Difference Between Purchase Order and Invoice

Purchase orders and invoices are documents that nearly every finance department deals with on a daily basis. So, what are these two documents, and why are they such an important part of the accounts payable process?

What is a purchase order?

A purchase order (PO) is the official confirmation of an order. It is a document sent from a purchaser to a vendor that authorizes a purchase.

Here is a sample purchase order:

https://www.purchasecontrol.com/blog/purchase-order-vs-invoice/
Purchase Control
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**

Taylor Dickens
70 Bowman St.
South Windsor, CT 06074
USA

**Terms:** 30 Days
**Phone No.:** 800-123-4567
**Email:** john@taylordickens.com

**DELIVERY ADDRESS**

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

**Phone No.:** 800-504-3364
**Attn:** Patrick

**DELIVERY DATE**

04/28/2017

**REQUESTED BY**

Patrick Smith

**APPROVED BY**

Patrick Smith

**DEPARTMENT**

IT Department

**NOTES**

Description ABC

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

**ORDER TOTAL** $228.47

https://www.purchasecontrol.com/blog/purchase-order-vs-invoice/
What is an invoice?

An invoice requests payment for a purchase. Invoices are sent from the vendor to the purchaser.

Here is a sample invoice:
# Purchase Control

**Taylor Dickens**

70 Bowman St  
South Windsor, CT 06074  
P: 800-123-4567  
Email: accounts@TaylorDickens.com  

**Invoice**

**Invoice No:** 1239988  
**Invoice Date:** 05/10/2017  
**Date Due:** 06/10/2017  

**Bill To:** PurchaseControl  
**Address:** One Post Office Square, Suite 3600  
Boston MA, 02109  
**Contact:** Jill Wickers  
**Phone:** 800-504-3584  
**Fax:**  
**Email:** accounts@purchasecontrol.com  

**Invoice For:**  
**PO Number:** PC000495

<table>
<thead>
<tr>
<th>Item Code</th>
<th>Description</th>
<th>Unit Price</th>
<th>Quantity</th>
<th>Flat Fee</th>
<th>Discount</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q20-00350</td>
<td>Nescafe Gold Blend Coffee 7oz.</td>
<td>$34.99</td>
<td>1</td>
<td></td>
<td></td>
<td>$34.99</td>
</tr>
<tr>
<td>Q20-7E7440</td>
<td>Tetley Tea Round Tea Bags 440/Pk</td>
<td>$20.49</td>
<td>1</td>
<td></td>
<td></td>
<td>$20.49</td>
</tr>
<tr>
<td>Q81-4857579</td>
<td>NiceDay Economy Lever Arch File A4 Black</td>
<td>$1.90</td>
<td>15</td>
<td></td>
<td></td>
<td>$28.50</td>
</tr>
<tr>
<td>Q20-1533655</td>
<td>3 Tier Letter Tray</td>
<td>$23.99</td>
<td>3</td>
<td></td>
<td></td>
<td>$71.67</td>
</tr>
<tr>
<td>Q20-95377</td>
<td>Viking A4 Economy Copier</td>
<td>$3.59</td>
<td>5</td>
<td></td>
<td></td>
<td>$17.95</td>
</tr>
<tr>
<td>Q20-2071074</td>
<td>Economy Manilla Envelopes - 500</td>
<td>$15.49</td>
<td>2</td>
<td></td>
<td></td>
<td>$30.98</td>
</tr>
<tr>
<td>Q20-1533655</td>
<td>3 Tier Letter Tray</td>
<td>$23.99</td>
<td>1</td>
<td></td>
<td></td>
<td>$23.89</td>
</tr>
</tbody>
</table>

**Invoice Subtotal:** $238.47  
**Tax:** $37.62  
**Total:** $266.09

Make all checks payable to Taylor Dickens.

Total due in 30 days. Overdue accounts subject to a service charge of 5% per month.

https://www.purchasecontrol.com/blog/purchase-order-vs-invoice/
What is the difference between a purchase order and an invoice?

The key difference between a purchase order and an invoice is that a purchase order confirms that an order has been placed while an invoice requests payment for an order.

Here are all of the differences between each document:

<table>
<thead>
<tr>
<th>Key Info</th>
<th>Purchase Order</th>
<th>Invoice</th>
</tr>
</thead>
<tbody>
<tr>
<td>What it is</td>
<td>Official confirmation of an order</td>
<td>Request for payment for an order</td>
</tr>
<tr>
<td>Who initiates it</td>
<td>Purchaser</td>
<td>Vendor</td>
</tr>
<tr>
<td>Who receives it</td>
<td>Vendor</td>
<td>Purchaser</td>
</tr>
<tr>
<td>When it is sent</td>
<td>At the onset of an order</td>
<td>After the order is complete per the payment terms</td>
</tr>
<tr>
<td></td>
<td>• Date purchase was made</td>
<td>Same information as on purchase order, plus:</td>
</tr>
<tr>
<td></td>
<td>• Name of the company purchasing the goods or services</td>
<td>• An invoice number</td>
</tr>
<tr>
<td></td>
<td>• Description and quantity of the goods or services</td>
<td>• Vendor contact information</td>
</tr>
<tr>
<td></td>
<td>• Price</td>
<td>• Credits or discounts</td>
</tr>
<tr>
<td></td>
<td>• Payment information</td>
<td>• Payment schedule</td>
</tr>
<tr>
<td></td>
<td>• Billing address</td>
<td>• Total amount due to the vendor</td>
</tr>
<tr>
<td></td>
<td>• Purchase order number</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Shipping address</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Expected delivery date</td>
<td></td>
</tr>
</tbody>
</table>

What are the similarities between a purchase order and an invoice?

While these documents are quite different, there are a couple of similarities.

Both documents are legally binding contracts. This means that the agreement has been made by both the purchaser and the vendor, and that the actions they contain are required.

In addition, both the PO and the invoice include order details, mailing information, and price. The invoice also includes an invoice number, vendor contact information, payment adjustments (credits or discounts), payment schedule, and the total amount due to the vendor. The PO number is also often included on the invoice as a reference.

If you’re looking for more information about purchase orders, read our blog post on the difference between a purchase requisition and a purchase order.

https://www.purchasecontrol.com/blog/purchase-order-vs-invoice/
Why do companies use purchase orders?

Whether it is in a small business or a large organization with a full purchasing department, purchase orders are used for several reasons:

1. **They set clear expectations**
   
   POs enable purchasers to clarify their needs to vendors. Both parties can use them in case orders are not delivered as expected.

2. **They help manage orders**
   
   POs give procurement, finance, and operations teams official documentation of incoming or pending deliveries, enabling them to track and manage orders more effectively.

3. **They help with budgeting**
   
   Once a PO is created, purchasers can factor these costs into company budgets and therefore, spend more wisely.

4. **They are legally binding**
   
   In the absence of a formal contract, a PO can serve as a legally binding document, but only after it is accepted by the vendor.

5. **They are a key part of audit trails**
   
   Auditors are on the lookout for financial discrepancies. Issuing, processing, and recording POs ensures you have what you need to fend off auditors.

The benefits above are geared towards purchasers, but POs are important documents for vendors as well. Vendors use them for order fulfillment and payment processing.

[Read our Purchase Order Process blog post](https://www.purchasecontrol.com/blog/purchase-order-vs-invoice/) to learn how a purchase order request turns into a purchase order, when businesses need purchase orders and when they don’t.
Why do companies use invoices?

Companies use invoices for the following reasons:

1. **They enable vendors to collect money**
   
   Most vendors don’t receive payment for a good or service until after an invoice is sent to the purchaser. A phone call or email requesting payment won’t suffice.

2. **They provide visibility into company spending**
   
   Invoices describe exactly what you’re getting for your money, which gives finance departments transparency into what different departments buy.

3. **They help manage payments**
   
   Invoices show what goods or services were sold, how much money has been paid to date, and any outstanding charges. They help companies keep track of payments in a formal way.

Some of the benefits of invoices are similar to that of purchase orders.

1. **Like POs, they are legally binding**
   
   An invoice shows that a particular good or service was provided and when payment is expected. Invoices prove that businesses are charged for a good or service in case payment is not received.

2. **Like POs, they are a key part of audit trails**
   
   Auditors require evidence of all money going in and out of businesses. Since invoices show exactly what a business was charged for a good or service, they are a crucial part of this evidence.

https://www.purchasecontrol.com/blog/purchase-order-vs-invoice/
Conclusion

Invoices and purchase orders are a vital part of a company’s purchasing process. Understanding the roles that invoices and purchase orders play is important for anyone involved in purchasing goods or services on behalf of an organization. The key difference between a purchase order and an invoice is that a purchase order is sent from a purchaser to a vendor to place an order while an invoice is sent from a vendor to a purchaser to request payment for an order.

Streamline and automate the management of your POs with PurchaseControl’s purchase order software

Find Out How

https://www.purchasecontrol.com/blog/purchase-order-vs-invoice/
About PurchaseControl

PurchaseControl is cloud based procurement software for business spend management. We empower businesses by providing greater transparency and oversight into the purchasing process. With PurchaseControl, you have the flexibility to manage how spend actually happens instead of how you wish it would happen.

The entire PurchaseControl team has experience within a range of businesses, and as such, we bring a practical, holistic approach to purchasing. We understand what it takes to run a business and apply that knowledge to make PurchaseControl as effective as possible for all users.

Learn more at www.purchasecontrol.com

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