items, quantities, prices and tax codes are transferred into the invoice view. The underlying idea is that the purchase order serves as the binding basis of terms, and the invoice merely references the service or goods receipt document.

Distinction from classic invoice processing

In the classic process, the supplier sends an invoice after the service has been rendered, which the company captures by scanner or electronically, matches against the purchase order and goods receipt, and approves. With PO-Flip, the supplier document is dispensed with: the purchase order itself becomes the starting point for invoicing. This considerably reduces media breaks, duplicates and reconciliation cases, but requires that the order data is complete and correct.

Related process patterns

PO-Flip is often mentioned synonymously or in combination with Evaluated Receipt Settlement (ERS), in which payment is derived directly from goods receipt data. The flip also plays a role in

Source-to-Contract (S2C) strategies: what was negotiated in sourcing and contracts flows into the purchase order and becomes the invoicing-relevant source of truth there. Similar logic is found in optimising delivery schedule releases and in catalogue orders within e-procurement.

Methods and procedure in PO-Flip

A robust PO-Flip process follows a clear sequence: binding purchase order, reliable order confirmation, documented goods receipt or service acceptance, and only then the automatic document conversion. The quality of the process stands or falls with the data quality of the purchase order and discipline in goods receipt processing.

Step 1: Establish a clean order basis

The starting point is a purchase requisition which, after approval, is converted into a purchase order with complete master data: a valid contract price, correct tax code, unambiguous material or service numbers, and stored payment terms and delivery conditions. For catalogue orders or framework agreements, this data is frequently already consistent; for free-text orders, the error rate is higher, which is why flip procedures are typically excluded there.

Step 2: Goods receipt as trigger

The actual flip is triggered by the posted goods receipt or the confirmation of service provision. The system checks whether quantity and value are within the ordered tolerances, and then generates the invoice document from the order data. For volume-based prices or graduated discounts, price determination must take account of the volume tier actually achieved – precise pricing rules in the system are a prerequisite here.

Step 3: Review, approval and payment

After the flip, the document goes through a shortened review routine, often only two-stage instead of three-stage, since purchase order and invoice draw on identical data sources. After approval, payment is made according to the agreed terms. Some companies combine the flip with an IBAN check in the payment run to safeguard against payment-term manipulation and fraud risks.

Key KPIs for the PO-Flip process

The success of the flip procedure can be measured through lead times, the share of automatically processed documents and the exception rate. Sensible metrics combine efficiency with quality measures, since a high flip rate only creates value if the documents are correct.

Efficiency metrics

Key metrics include the share of flipped orders among all invoices, the processing costs per document, and the lead time from goods receipt to payment. In practice, mature processes achieve flip rates of well over half of all eligible documents, often even higher for catalogue orders. Cost per invoice typically falls from double-digit to single-digit amounts depending on the degree of automation.

Quality and compliance-related metrics

In addition, companies should monitor the rate of subsequent corrections, supplier queries and duplicate payments. The cancellation and change rate before the flip is triggered is also revealing: high values indicate weak needs clarification or unstable master data. These metrics lend themselves well to

integration into a cost driver analysis in order to uncover systematic causes in ordering behaviour.

Risks and controls in PO-Flip

The automation of accounts payable shifts risks upstream into the ordering process: errors in the purchase order are no longer detected during matching, but have a direct impact on payment and tax deduction. Preventive controls at the ordering and goods receipt interface are therefore all the more important.

Data and process risks

Typical weak points are outdated contract prices, incorrect tax codes, goods receipts posted multiple times and missing documentation of service acceptance for services. For service orders, a flip without qualified proof of service is risky, as the quantity delivered cannot be verified mechanically. Acceptance protocols or two-stage approvals before document creation are recommended here.

Tax and legal aspects

Whether a flipped document meets the VAT requirements for an invoice is regulated differently from country to country and depends, among other things, on the consent of the recipient of the service and the available mandatory particulars. Although in many European jurisdictions the supplier may be obliged to exercise invoicing through the recipient (self-billing), this requires a contractual agreement and compliance with the mandatory particulars. Companies should verify admissibility for each country of invoicing on a case-by-case basis and seek tax advice.

Organisational controls

Effective controls include segregation of duties between ordering and goods receipt, tolerance rules for quantity and price deviations, and regular supplier master data audits. A documented claims management process helps to pursue arising deviations in a structured manner rather than letting them disappear into automated payments.

Current developments around PO-Flip

PO-Flip is gaining importance through the digitalisation of procurement: networked sourcing, ordering and invoicing systems enable end-to-end data flows that render earlier manual reconciliations obsolete. At the same time, the focus is shifting from pure efficiency towards compliance and data quality.

E-invoicing and structured document formats

The European trend towards structured e-invoicing increases the relevance of consistent order data: the more structured the documents exchanged, the closer purchase order and invoice move together in content. This makes the flip easier to apply in many scenarios, because the required fields are available in machine-readable form. At the same time, requirements for master data maintenance and format transparency increase.

Automation and AI support

Modern systems use rule sets and increasingly AI-based methods to decide which orders are flip-capable and which should be routed into manual review. Scoring logic similar to bid evaluation tiers in sourcing can be transferred to document processing in order to prioritise exceptions on a risk basis. This shifts review capacity away from routine documents towards genuine special cases.

Integration across the supply chain

PO-Flip is part of an end-to-end Purchase-to-Pay data flow, which can feed a structured ETL process of procurement data into analytics and reporting environments. Those who keep delivery data, goods receipts and payments consistent also create the data basis for further analyses – for example on supplier performance or supply chain carbon footprint (SCF) at document level.

Typical metrics

Flip rate: > 50% of eligible documents

Share of invoices generated automatically from purchase orders; typically higher for catalogue orders

Processing cost per invoice: single- to low-double-digit euro amount

Significantly lower than manual invoice processing; strongly dependent on the degree of automation

Lead time from goods receipt to payment: < 5 working days

Usual benchmark for automated processes; manual reconciliations often take considerably longer

Correction rate after flip: < 1%

Quality measure; high values indicate master data or order quality problems

Practical example

A mid-sized mechanical engineering company with around 25,000 invoices per year introduced a PO-Flip procedure for catalogue and framework orders. Prerequisites were the cleansing of supplier and material master data as well as a binding agreement with around 60 core suppliers to dispense with separate invoicing. Goods receipt processing was expanded with scanning support so that receipts are posted on the day of delivery.

- Flip authorisation only for orders with a contract price, valid tax code and unambiguous material number
- Automatic document creation from goods receipt data, including a two-stage instead of three-stage review
- Monthly exception reporting for cancellations, price deviations and manual follow-up work
- IBAN check in the payment run as an additional fraud and quality control

Conclusion

PO-Flip is a proven method for automating the interface between purchasing and accounts payable and significantly reducing manual matching effort. The decisive lever lies not in the technology but in data quality: only precise purchase orders and disciplined goods receipt postings make the flip robust. Companies should introduce the procedure selectively – for standardised, contract-secured transactions – and initially exclude services and free-text orders. Supplementary controls on master data, tolerances and payment runs safeguard compliance. Those who meet these prerequisites gain not only efficiency but also a reliable data foundation for further digitalisation steps in procurement.

Frequently asked questions

What does PO-Flip mean in procurement?

PO-Flip refers to the automatic conversion of a purchase order into an invoice document without the supplier having to create a separate invoice. The system takes over line items, quantities and prices

directly from the purchase order. The flip is usually triggered by the posted goods receipt. This approach reduces processing effort and reconciliation cases in the Purchase-to-Pay process.

What is the difference between PO-Flip and Evaluated Receipt Settlement (ERS)?

In a PO-Flip, the purchase order is converted into an invoice document, which then goes through the usual review and payment run. ERS goes one step further: there, payment is derived directly from goods receipt data, sometimes without a classic invoice document at all. In practice, both methods are combined, as they rest on the same prerequisite – reliable purchase order and goods receipt data.

Which purchase orders are suitable for PO-Flip?

PO-Flip is particularly suitable for standardised transactions with binding prices: catalogue orders, framework orders, C-parts and delivery schedule releases. It is less suitable for free-text orders, project business and services, since price and quantity are often only determined after the service has been reviewed. Many companies define flip criteria based on master data quality and the contractual situation.

Is a flipped purchase order a valid invoice?

This depends on the national VAT regulations. As a rule, the mandatory particulars of an invoice are required, as well as the contractual or procedural consent of the ordering party to invoice on their own behalf. Admissibility should be verified on a case-by-case basis for each relevant country of invoicing, if necessary with tax advice.

What prerequisites does the PO-Flip process require?

What matters is clean supplier and material master data, stored contract prices, correct tax codes and a reliable, promptly posted goods receipt. In addition, clear tolerance rules, segregation of duties between ordering and goods receipt, and regular exception reports are important. Without these controls, there is a risk of erroneous payments and tax/compliance risks.

Which KPIs measure the success of PO-Flip?

Key metrics include the share of flipped orders among all invoices, processing costs per document, the lead time from goods receipt to payment, and the rate of subsequent corrections. In addition, cancellation and change rates before the flip provide insight into order quality. In practice, flip rates of well over half of eligible documents are achievable.