QAD Enterprise Applications
Standard Edition

User Guide

Consignment Inventory

Customer Consignment Inventory
Supplier Consignment Inventory

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QAD Inc.
100 Innovation Place
Santa Barbara, California 93108
Phone (805) 566-6000
http://www.qad.com

Contents

Change Summary

The following table summarizes significant differences between this document and previous versions.

Date/Version	Description	Reference
June 2012/2012 SE	Rebranded for QAD 2012 SE	--

Chapter 1

Customer Consignment Inventory

The Customer Consignment Inventory module lets you plan, order, ship, track, and report customer-consigned inventory using an automated system that reconciles inventories between suppliers and customers. Invoicing and AR transactions are deferred until the inventory is used by the customer.

This chapter describes how to set up and manage consigned inventory. It also gives an overview of the reporting tools available for reviewing and tracking consignment activity.

Overview of Customer Consignment Inventory

The Customer Consignment Inventory module lets you plan, order, ship, track, and report customer-consigned inventory. The module extends the sales order process by providing transactions to ship inventory and identify it as in-transit or consigned. These transactions also delay the standard accounts receivable (AR) booking process until inventory is consumed. When the customer notifies the supplier of usage, standard invoice transactions occur.

Customer Consignment Inventory lets suppliers continue to track inventory, even after it has been shipped and while it resides at the customer facility. This method requires the customer to notify the supplier that inventory has been used, which completes the transfer of ownership.

Using consigned inventory eliminates the need for the supplier to buy back the excess sent to the customer or remaining at the end of the consignment period. Because the supplier still owns the inventory, any excess is simply returned.

Using key features of Customer Consignment Inventory, you can:

- Create consigned inventory, inventory offset, and in-transit accounts at the system level, for product lines, or for combinations of sites and product lines.
- Retain ownership of consigned inventory by deferring invoice and AR transactions until the inventory is used by the customer.
- Track consigned inventory automatically by defining inventory locations for items that are in-transit and items received by a customer.
- Maintain visibility of consigned inventory from shipment through consumption even while it is in-transit or at a customer facility.
- Set up consignment defaults at the system level for the majority of your sales orders and scheduled orders and tailor defaults for individual ship-to addresses and items.
- Separate shipping and billing functions to accurately determine inventory value.
- Create and ship sales orders that include both non-consigned and consigned items.
- Automatically replenish inventory as it is used by adding a new line to the current release of a scheduled order.
- Manually adjust inventory transfers if needed.
- Include or exclude consigned items during physical inventory or cycle count.
- Import EDI transmissions to generate consumption records automatically, or manually create records as needed.
- Easily reverse transactions when you have excess, rejected, or returned inventory.
- Improve accuracy of consigned inventory information including its location, status, age, and order details.
- Generate reports and inquiries that sort and display details according to your needs:
  - Identify unconsumed inventory that exceeds its maximum aging date.
  - Compare inventory shipped with inventory consumed.
  - Compare inventory shipped and consumed with inventory paid for.

Customer Consignment Programs

Table 1.1 lists programs included in Customer Consignment Inventory.

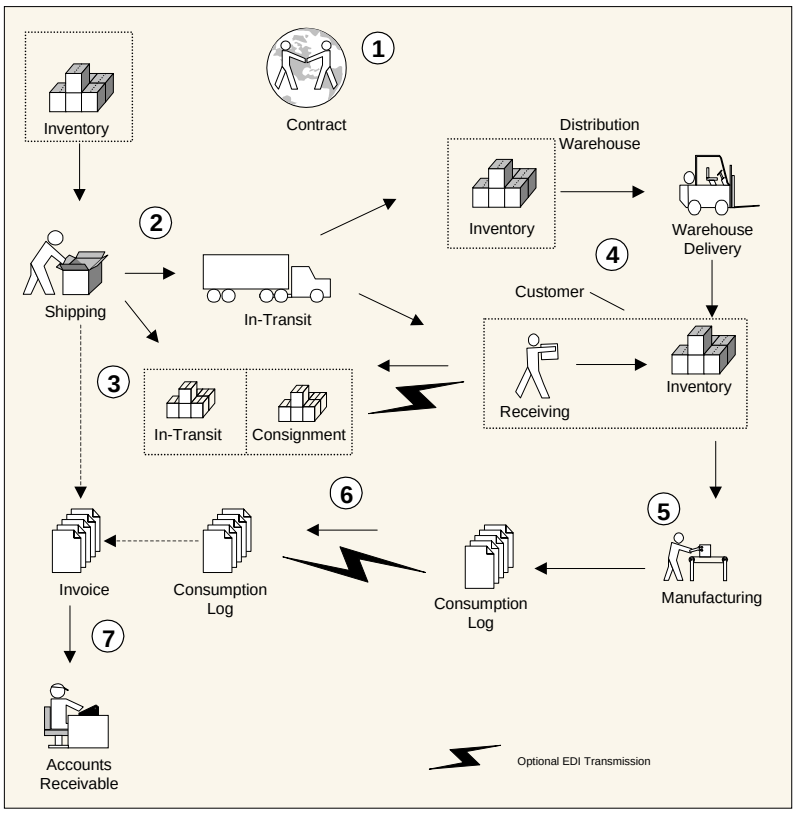
Table 1.1
Customer Consignment Inventory Programs

Menu Number	Description	Program Name
7.18	Customer Consignment Inventory ...	
7.18.1	Ship-To/Item Controls Maintenance	socnstmt.p
7.18.2	Ship-To/Item Controls Report	socnstrp.p
7.18.4	Consignment Reports Menu ...	
7.18.4.1	Consignment Inventory Report	ppptrp10.p
7.18.4.2	Consignment Inventory by Location	iclorp02.p
7.18.4.3	Consignment Inventory by Order	socnrp01.p
7.18.4.4	Consignment by Order with Sequence	socnrp06.p
7.18.4.7	Aging Inventory Report by Order	socnairp.p
7.18.4.8	Aging Inventory Report by Part	socnair1.p
7.18.4.9	Aging Inventory by Order with Sequence	socnrp07.p
7.18.4.13	Inventory Usage Report	socnrp04.p
7.18.4.14	Authorization Usage Report	socnrp09.p
7.18.4.15	Sequenced Usage Report	socnrp08.p
7.18.4.16	Usage Report by Order	socnrp02.p
7.18.4.17	Usage Report by Order with Sequence	socnrp10.p
7.18.7	Consignment Inventory Transfer	socnxfer.p
7.18.10	Aging Inventory Update	socnaimt.p
7.18.11	Aging Inventory Batch Update	socnaiup.p
7.18.13	Inventory Usage Create	socnuac.p
7.18.14	Authorization Usage Create	socnuac3.p
7.18.15	Sequenced Usage Create	socnuac5.p
7.18.16	Usage Inquiry	socnuiq.p
7.18.17	Authorization Usage Inquiry	socnuaiq2.p
7.18.18	Sequenced Usage Inquiry	socnusiq.p
7.18.19	Shipper Usage Create	socnuac7.p
7.18.22	Usage Create Undo	socnundo.p
7.18.24	Customer Consignment Control	socncpm.p
7.18.25.1	Consignment Inventory Adjustment	socnadj.p

Customer Consignment Inventory Business Work Flow

Figure 1.1 shows the complete consignment inventory work flow beginning with the contract and ending with accounts receivable.

Fig. 1.1
Consignment Inventory Business Flow



Creating a Sales Order

A contract is created between a supplier and a customer that dictates the items to be sold on consignment (step 1 in Figure 1.1). The contract is either a discrete sales order or a scheduled sales order. It includes clauses on deferring liability. The contract may also include a maximum number of aging days that a customer is permitted to hold items without liability of payment. This ensures that inventory will be consumed in a timely manner.

Allocating and Shipping Inventory

Inventory is allocated to the sales order by either general or detail allocations. This is standard processing. Inventory is packed and shipped to the customer according to the requirement dates, times, and quantities. Traditional shipping documents are generated and advance ship notice (ASN) information is transferred to the customer as required (step 2 in Figure 1.1).

The consigned inventory is not yet available to be invoiced and must still be tracked until the customer has consumed it. Physically, the shipped inventory has left the manufacturing facility. The inventory is still tracked as either being in-transit or residing at a customer's consignment location (step 3 in Figure 1.1).

Tracking the Inventory

The shipped inventory arrives at its destination, either the customer's receiving dock or a distribution warehouse in close proximity to the customer (step 4 in Figure 1.1). When the customer receives the inventory and notifies the supplier of its receipt, the inventory is then transferred from in-transit to consignment. Likewise, when an external warehouse sends inventory to the customer, it sends the supplier the information to move the inventory from its in-transit location to its consignment location.

Consuming the Inventory

The consigned inventory is eventually issued from stock, backflushed, or otherwise consumed by the customer (step 5 in Figure 1.1). This consumption activity triggers the transfer of ownership and must be logged for the customer to relay the information to the supplier.

Invoicing the Inventory

The customer relates the consumption activity to the supplier, which makes the consumed inventory available to be invoiced (step 6 in Figure 1.1).

Once the invoice is generated, standard invoice printing and posting are performed using accounts receivable (AR) functions (step 7 in Figure 1.1). Either the invoice is sent to the customer or payments are received for consumed inventory using the optional PRO/PLUS self-billing functions.

See *User Guide: PRO/PLUS* for details on self-billing.

Inventory records are automatically updated and can be used to verify transactions in a variety of ways to define inventory balances and locations.

Using Customer Consignment Inventory with EMT

Enterprise Material Transfer (EMT) lets you translate sales orders into purchase orders automatically and transmit those purchase orders to secondary business units (SBU) electronically using EDI eCommerce. You can use EMT with the Customer Consignment Inventory module regardless of whether items are shipped directly by the SBU or received at your site for shipment.

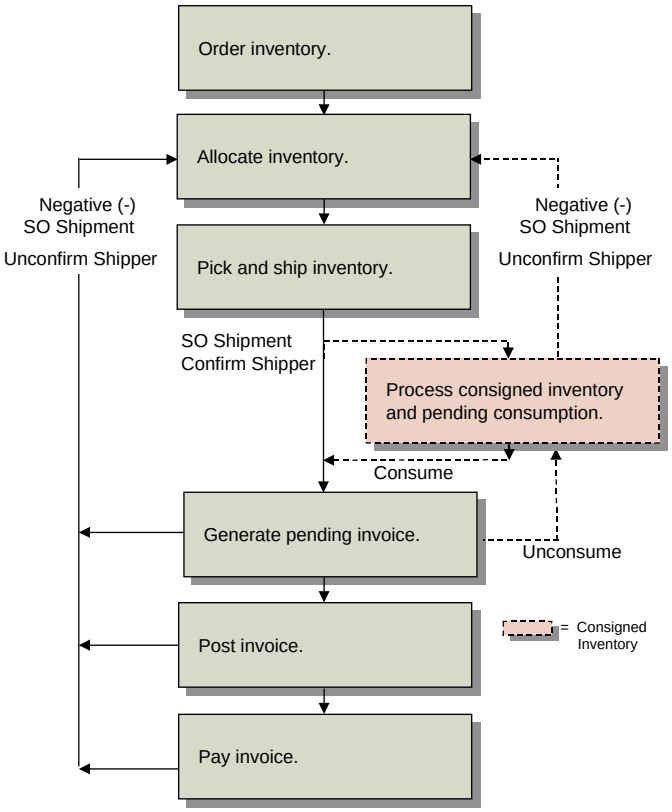
All of the invoicing is managed by the site creating the original sales order—known in EMT as the primary business unit (PBU). When the PBU imports an advance ship notice from the SBU or receives the actual items into inventory, the items are transferred to the consignment or in-transit location rather than being issued out of inventory. The actual sales order issue occurs when the customer receiving the items notifies the PBU of usage, just like other consigned shipments.

See *User Guide: Distribution* for information on EMT.

Consignment Process Summary

Figure 1.2 shows the sequence in which the Customer Consignment Inventory module processes data.

Fig. 1.2
Consignment Overview



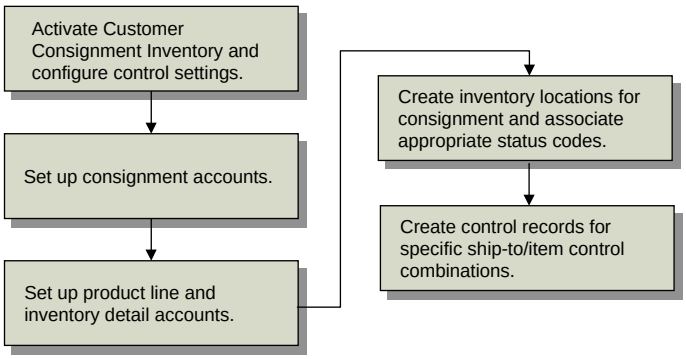
Planning and Setup

Before using the Customer Consignment Inventory module, you must set up different kinds of data:

- Standard base data such as items, addresses, and GL accounts. These activities are not discussed in this chapter.
- Base data specific to the Customer Consignment Inventory module.
- Control settings that determine defaults and processing options.

Figure 1.3 illustrates the typical work flow for setting up Customer Consignment Inventory.

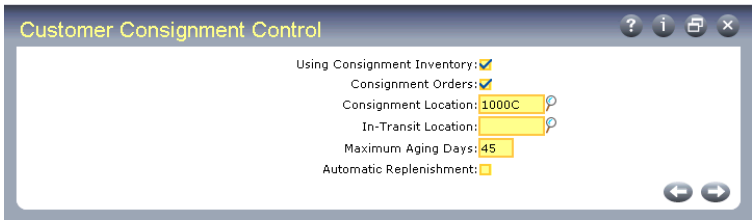
Fig. 1.3
Customer Consignment Setup Flow



Activate Customer Consignment and Configure Control Settings

Use Customer Consignment Control (7.18.24) to activate the Customer Consignment Inventory module. All values default to Ship-To/Item Controls Maintenance (7.18.1), where you can modify them for specific combinations of ship-to addresses and items.

Fig. 1.4
Customer Consignment Control (7.18.24)



Using Consignment Inventory. Use this field to activate the Customer Consignment Inventory module. The default is No.

No: Standard sales order programs display. The system bypasses all consignment screens.

Yes: The Customer Consignment Inventory module is active. You can use Customer Consignment Inventory programs.

Once you have activated the module, created consigned items, or performed transactions, entering No to deactivate the module displays a warning message. Unless all consigned items are consumed, the system warns you that non-invoiced consigned items exist and prompts you to confirm your action.

Consignment Orders. Specify the default value for the Consignment Orders field in the header of new sales and scheduled orders:

No: Enter No if the majority of shipments are standard sales orders.

Yes: The Consignment Orders field on the header of all new sales orders and scheduled orders is Yes. This, is turn, sets the Consignment field on the order line to Yes by default.

In either case, you can combine lines for both consigned and non-consigned inventory on one order.

The value defined here is used on new orders only if the system does not find a more specific match in Ship-To/Item Controls Maintenance.

Consignment Location. Enter the location representing consigned inventory that resides at a customer facility.

In-Transit Location. Optionally enter the location that represents consigned inventory that is in-transit between you and your customer.

When you enter a value for a consigned location but not for an in-transit location, inventory ready for shipping is transferred from the inventory location directly to the location representing the customer facility.

When you enter an in-transit value, inventory is transferred from the inventory stocking location to the in-transit location. Enter only valid locations set up in Location Maintenance (1.1.18).

Important Assign in-transit and consignment locations an inventory status code with Nettable set to No. Otherwise, MRP considers items in these locations as available to net against open requirements. This understates real demand. Do not use locations defined for customer reserved inventory since this may prevent shipping from occurring.

Maximum Aging Days. Enter the maximum number of days consigned inventory is allowed to be in-transit to a customer facility or remain there after shipment.

The default value is 0 (zero), which indicates there is no scheduled aging deadline.

See “Managing Aged Inventory” on page 27.

Automatic Replenishment. Indicate whether a planned replacement line is automatically added to the active required ship schedule based on the last quantity consumed. This option is for scheduled orders only.

Yes: A replenishment order is automatically generated when items are consumed. The replenishment line is added to the next open date on the schedule for a quantity matching the quantity consumed.

No: A replenishment line is not added to the required ship schedule. New schedules are determined by using Required Ship Schedule Update (7.5.3).

Set Up Customer Consignment Accounts

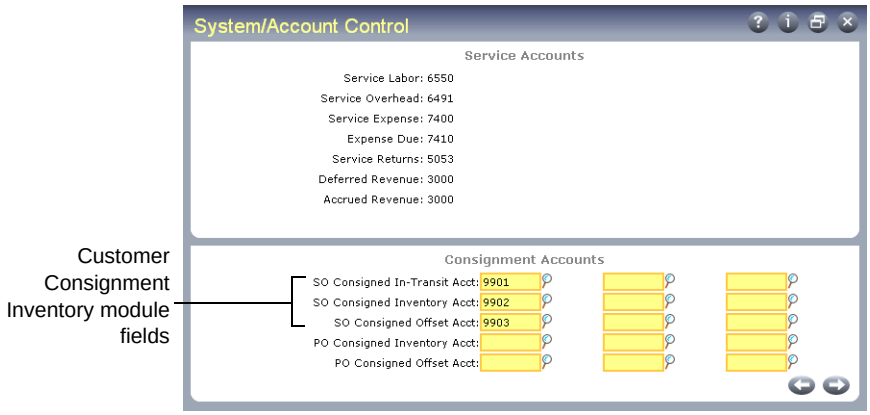
Use three programs to identify accounts used to track customer consignment inventory:

- Domain/Account Control (36.1)
- Product Line Maintenance (1.2.1)
- Inventory Account Maintenance (1.2.13)

Create accounts first in Account Code Maintenance (25.3.13). Use Domain/Account Control to set up defaults. Codes entered in Domain/Account Control default to Product Line Maintenance. Product Line Maintenance accounts default to Inventory Account Maintenance (1.2.13).

Note One of the Consignment Inventory modules must be active to access the Consignment Accounts frame. See page 7.

Fig. 1.5
Domain/Account Control (36.1)



SO Consigned In-Transit Acct. Enter the general ledger (GL) account, sub-account, and cost center codes used to track consigned inventory that is in-transit to the customer.

SO Consigned Inventory Acct. Enter the GL account, sub-account, and cost center codes used to track consigned inventory that has been shipped and resides at the customer facility.

SO Consigned Offset Acct. Enter the GL account, sub-account, and cost center codes used to track deferred receivable amounts for consigned shipments.

Note If you want to reflect the shipment of consigned inventory in your Inventory account, set the offset account to the Inventory account.

The SO Consigned Inventory and SO Consigned Offset accounts are updated simultaneously to record consigned activity and do not affect the balance sheet. The Inventory account is not updated until inventory is used by the customer.

The remaining account fields in this frame are used by the Supplier Consignment Inventory module.

See “Invoicing Consigned Shipments” on page 31.

See “PO Cost Point.” on page 43.

Set Up Product Line and Inventory Detail Accounts

Use Product Line Maintenance (1.2.1) to tailor consignment accounts for items that belong to a particular product line. If you do not define specific product line accounts, the system uses the default GL accounts from Domain/Account Control.

Optionally use Inventory Account Maintenance (1.2.13) to further define GL accounts designated for consignment. By setting up accounts for combinations of product line, site, and location, you can separately track accounts for multiple sites or multiple locations within a site.

Inventory detail accounts default from Product Line Maintenance. Often, these are used to associate cost centers with different sites and locations.

Create Inventory Locations

Note If you define locations with the same codes as the corresponding ship-to addresses, the location is easily identifiable.

Use Location Maintenance (1.1.18) to create one or more consignment locations that represent areas at customer facilities. Assign these locations to ship-to addresses or combinations of addresses and items in Ship-To/Item Controls Maintenance (7.18.1). These values in turn default to orders shipped to the specified address.

When orders are shipped, the system transfers inventory to the location representing the customer.

Specify an inventory status code that matches the way consigned inventory is viewed by the system.

Specify Inventory Status Codes

Use Inventory Status Code Maintenance (1.1.1) to create and modify inventory status codes for the locations you plan to use to store consigned inventory. It is recommended that you define a status code with the Available, Nettable, and Overissue fields set to No. When you create a consigned sales order line and enter a consigned or in-transit location, the system checks the inventory status code. If the status code for the location is available or nettable, a warning displays and the system prompts you to continue.

Available. When this is No, inventory is not available for allocation to sales orders. For inventory residing at a location that represents the customer facility, setting available to No prevents the allocation process from selecting that quantity for a different sales order.

Nettable. Setting nettable to No prevents MRP planning logic from including that quantity as inventory on hand.

Overissue. Setting overissue to No prevents the inventory balance from being negative.

Restricted Transactions. Inventory status codes can prevent particular transactions from occurring. For example, you can create restricted transactions for consigned inventory to prevent it from being included in a cycle count or unplanned issues/receipts.

See *User Guide: Master Data* for more information on inventory status codes.

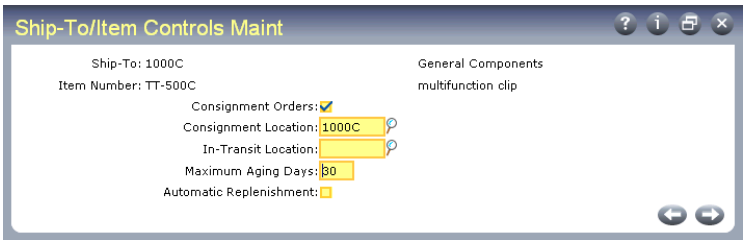
Create Control Records for Specific Ship-To/Item Combinations

Use Ship-To/Item Controls Maintenance (7.18.1) to define specific default values for combinations of ship-to addresses and item numbers. The values entered here override the settings in Customer Consignment Control. When new orders are created for a specific ship-to address, the system looks for the most specific record first to determine the defaults to use.

With the exception of Ship-To and Item Number, field values in Ship-To/Item Controls Maintenance default from corresponding fields in Customer Consignment Control (7.18.24). Field descriptions in Customer Consignment Control also apply to the fields in this program.

See “Activate Customer Consignment and Configure Control Settings” on page 7 for details.

Fig. 1.6
Ship-To/Item Controls Maintenance (7.18.1)



Ship-To. Enter the customer ship-to address that uniquely identifies this control record.

This is a required field. Associated control values apply to this ship-to only.

You must enter a valid address with a list type of customer or ship-to.

Item Number. Optionally enter an item number to use as part of the unique identifier for this control record. This item number represents the consigned item being shipped to the customer.

When you enter an item number, this control record applies to sales order lines for this item only.

Items must be previously defined in Item Master Maintenance (1.4.1).

The default is blank. When left blank, this control record applies to all items for the associated ship-to without a specific control record.

Managing Consigned Inventory

Key management functions of the Customer Consignment Inventory module are to:

- Manage inventory quantities.
- Provide inventory valuation and update accounts.
- Defer AR transactions until consumption.

When you activate the Customer Consignment Inventory module and begin shipping, the system automatically tracks consigned inventory ownership, location, quantities, age, use, invoicing, and payment.

It does this by first identifying which sales order lines are consignment lines. The system then treats the shipment of consignment line items as an internal transfer of inventory to a predefined location.

The inventory within this location references the shipper ID in the sales order line if shippers are used. From here, inventory is visible for usage and aging analysis. Usage signals from the customer draw from the consignment balance in first-in, first-out (FIFO) order.

Creating Inventory Transaction History

Every inventory transaction creates a record in inventory transaction history. Each record has a unique, sequential transaction number and a transaction type. Transactions include the following information:

- Transaction data

- Inventory data
- Cost data
- GL transaction data
- User ID of the person entering the transaction

Customer Consignment Inventory Transaction Types

The transaction type code identifies the function used to initiate the inventory change. Table 1.2 lists the customer consignment transaction type codes included in inventory history records with a brief description of each type and the programs that create the transactions.

Table 1.2
Consignment Transaction Types

Transaction Type	Menu Number	Program that Creates the Transaction/Description
CN-ISSTR/CN-RCTTR	7.18.7	Consignment Inventory Transfer Transfers inventory between locations at a site.
ISS-SO, CN-USE	7.18.10	Aging Inventory Update Instead of extending the aging date of consigned inventory, enter Yes in the Use field to indicate its consumption. Initiates ISS-SO and subsequent invoicing.
	7.18.13	Inventory Usage Create Indicates consumption and initiates ISS-SO and subsequent invoicing.
	7.18.14	Authorization Usage Create Indicates consumption of consigned inventory shipped based on scheduled orders referencing customer authorization. Initiates ISS-SO and subsequent invoicing.
	7.18.15	Sequenced Usage Create Indicates consumption of consigned inventory shipped based on scheduled orders referencing customer sequences. Initiates ISS-SO and subsequent invoicing
	7.18.22	Usage Create Undo Reverses the movement of inventory out of a consigned location. Reverses GL transactions created at original usage creation.
CN-ADJ	7.18.25.1	Consignment Inventory Adjustment Adjusts balances of consigned inventory at selected locations. Debits SO Consigned Inventory or SO Consigned In-Transit accounts and credits the SO Consigned Offset account. Negative adjustments credit SO Consigned Inventory and debit SO Consigned Offset accounts.

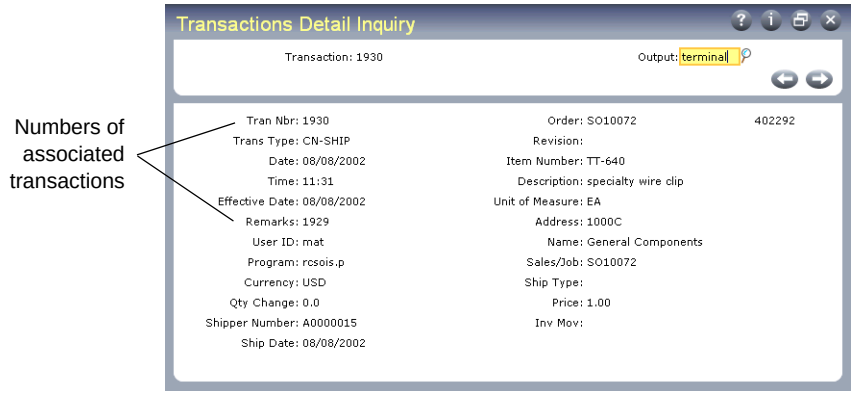
Transaction Type	Menu Number	Program that Creates the Transaction/Description
ISS-UNP, CN-USE	3.7	Issues – Unplanned Adjusts balances for negative quantities only.
ISS-TR, RCT-TR CN-SHIP	7.9.5	Pre-Shipper/Shipper Confirm Ships inventory to a consigned location.
	7.9.15	Sales Order Shipment Ships inventory to a consigned location.
	7.9.21	Shipper Unconfirm Unconfirms an inventory shipment to a consigned location. A negative amount creates a customer credit.
CYC-CNT CN-CNT (negative only)	3.13.2	Cycle Count Results Entry Makes adjustments to consigned inventory balances.
	3.16.21	Inventory Balance Update Changes consigned inventory balances. Updates tags.
TAG-CNT CN-CNT	3.16.11	Tag Count Entry Makes adjustments to consigned inventory balances. Also creates CN-CNT.
CYC-RCNT CN-CNT	3.16.12	Tag Recount Entry Makes adjustments to consigned inventory balances. Also creates CN-CNT. See Table 1.3 on page 30.

Reviewing Transaction History

Use Transactions Detail Inquiry (3.21.1) to display detailed inventory transaction history records sorted by transaction number. Enter the transaction number to display all the information about that transaction.

Figure 1.7 shows the details about transaction 1930.

Fig. 1.7
Consigned Inventory Transactions Shown in Transactions Detail Inquiry (3.21.1)



When consigned inventory is used, multiple inventory transactions are processed and corresponding transaction history records created. For the consigned transaction, the system records the number of the standard transaction initiating it in the Remarks field.

In Figure 1.7, the number 1929 in the Remarks field reflects the standard RCT-TR transaction that initiated the consignment CN-SHIP transaction. For transaction 1929, the Remarks field contains the word Consigned, to indicate the type of inventory involved in the transaction.

Ordering Consigned Inventory

When the Customer Consignment Inventory module is active, additional fields and frames display for user input during order entry in:

- Sales Order Maintenance (7.1.1)
- Scheduled Order Maintenance (7.3.13)

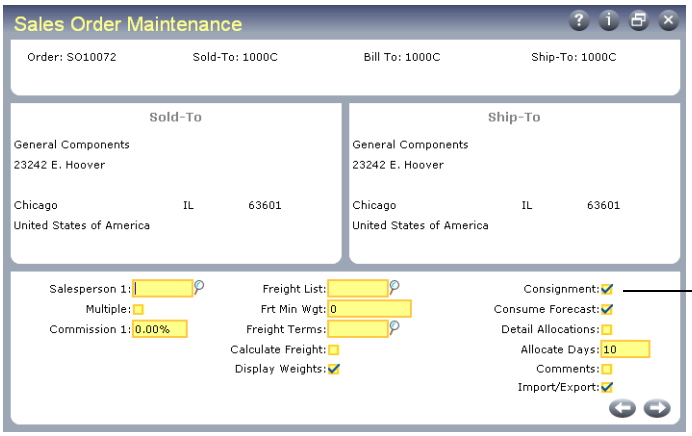
In both sales order and scheduled order programs, the system uses a hierarchical approach to retrieve previously entered default data that applies to specific customers and items.

- When entering a new order, the system uses default values for the ship-to address defined in Ship-To/Item Controls Maintenance. If a record does not exist for the ship-to address and a blank item, the system uses defaults defined in Customer Consignment Control.
- At the sales order line, the system first uses defaults defined in Ship-to/Item Controls Maintenance for the order ship-to and line item. If a record does not exist, values default from the order header.

Sales Order Maintenance

Figure 1.8 shows the Consignment field in the sales order header.

Fig. 1.8
Consignment Field in Sales Order Maintenance Header (7.1.1)

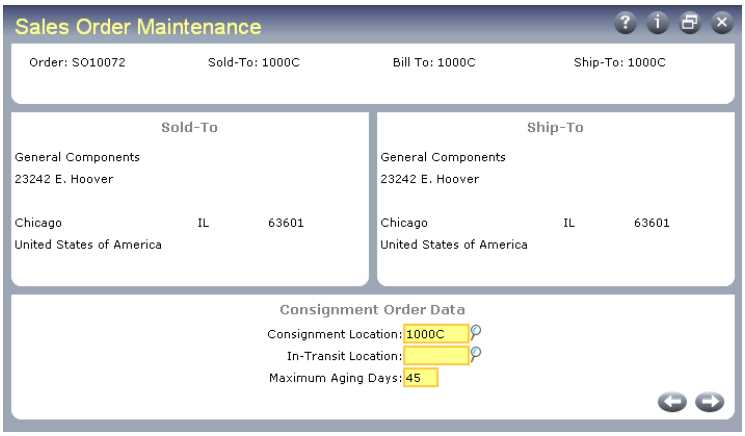


Consignment. Enter Yes if items on this sales order are consigned. This value defaults from Ship-To/Item Controls Maintenance, if used. If not used, the value defaults from Customer Consignment Control.

Enter No if the most items on this sales order are non-consigned. You can designate individual items as consigned in the Consignment Order Line Item Data frame that displays later during order entry.

Figure 1.9 shows the Consignment Order Data frame that displays when Consignment is set to Yes.

Fig. 1.9
Consignment Order Data Frame in Sales Order Maintenance Header



Consignment Location. Enter the location representing consigned inventory that resides at the customer facility. This value defaults from Ship-To/Item Controls Maintenance, if used. If not used, the value defaults from Customer Consignment Control.

In-Transit Location. Optionally enter the location that represents consigned inventory that is in-transit between you and your customer. When you enter a value for a consignment location but not for an in-transit location, inventory ready for shipping is transferred from the inventory location directly to the consignment location.

When you enter an in-transit value, inventory is transferred from the stock inventory location to the in-transit location. Enter only valid locations set up in Location Maintenance. The in-transit location defaults from Ship-To/Item Controls Maintenance, if used. If not used, the value defaults from Customer Consignment Control.

Important Assign in-transit locations an inventory status code with Nettable set to No. Otherwise, MRP will consider supply in that location twice: once for the scheduled receipt and again for the nettable quantity in the location.

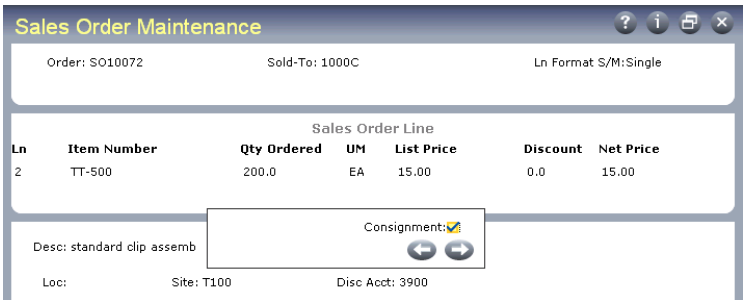
Maximum Aging Days. Optionally enter the maximum number of days consigned inventory is allowed to reside at or be in-transit to the customer facility. Enter 0 (zero) if there is no deadline.

This value defaults from Ship-To/Item Controls Maintenance, if used. If not used, the value defaults from Customer Consignment Control.

See “Managing Aged Inventory” on page 27.

When you need to enter a sales order with only a few consigned items, proceed through the sales order screens to the sales order line frames as shown in Figure 1.10.

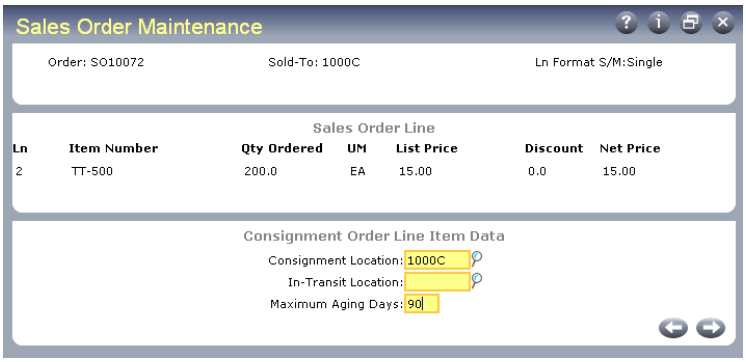
Fig. 1.10
Consignment Line Item Pop-Up in Sales Order Maintenance



Set the Consignment detail field to Yes for order lines with consigned items. Other items on the sales order remain non-consigned.

The Consignment Order Line Item Data frame lets you optionally update consignment values that apply only to this item.

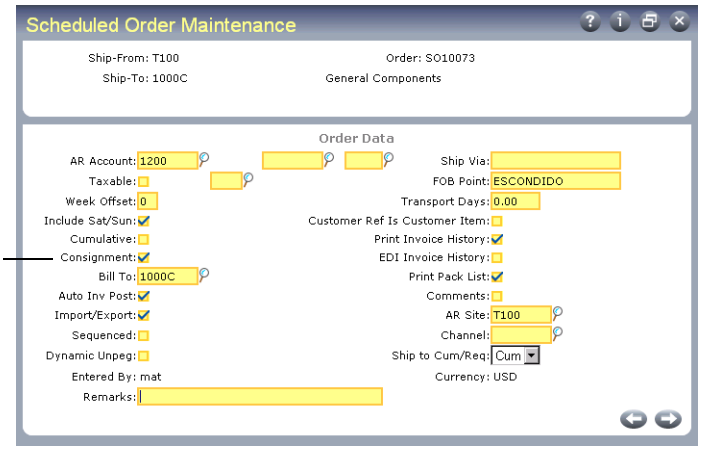
Fig. 1.11
Consignment Order Line Item Data in Sales Order Maintenance



Scheduled Order Maintenance

To order consigned inventory on a scheduled sales order, use Scheduled Order Maintenance (7.3.13).

Fig. 1.12
Consignment Field in Scheduled Order Maintenance Header (7.3.13)

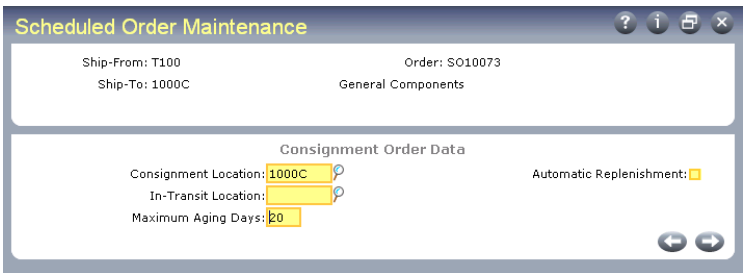


Enter Yes to create consigned scheduled orders.

Enter the ship-from and ship-to information that apply to the entire scheduled order.

The Consignment field in the Order Data frame functions the same way as the field in Sales Order Maintenance.

Fig. 1.13
Consignment Order Data Frame in Scheduled Order Maintenance Header



The first three fields in the Consignment Order Data frame function the same way as those fields in Sales Order Maintenance. Automatic Replenishment is an additional field that applies only to scheduled orders.

Automatic Replenishment. Indicate whether a planned replacement line is automatically added to the active required ship schedule based on the last quantity consumed.

Yes: A replenishment order is automatically generated when consigned items are consumed. The replenishment line is added to the next open date on the schedule for a quantity matching the quantity consumed.

No: A replenishment line is not added to the required ship schedule. New schedules are determined by using Required Ship Schedule Update (7.5.3).

You can indicate for each line whether it is consigned. If it is, the Consignment Order Line Item Data frame displays for input of line-item values. This contains the same fields as those illustrated in Figure 1.13.

See “Sales Order Maintenance” on page 14.

Shipping Consigned Inventory

Shipping consigned inventory uses the same process as shipping non-consigned inventory. Inventory is allocated (reserved) to an order either by general or detail allocations. Shippers can be created or standard sales order shipments can be used. The difference between shipping consigned and non-consigned inventory is in the booking of transaction history and accounting.

Non-consigned items are shipped to the customer using the traditional ISS-SO inventory transaction. Shipping an order updates the quantity available to invoice.

In contrast, you own consigned inventory until the customer notifies you that it is consumed. To defer the transfer of ownership, the shipment is considered an inventory transfer and uses consigned transaction types.

Instead of an ISS-SO, a consigned shipment generates the following transactions:

- ISS-TR for transfers out of the stocking location
- RCT-TR for transfers into the consigned location
- CN-SHIP for consigned shipments

As shipments are made, the system transfers specified quantities, updates the sales order, and increases cumulative shipped quantities, thereby reducing MRP requirements and increasing the corresponding physical inventory accounts. Because the system updates cumulative quantities at the time of shipment, it ensures that your customer schedule correctly represents what has been shipped.

See *User Guide: Distribution.*

If your company uses standard allocations and shipping, use Sales Order Shipments (7.9.15) to process shipments against open sales orders. These can be positive or negative amounts.

If your company uses shippers, use Picklist/Pre-Shipper Automatic (7.9.1) to create a picklist that selects and ships inventory. When needed, you can edit the order line details before items are added to a picklist/pre-shipper. Use Pre-Shipper/Shipper Confirm (7.9.5) to generate shipment transactions. The system optionally generates an electronic ASN that can be exported to the customer using EDI eCommerce.

See “Processing Returns, Rejects, and Corrections” on page 26.

Making Inventory Transfers and Adjustments

You can make inventory transfers either manually or through importing EDI eCommerce transactions.

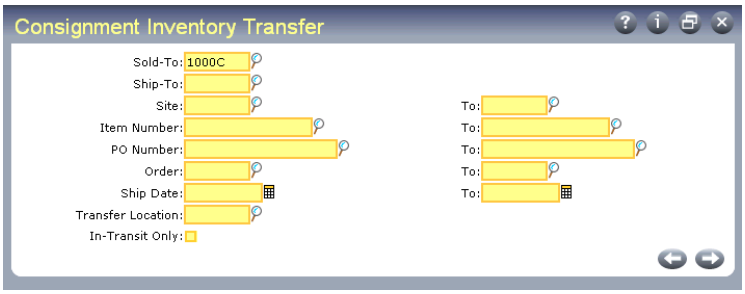
Consignment Inventory Transfer

Use Consignment Inventory Transfer (7.18.7) to manually select inventory for transfer (CN-ISSTR/CN-RCTTR). For example, this program lets you move only in-transit inventory to a consigned location. If you need to move inventory from one location to another, use this program to retain the consigned status of the inventory.

Use this program when you receive an acknowledgment that the consigned inventory has arrived at the customer facility. For example, you can use this program when you need to manually show an inventory transfer from a third-party distribution warehouse to a customer facility.

A transfer represents the movement, not use, of inventory. It reduces inventory quantity for items at a designated site and location and increases it at another.

Fig. 1.14
Consignment Inventory Transfer (7.18.7)

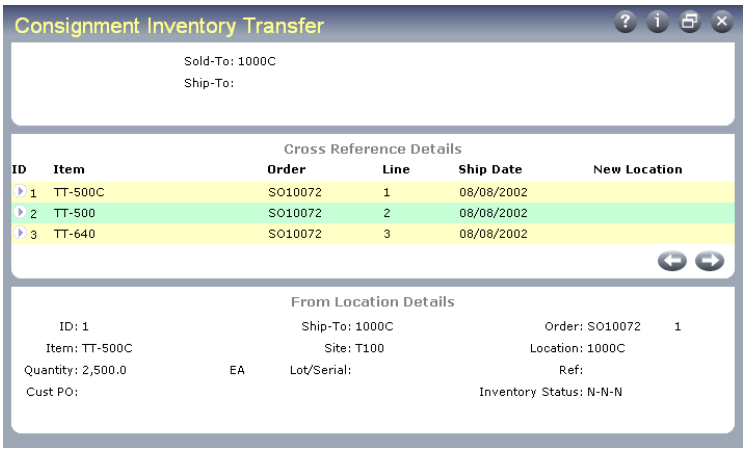


Enter criteria for selecting consigned inventory to transfer. You must enter either a ship-to or sold-to address. You can enter a range of sites, items, customer POs, sales orders, and ship dates.

Transfer Location. Enter the new location where you want to transfer the in-transit or consigned inventory. This value sets the default for all items selected for transfer. You can change this for individual records, as needed.

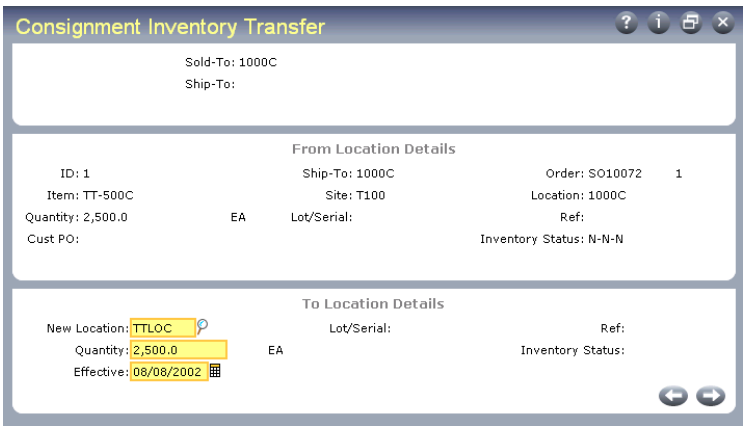
If this location does not exist at the site containing the transfer-from location, the system creates it automatically or displays an error message, depending on the setting of Automatic Locations at the current site. If this is No for the site, the location must be predefined using Location Maintenance.

Fig. 1.15
Cross Reference and From Location Details Frames in Consignment Inventory Transfer



The system displays cross-reference and from location details for the records that match your selection criteria. Choose the record you want to modify. You can specify a new location, quantity to transfer, and GL effective date in the To Location Details frame.

Fig. 1.16
From and To Location Details in Consignment Inventory Transfer



New Location. Enter the new location where you want to transfer the in-transit or consigned inventory. This field defaults from the first frame if you specified a transfer location.

Quantity. Enter the quantity of the item to be transferred to the new location.

Effective Date. Enter the GL effective date for this transaction. The default is the system date. The effective date determines when this transaction affects GL balances.

If Verify GL Accounts is Yes in Domain/Account Control, the system checks that the transaction effective date is within an open fiscal period.

Fig. 1.17
Status Conflict Message in Consignment Inventory Transfer

When the inventory status of the items being transferred differs from the default inventory status at the transfer-to location, the system prompts you to change the inventory status of the transferred items.

- Respond Yes to have the items automatically assume the default inventory status of the transfer-to location.
- Respond No to have items retain their current inventory status.

When you have finished specifying details, press End. A summary frame displays the items about to be transferred. When prompted, enter Yes to complete the update.

Imported EDI Messages

When inventory arrives at the customer receiving dock, some customers send an acknowledgment of receipt in electronic data interchange (EDI) format. Using Document Import (35.1) to import an acknowledgment message has the same effect as manually transferring the consigned inventory. It signals the movement of inventory from the in-transit location to the consignment location identified on the sales order line. No transfer of ownership occurs while the inventory is in-transit or when it is received.

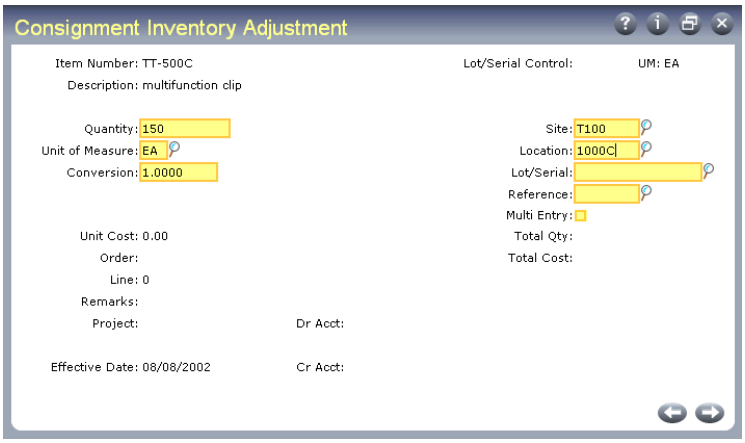
See *User Guide: EDI eCommerce* for information.

Consignment Inventory Adjustment

Use Consignment Inventory Adjustment (7.18.25.1) to manually modify consigned inventory information such as quantities and locations. Adjustment generates records of type CN-ADJ to record consignment adjustment.

Order and line are required. The system validates that the items on the order line were consigned. A warning displays if non-consigned items exist in the location specified.

Fig. 1.18
Consignment Inventory Adjustment (7.18.25.1)



You might use this program after doing a physical inventory to indicate that surplus items are consigned.

You can select inventory by serial number, reference number, sequence number, or authorization. For example, you can debit an in-transit account and credit a consigned offset (consumption) account.

See “Tracking Consigned Inventory During Inventory Counts” on page 29.

Note Consignment Inventory Adjustment is designed only to update the consignment quantity. It does not make any changes to the quantity on hand. This can lead to possible discrepancies between inventory valuation reports and the inventory GL balance. You should make appropriate adjustments to quantity-on-hand balances, as needed.

Using Customer Consigned Inventory

You can designate inventory as consumed either by transferring ownership using a manual option or by importing EDI eCommerce transactions.

Four programs let you manually register usage of consigned materials: Inventory Usage Create (7.18.13), Authorization Usage Create (7.18.14), Shipper Usage Create (7.18.19), or Sequenced Usage Create (7.18.15).

Note You can also register inventory usage in Aging Inventory Update (7.18.10). See “Managing Aged Inventory” on page 27.

Use these programs to:

- Indicate usage of customer-consigned inventory.
- Transfer ownership of inventory to the customer.
- Issue items on sales orders or scheduled orders and prepare for invoicing.
- Update GL accounts.
- Automatically post invoices based on default setup.

Oldest shipments are consumed first, unless you specify inventory selection details such as batch, lot/serial, or reference numbers.

When you manually designate inventory as used, the system reduces the quantity available in the consigned location and books the amount as a sale.

Entering a consumed quantity that is more than the available quantity generates a warning message. The system reduces (CN-USE) the consumed quantity and shows a negative quantity in the consigned location.

See page 32 for invoicing details.

Important Do not use these three programs to return inventory because they select only available quantity.

If you have previously consumed all available quantity, usage transactions will never select the order line because the available quantity is zero (0). You can correct previous usage data, but only if available quantity remains.

In an EDI environment, you can import the customer's consumption information in EDI messages using Document Import (35.1) instead of entering it manually. In this case, the import gateway triggers consignment usage (CN-USE) and a sales order issue (ISS-SO) transaction.

If you have already created usage records manually for the same orders, the system marks them so that when the customer reports that the inventory is used or consumed in an EDI message, the system recognizes that it has already been booked once, and it does not book it again.

See "Processing Returns, Rejects, and Corrections" on page 26.

GL Effects of Usage

Consuming consigned inventory (CN-USE) has the following GL effects:

- Credits SO Consigned Inventory or SO Consigned In-Transit account, depending on the location where the consigned inventory resides. These accounts are defined in Inventory Account Maintenance (1.2.13).
- Debits the SO Consigned Offset account.

Issuing the items as a sale (ISS-SO) has the following GL effects:

- Credits the Inventory account defined in Inventory Account Maintenance (1.2.13) for the product line, shipment site, and location.
- Debits the COGS Material, COGS Burden, COGS Labor, COGS Overhead, and COGS Subcontract accounts defined in Sales Account Maintenance (1.2.17) for the product line, shipment site, sales channel, and customer type.

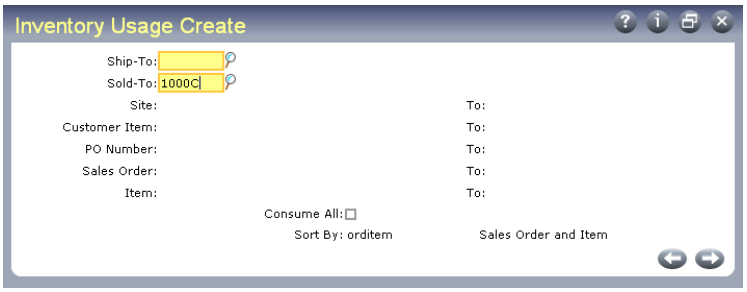
Note If Sum LL Costs Into Matl Cost is Yes in Inventory Control (3.24), all lower level manufacturing costs are posted to the COGS Material account.

GL transactions are stored in the unposted transaction table until they are posted. Review unposted transactions with Unposted Transaction Inquiry (25.13.13). Review and delete transactions created in modules other than GL with GL Transaction Delete/Archive (36.23.2). The GL reference begins with IC.

Inventory Usage Create

Use Inventory Usage Create (7.18.13) to manually enter consumption data for sales orders and scheduled orders that do not reference a shipping authorization number or a sequence number.

Fig. 1.19
Inventory Usage Create (7.18.13)



Ship-To. This is a required field unless you enter a Sold-To. Enter the ship-to address of the record you want to update.

Sold-To. This is a required field unless you enter a Ship-To. Enter the sold-to address of the record you want to update.

Effective Date. Enter the effective date of this transaction.

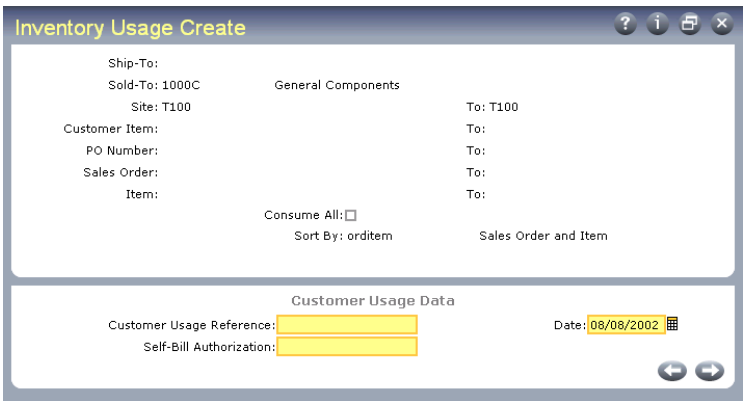
Consume All. Enter Yes or No to indicate whether you want to consume all the shipments that are listed. If you enter Yes, all items in the selection results are marked for processing.

Sort By. Specify the sequence in which information is to display:

- Customer item and PO
- Item and sales order
- PO and customer item
- Sales order and item

The Customer Usage Data frame displays.

Fig. 1.20
Customer Usage Data Frame in Inventory Usage Create



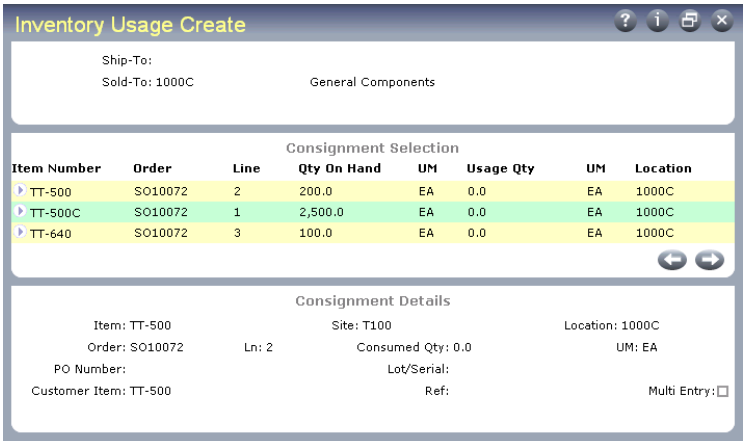
Customer Usage Reference. Enter the customer usage reference number assigned to this transaction. This number is typically provided by the customer when using EDI.

Self-Bill Authorization. Enter the self-billing authorization number assigned to this transaction. This number is typically provided by the customer and refers to their payment number.

Date. Enter the date the customer consumed the inventory.

When you press Go, the system displays consigned inventory that matches your selection criteria.

Fig. 1.21
Consignment Selection and Details Frames in Inventory Usage Create



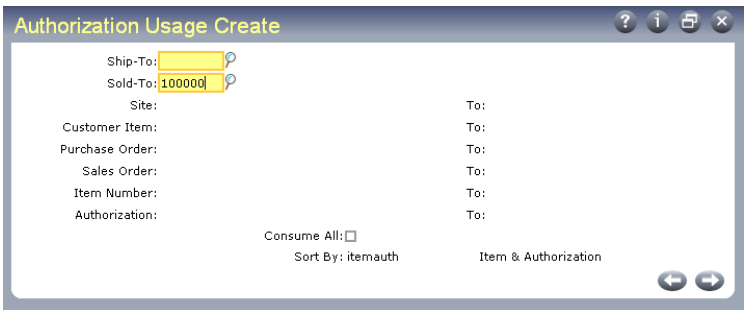
In the Consignment Selection frame, select items and quantities you want to designate as consumed. You can select multiple items. In the Consignment Details frame, specify the quantity, lot/serial number, and reference number.

Authorization Usage Create

Use Authorization Usage Create (7.18.14) to manually consume consigned inventory on scheduled orders that are referenced by their customer shipping authorization number. This number is typically provided by the customer when you import schedules using EDI eCommerce.

See *User Guide: Release Management*.

Fig. 1.22
Authorization Usage Create (7.18.14)



Other authorization numbers can be provided by the customer including a customer job number or customer reference number.

Sort By. Specify the sequence in which information is to display:

- Authorization and item
- Customer PO and item

- Item and authorization
- Shipper and item

Shipper Usage Create

Use Shipper Usage Create (7.18.19) to manually consume inventory by shipper number; for example, when multiple scheduled orders have the same item numbers.

Shipper. Enter a range of shipper numbers for selecting inventory to update.

Sort By. Specify the sequence in which information is to display:

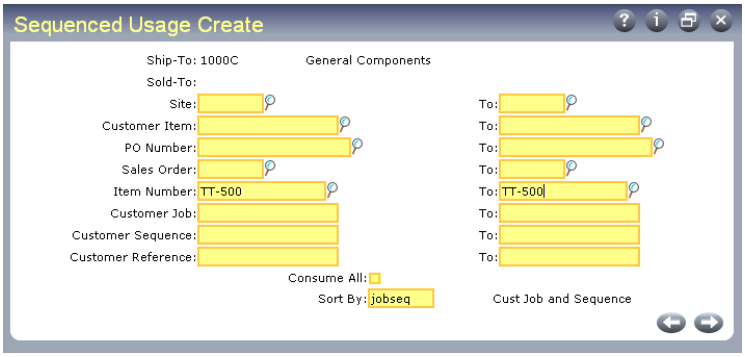
- Shipper and item
- Item and authorization
- Customer PO and item
- Authorization and item

Sequenced Usage Create

Use Sequenced Usage Create (7.18.15) to manually consume inventory on scheduled orders that include sequence data. The sequence number is typically provided by the customer when you import schedules using EDI eCommerce.

Note Customer sequence numbers are available only if you use the Customer Sequence Schedules module in the PRO/PLUS package.

Fig. 1.23
Sequenced Usage Create (7.18.15)



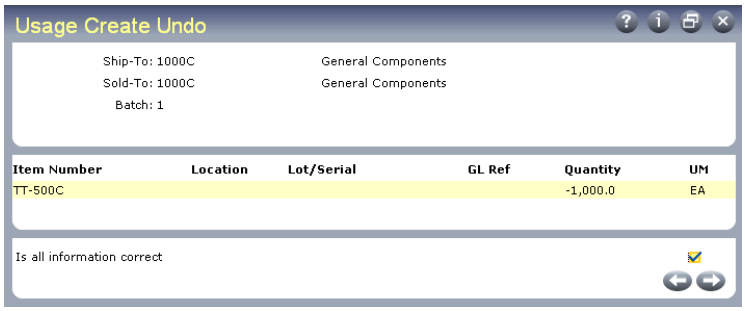
Sort By. Specify the sequence in which information is to display:

- Customer job and sequence
- Customer item and PO
- PO and customer reference
- PO and customer item

Usage Create Undo

If you make a mistake when entering consumption data, use Usage Create Undo (7.18.22) to reverse a transaction. This program creates the same transactions as Inventory Usage Create, but with negative quantities.

Fig. 1.24
Usage Create Undo (7.18.22)



The system-assigned batch number is required.

All batch numbers are assigned by the system when consigned inventory usage is processed, either by importing EDI data or manually. A batch number is assigned to each execution of an inventory transaction. A complete record of batch numbers is maintained in the system. You can view batch numbers by running any of the consignment usage reports, such as Inventory Usage Report (7.18.4.13).

Note If one sales order line in the batch no longer exists (for example, when auto invoice has posted it), the entire batch cannot be processed.

You are prompted to display the items and quantities included in the specified batch. If you select No, the system prompts you to continue the undo process. Otherwise, it displays an additional frame for your review, then prompts you to continue

Processing Returns, Rejects, and Corrections

Because consigned inventory is not invoiced until consumed, returns to stock need to occur without processing a credit invoice. Excess consigned inventory, returns, or rejects are processed using shipments with negative quantities.

Create shipments with negative quantities to process the correction or return of consigned inventory in the following cases:

- From a consigned location to an in-transit location
- From an in-transit location to stock
- From a consigned location to stock

The system determines how to process a negative shipment quantity based on your responses to prompts during shipment creation. It creates transactions and references the transaction history during inventory confirmation.

Enter a negative shipment quantity when you want to do one of the following:

- Correction
- Return-to-stores of consigned inventory

- Customer credit

When you create shipments, shippers, pre-shippers, and containers with a negative quantity, the following message displays:

```
WARNING: Negative quantity entered for a Consigned Line Item.
Are you correcting an earlier shipment?
```

At the prompt, indicate whether your shipment is a correction to an earlier shipment.

When you enter No, the system displays a second prompt:

```
Are you returning material from a consignment location?
```

When you answer Yes to either of the first two prompts—for either a correction or a return—the system returns the inventory to its former consignment location.

When you enter No to the second prompt, the system displays the following message:

```
Customer will be credited for quantity returned.
```

When you answer Yes to either of the first two prompts—for either a correction or a return—the system creates ISS-TR, ISS-RCT, and CN-SHIP transaction history records, and returns the material to stock.

When a negative shipment is not identified as a return or a correction, the system creates a credit invoice to the customer for the negative quantity using the standard ISS-SO inventory transaction.

When unconfirming a shipper with a negative inventory quantity, the system reverses the transaction. However, inventory transactions produced will be positive quantities.

The following programs process negative shipments:

- SO Container Maintenance (7.7.5)
- Pre-Shipper/Shipper Workbench (7.9.2)
- Pre-Shipper/Shipper Confirm (7.9.5)
- Pre-Shipper/Shipper Auto Confirm (7.9.7)
- Sales Order Shipper Maintenance (7.9.8)
- Sales Order Shipments (7.9.15)
- Shipper Unconfirm (7.9.21)
- Shipper Gateway (7.9.22)
- SO Batch Shipment Processor (7.25.3)

Note If an order line cannot be consigned—for example, with RMAs and material orders—it is not eligible for the negative shipper logic.

Managing Aged Inventory

In the Customer Consignment Inventory module, you can track inventory by ship date or by how long it has been in a consignment location. By assigning maximum aging days to the sales order line, you can:

- Identify inventory that exceeds the set number of days without being consumed.
- Extend the aging date on individual or multiple orders.

- Consume oldest shipments first.
- Consume shipments by sequence number, authorization, cross- reference, or lot/serial number.

When the consigned inventory has not been consumed by the customer and has not been returned, ownership can be transferred to the customer. The transfer of ownership does not occur automatically, however, allowing the supplier and customer to negotiate a compromise.

Note The aging date is separate from the expiration date.

To determine the date that maximum aging occurs, the system uses the following calculation:

shipment date + transit time + maximum aging days = maximum aging date

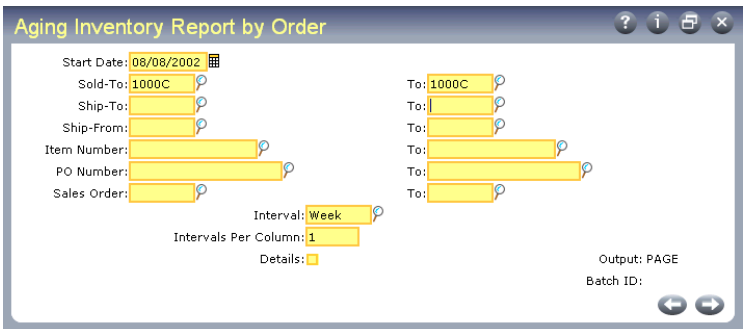
- Shipment date is the date of shipping transactions created in Sales Order Shipments (7.9.15) or Pre-Shipper/Shipper Confirm (7.9.5).
- Transit time is taken from Delivery Transit Time Maintenance (2.16.1). See *User Guide: Master Data* for details.
- Maximum aging days is taken from the consignment sales order line data (7.1.1).

The calculated maximum aging date for each shipment is shown in various aging reports.

Identifying Aged Inventory

Use Aging Inventory Report by Order (7.18.4.7) to determine how long unused inventory on specific orders has been consigned. You can make daily, weekly, or monthly determinations for six financial periods; for example, six calendar weeks.

Fig. 1.25
Aging Inventory Report by Order (7.18.4.7)



Use Aging Inventory Report by Part (7.18.4.8) to identify consigned inventory by item number.

Use Aging Inventory by Order with Sequence (7.18.4.9) to identify consigned quantities on scheduled orders that include sequence numbers.

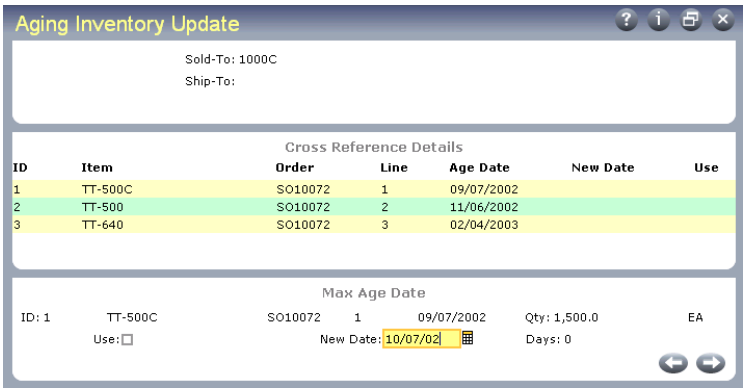
Extending the Aging Date

Use Aging Inventory Update (7.18.10) to extend the allowed time of consignment by setting a new aging date or adding days to the existing date. You can extend the maximum aging date as many times as required. An extension automatically updates each shipment.

You can also optionally record inventory usage with this program. In this case, the same inventory and GL transactions occur as in other usage programs.

See “GL Effects of Usage” on page 22.

Fig. 1.26
Aging Inventory Update (7.18.10)



The values in Aging Inventory Update default from shipment data. You can update these fields in the Max Age Date frame:

Use. Enter Yes to designate this inventory as used. Entering Yes generates a shipment transaction (ISS-SO). The system debits the Cost of Goods Sold (COGS) accounts and credits the Inventory account.

New Date. Enter the new maximum age date you want to assign to this inventory, unless you enter the number of days you want to add to the age date.

Days. If New Date is blank, enter the number of days you want to add to the maximum age date.The system automatically calculates the new date.

Use Aging Inventory Batch Update (7.18.11) to revise aging dates for a group of sales orders. Aging Inventory Batch Update extends aging dates only; you cannot use it to transfer ownership.

See “Using Customer Consigned Inventory” on page 21.

Tracking Consigned Inventory During Inventory Counts

During cycle count and physical inventory count processes, you must determine procedures for managing consigned inventory. Typically, you exclude customer consigned inventory during a count because it is not physically present at your site.

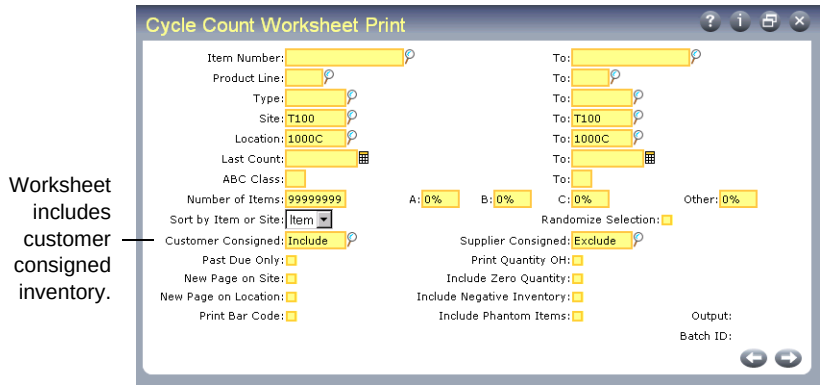
Various cycle count and physical inventory programs let you manage customer consigned inventory according to your needs. You can count:

- Only consigned inventory
- Only non-consigned inventory
- Both consigned and non-consigned inventory

For example, you can use consignment fields in Cycle Count Worksheet Print (3.13) to select inventory to count.

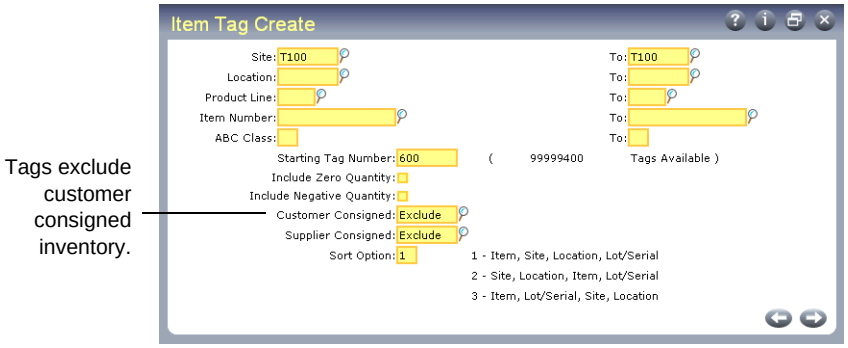
See *User Guide: Master Data* for cycle and physical count procedures.

Fig. 1.27
Tracking Consigned Inventory Using Cycle Count Worksheet Print (3.13)



Similarly, when you use Item Tag Create (3.16.1), you can choose to update tags for only consigned, only non-consigned, or both types of inventory.

Fig. 1.28
Tracking Consigned Inventory Using Item Tag Create (3.16.1)



When you exclude consigned inventory or include it with non-consigned inventory, any adjustments required by the count affect non-consigned inventory only. If you choose to count consigned inventory only, the system uses special transactions when adjusting inventory downward.

These transactions occur in Cycle Count Results Entry (3.14) and Inventory Balance Update (3.16.21).

Downward adjustments to customer consigned inventory create the standard count transaction (CYC-CNT or TAG-CNT) and a CN-CNT transaction. The CN-CNT transaction is used to reverse the inventory effects of the standard transaction. This is followed by an ISS-SO and CN-USE to track the inventory changes and transfer ownership of the material. Whenever the system updates consigned inventory, appropriate updates are also made to corresponding consignment accounts.

The various possibilities are shown in Table 1.3.

Table 1.3
Balancing Consigned Inventory After Cycle or Physical Counts

Option Entered	Results	Action	Transactions
Only consigned	Shortage	Shortage is reduction of consigned inventory.	CYC-CNT or TAG-CNT CN-CNT ISS-SO, CN-USE
	Surplus	Surplus is non-consigned.	CYC-CNT or TAG-CNT
Include consigned and non-consigned	Shortage	Shortage is reduction of non-consigned inventory.	CYC-CNT or TAG-CNT
	Surplus	Surplus is non-consigned.	CYC-CNT or TAG-CNT
Exclude consigned	Shortage	Shortage is reduction of non-consigned inventory.	CYC-CNT or TAG-CNT
	Surplus	Surplus is non-consigned.	CYC-CNT or TAG-CNT

Use Consignment Inventory Adjustment (7.18.25.1) to associate the surplus (non-consigned) inventory to a consignment order if needed.

See “Consignment Inventory Adjustment” on page 20.

Invoicing Consigned Shipments

Using the Customer Consignment Inventory module, invoicing is deferred until some or all of the shipped inventory has been consumed by the customer. An invoice is not created until the customer acknowledges consumption.

Until consumption, GL transactions occur to track the value of inventory during the time it is held in consignment status. The system uses the customer consigned inventory accounts (In-Transit, Consigned, or Offset) specified in Inventory Account Maintenance (1.2.13). If not available there, the system uses the customer consignment accounts specified in Product Line Maintenance (1.2.1).

When an inventory quantity is transferred to a predefined in-transit or consignment location, only shipment-related costs are posted to the corresponding in-transit account or to the consigned inventory account of the ship-from location.

Once a usage transaction (CN-USE, ISS-SO) occurs, a standard invoice for the consumed inventory is available to be printed, posted, and sent to the customer. The system generates invoice numbers. If shipment-related charges have previously been printed and posted, only inventory charges and taxes are shown on the invoice at this time.

See “Set Up Customer Consignment Accounts” on page 8.

Effect of Automatic Invoicing

When you want the system to automatically print and post an invoice upon processing consumption data, set Auto Invoice to Yes in Container/Shipper Control (7.9.24) or Customer Schedules Control (7.3.24).

You can automatically post an invoice without shipment-related charges in Inventory Usage Create (7.18.13), Authorization Usage Create (7.18.14), or Sequenced Usage Create (7.18.15). These use the auto invoice settings in Container/Shipper Control.

When Auto Invoice is No, you must use the standard print and post invoice programs.

Use Unposted Transaction Register (25.13.14) to verify GL transactions.

Self-Billing

Some customers use self-bills instead of invoices. Self-bills are mapped to open invoices and compared.

Self-bill documents can be imported using EDI eCommerce. The import gateway accepts a customer-supplied payment authorization that can be referenced by a subsequent self-bill payment. This helps AR reconcile the payment with the actual usage record.

See *User Guide: PRO/PLUS* for more details on self-billing.

Reporting Consignment Inventory Data

The system automatically collects consignment inventory data during transactions. The Customer Consignment Inventory module provides several reports for collecting, locating, tracking, and reviewing consigned inventory. These reports are designed to clearly show consigned and shipped inventory data. Consigned inventory data is shown in many standard reports also.

A number of reports and inquiries let you evaluate accounts and track inventory movement from its initial stocking location to customer consumption. Table 1.4 shows reporting tools available in Customer Consignment Inventory and a brief explanation of the data that each provides.

Table 1.4
Reports and Inquiries in the Customer Consignment Inventory Module

Menu	Report	Function/Purpose
7.18.2	Ship-To/Item Controls Report	Displays defaults defined for consigned inventory items and customer ship-to address or a range of customer ship-to addresses.
7.18.4.1	Consignment Inventory Report	Displays consigned inventory items selected by inventory attributes.
7.18.4.2	Consignment Inventory by Loc	Displays selected consigned inventory items sorted by site and location.

Menu	Report	Function/Purpose
7.18.4.3	Consignment Inventory by Order	Displays selected consigned inventory shipments sorted by sales order. Can display with or without quantities and sorted by: (1) Ship-from, customer, ship-to, order, item, PO or (2) Ship-from, item, customer, ship-to, order, PO
7.18.4.4	Consignment by Order with Sequence	Displays selected consigned inventory shipments by sales order and customer sequence. Can display with or without shipment ID and quantities and sorted by: (1) Ship-from, customer, ship-to, order, item, PO or (2) Ship-from, item, customer, ship-to, order, PO
7.18.4.7	Aging Inventory Report by Order	Displays inventory quantities and aging dates by sales order.
7.18.4.8	Aging Inventory by Part	Displays inventory quantities and aging dates by item number.
7.18.4.9	Aging Inv by Order with Seq	Displays inventory quantities and aging dates by scheduled order with sequence numbers.
7.18.4.13	Inventory Usage Report	Displays inventory usage by selected criteria including ship-from, sold-to, ship-to, item, PO, SO, date used, ID, batch number, and customer reference.
7.18.4.14	Authorization Usage Report	Displays inventory usage by selected criteria and shipping authorization.
7.18.4.15	Sequenced Usage Report	Displays inventory usage by selected criteria and schedules order sequence number.
7.18.4.16	Usage Report by Order	Displays inventory usage by selected criteria including batch number and sales order sorted by: (1) Ship-from, customer, ship-to, order, item, PO or (2) Ship-from, item, customer, ship-to, order, PO
7.18.4.17	Usage Report by Order with Seq	Displays inventory usage by selected criteria and scheduled order sequence number.
7.18.16	Usage Inquiry	Displays consumed inventory by batch number. Shows sales order, line, item, quantities, and other data.

Menu	Report	Function/Purpose
7.18.17	Authorization Usage Inquiry	Displays consumed inventory by batch and authorization number. Shows order, line, item, quantities, and other data.
7.18.18	Sequenced Usage Inquiry	Displays consumed inventory by batch and customer sequence number. Shows order, line, item, quantities, and other data.

Standard reporting tools available in Customer Consignment Inventory are shown in Table 1.5, followed by an explanation of the data that each tool provides.

Table 1.5
Standard Reports and Inquiries used in Customer Consignment Inventory

Menu Number	Title	Function/Purpose
3.6.5	Inventory Detail Report	Shows inventory availability. Detail format shows quantities of consigned items. Lists inventory information for site and location.
1.5.21 and 3.6.13	Inventory Valuation Report	Shows the value of inventory in a site by product line or item number. Includes total value of each item and a grand total for the product line. Options to exclude, include, or show only consignment shipments.
1.5.22 and 3.6.14	Inventory Valuation by Location	Shows the value of inventory in each location of a site by product line or item number. Includes total value at each location and a grand total for the site. Options to exclude, include, or show only consigned inventory.
1.5.23 and 3.6.15	Inventory Valuation as of Date	Displays the value of all items in a product line as of a user-specified date. Shows total inventory in each site and a grand total for product line. Options to exclude, include, or show only consignment shipments.
1.5.24 and 3.6.16	Inventory Valuation as of by Loc	Shows the value of inventory in each location of a site on a user-specified date. Shows the total value of each location and a grand total for the site. Options to exclude, include, or show only consignment shipments.
3.21.1	Transaction Detail Inquiry	Displays detailed inventory transaction history records ordered by transaction number. Includes transaction types.
7.3.14	Scheduled Order Inquiry	Shows scheduled sales orders and consignment settings.

Chapter 2

Supplier Consignment Inventory

The Supplier Consignment Inventory module lets you plan, order, receive, stock, track, and report supplier-consigned inventory using an automated system that reconciles inventories between suppliers and customers. Vouchering and accounts payable (AP) transactions are deferred until the inventory is used. Customer use includes transfer, shipping, manufacturing, or distribution to its own customers.

This chapter describes how to set up and manage consigned inventory. It also gives an overview of the reporting tools available for reviewing and tracking consignment activity.

Overview of Supplier Consignment Inventory

The Supplier Consignment Inventory module lets you plan, order, receive, stock, track, and report supplier-consigned material while at the same time deferring vouchering and accounts payable (AP) transactions. A company using consigned inventory pays for only what they use, not for what they receive.

The module extends the purchase order process by providing new transactions to receive material and identify it as consigned. These transactions also delay the standard AP process until material is consumed but allow the consigned items to be visible for planning. When items are consumed, such as in a manufacturing process, the receiver becomes available for vouchering.

When consumption is reported back to the supplier, the supplier can transfer liability for the material in their system and issue an invoice if self-billing is not being used.

Using consigned inventory alleviates the need for the supplier to buy back the excess sent to the customer or remaining at the end of the consignment period. Because the supplier still owns the inventory, any excess is simply returned.

Using key features of Supplier Consignment Inventory, you can:

- Create PO consigned inventory and inventory offset accounts at the domain level, for product lines, or for combinations of sites and product lines.
- Delay the transfer of ownership of consigned inventory by deferring AP transactions until you use the inventory.
- Determine at the domain level whether consigned inventory should be consumed first or only after non-consigned inventory is exhausted.
- Set up consignment defaults for the majority of your purchase orders and supplier scheduled orders and tailor defaults for individual supplier addresses and items.
- Create vouchers for payment of shipping charges immediately, while delaying vouchering for material until it is actually used.
- Indicate for selected sites and locations that inventory transfers should initiate a change in ownership.
- Determine the tax point for consigned inventory based on settings in the associated tax rate. The tax point can be at receipt, at vouchering, or at consumption.
- Create a purchase order or scheduled order with both non-consigned and consigned items.
- Manually adjust consigned inventory if needed.
- Include or exclude consigned inventory during physical inventory or cycle count.
- Export EDI transmissions to inform suppliers of item usage, or create records to send manually.
- Retain visibility of consigned inventory information including its location, status, age, and order details.
- Manage and update aging dates.
- Generate reports and inquiries that sort and display details according to your needs:
  - Identify unconsumed inventory that exceeds its maximum aging date.
  - Compare inventory received with inventory consumed.

Supplier Consignment Programs

Table 2.1 lists programs included in Supplier Consignment Inventory.

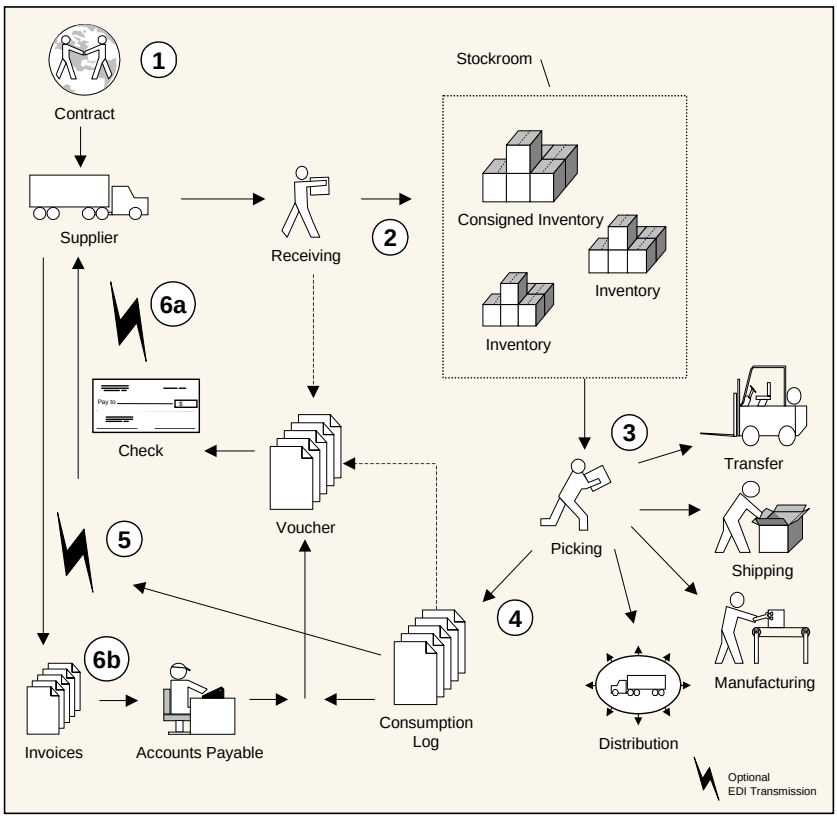
Table 2.1
Supplier Consignment Inventory Programs

Menu Number	Description	Program Name
5.18	Supplier Consignment Inventory...	
5.18.1	Supplier/Item Controls Maintenance	pocnvdmt.p
5.18.2	Supplier/Item Controls Browse	pobr014.p
5.18.6	Consignment Inventory Report	ppptrp10.p
5.18.7	Consignment Inventory By Order	pocnrp01.p
5.18.8	Consignment Usage Report	pocnrp02.p
5.18.9	Consignment Usage Summary Report	pocnrp03.p
5.18.10	Consignment Usage Export Report	pocnrp04.p
5.18.13	Aging Inventory Update	pocnaimt.p
5.18.14	Aging Inventory Batch Update	pocnaiup.p
5.18.15	Aging Inventory Report by Order	pocnairp.p
5.18.16	Aging Inventory Report by Part	pocnair1.p
5.18.24	Supplier Consignment Control	pocnspm.p
5.18.25.1	Consignment Inventory Adjustment	pocnadj.p

Supplier Consignment Inventory Business Work Flow

Figure 2.1 shows the complete consignment inventory work flow beginning with the contract and ending with accounts payable.

Fig. 2.1
Consignment Inventory Business Flow



Creating a Purchase Order

A contract is created between a customer and a supplier that dictates the items to be sold on consignment (step 1 in Figure 2.1). The contract is either a standard purchase order, a blanket purchase order, or a scheduled purchase order. It includes clauses on deferring liability. The contract may also include a maximum number of aging days that a customer is permitted to hold items without liability of payment. This ensures that inventory will be consumed in a timely manner.

Receiving Inventory

As consigned inventory arrives, it is handled by the standard receiving process (step 2 in Figure 2.1). The inventory is immediately nettable to MRP and available for allocation according to the inventory status of the stock location.

Cumulative receipt quantities are automatically updated for scheduled purchase orders. Because the consigned inventory is not yet available for vouchering, any voucher process selecting open receipts bypasses receipts of consigned inventory until it is consumed.

Only shipping-related charges (trailer and freight) can be vouchered at the time of receipt.

Consuming the Inventory

The consigned inventory is eventually consumed by the customer (step 3 in Figure 2.1). Consumption occurs in the following ways:

- Issues to a manufacturing order such as a work order, repetitive order, or flow schedule
- Unplanned issues
- Issues to a configured item final assembly order
- Transfers to another location within a site
- Shipment of consigned parts (sales order shipments or shipper confirm)
- Manual consumption of aged inventory

See “Using Supplier Consigned Inventory” on page 55.

Consumption activity is logged (step 4 in Figure 2.1) for audit purposes and for batch processing. When reported to the supplier (step 5 in Figure 2.1), it triggers the transfer of liability. Consumption can be reported manually or using EDI eCommerce.

Once the inventory is consumed, the receiver is available for vouchering, but only for the amount consumed. This can be a partial amount and may not always be the total amount on the receiver. The system tracks how much of the receiver is available for vouchering. A cumulative quantity is kept to track the total material consumed on the contract.

Vouchering the Inventory

Vouchers are created either manually using functions in Accounts Payable (AP) or automatically by Evaluated Receipts Settlement (ERS). Both distinguish between receipt of consigned inventory that has been consumed and receipt of consigned inventory that has not been consumed; for example, when only a portion of an order has been consumed.

Because vouchering follows standard processing, it is not discussed in this chapter.

See *User Guide: Financials* for details on AP processing.

Using Supplier Consignment Inventory with EMT

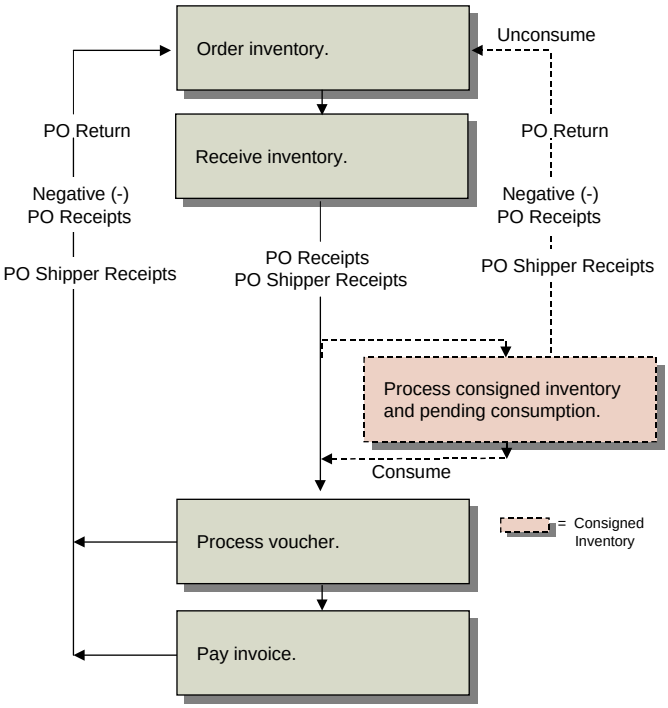
Enterprise Material Transfer (EMT) lets you translate sales orders into purchase orders automatically and transmit those purchase orders to secondary business units (SBU) electronically using EDI eCommerce. By definition, the system creates all lines of EMT purchase orders as non-consigned. You cannot change the consignment setting on these system-maintained orders.

See *User Guide: Distribution* for information on EMT.

Consignment Process Summary

Figure 2.2 shows the sequence in which the Supplier Consignment Inventory module processes data.

Fig. 2.2
Consignment Overview



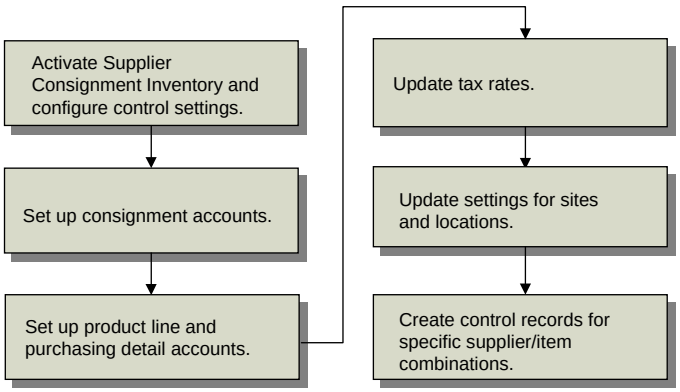
Planning and Setup

Before using the Supplier Consignment Inventory module, you must set up different kinds of data:

- Standard base data such as items, addresses, and general ledger (GL) accounts. These activities are not discussed in this chapter.
- Base data specific to the Supplier Consignment Inventory module.
- Supplier consignment control settings that determine defaults and processing options.

Figure 2.3 illustrates the typical work flow for setting up Supplier Consignment Inventory.

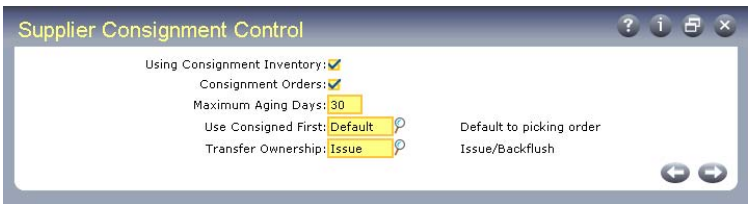
Fig. 2.3
Supplier Consignment Setup Flow



Update Control Settings

Use Supplier Consignment Control (5.18.24) to activate the Supplier Consignment Inventory module. All values default to Supplier/Item Controls Maintenance (5.18.1) where you can modify them for specific combinations of suppliers and items.

Fig. 2.4
Supplier Consignment Control (5.18.24)



Using Consignment Inventory. This is the single place where you can activate the Supplier Consignment Inventory module. The default is No.

No: Enter No to display standard purchase order programs. The system bypasses all consignment screens.

Yes: The Supplier Consignment Inventory module is active. You can use Supplier Consignment Inventory programs.

Once you have activated the module, created consigned items, or performed transactions, entering No to deactivate the module displays a warning message. Unless all consigned items are consumed, the system warns you that non-invoiced consigned items exist and prompts you to confirm your action.

Consignment Orders. Specify the default value for the Consignment Orders field in the header of new purchase orders, scheduled orders, and blanket purchase orders:

No: Enter No if most of your inventory transactions are for non-consigned items.

Yes: The Consignment Orders field on the header of new orders is Yes.

In either case, you can combine lines for both consigned and non-consigned inventory on one order.

Note The value defined here is used on new orders only if the system does not find a more specific match in Supplier/Item Controls Maintenance.

Maximum Aging Days. Enter the maximum number of days consigned inventory is allowed to reside at your facility.

The default value is 0 (zero), which indicates no scheduled aging deadline exists.

See “Managing Aged Inventory” on page 59.

Use Consigned First. When a location contains both consigned and non-consigned inventory, this field determines which inventory is processed first:

No: Use non-consigned inventory first.

Yes: Use consigned inventory first.

Default: Let the system select inventory based on the picking logic specified in Inventory Control. See *User Guide: Master Data* for details.

Transfer Ownership. Specify Issue/Backflush. Transfer of ownership (consumption) is allowed only at the time items are issued or backflushed. No other value is currently supported.

PO Cost Point. Specify which purchase order cost you want the system to use to calculate the purchase price variance. This is the cost at which the usage is paid/invoiced.

Usage: Use purchase order cost at time of usage.

Receipt: Use purchase order cost at time of physical receipt.

The value in this field defaults to Supplier/Item Controls Maintenance. When no record for a supplier exists, the field defaults to PO Maintenance (5.7).

Create Control Records for Specific Supplier/Item Combinations

Use Supplier/Item Controls Maintenance (5.18.1) to define specific default values for suppliers or for combinations of suppliers and items. The values entered here override the settings in Supplier Consignment Control only for the specified supplier. When new orders are created for a specific supplier, the system looks for the most specific record first to determine the defaults to use. Orders previously entered into the system remain unchanged.

Fig. 2.5
Supplier/Item Controls Maintenance (5.18.1)

The settings in this program apply either to the supplier alone or to the supplier/item number combination specified in the header frame. Only the supplier is required.

Supplier. Enter the supplier address code that uniquely identifies this control record. This address represents the company that supplies consigned items. You must enter a valid address code with a list type of supplier.

This is a required field. Associated control values apply to this supplier only.

Item Number. Optionally enter an item number to use as part of the unique identifier for this control record. This item number represents the consigned item being received into inventory.

When you enter an item number, this control record applies to purchase order lines for this item only.

Items must be previously defined in Item Master Maintenance (1.4.1).

Leave this value blank to indicate that this control record applies to all items from this supplier without a specific control record.

Note Do not specify a supplier item defined with Supplier Item Maintenance (1.19) in this field. When you specify a supplier item on an order line, the system converts it to the internal item before looking for defaults defined with this program.

PO Cost Point. Specify which purchase order cost you want the system to use to calculate the purchase price variance. This is the cost at which the usage is paid/invoiced.

Usage: Use purchase order cost at time of usage.

Receipt: Use purchase order cost at time of physical receipt.

The value in this field defaults from Supplier Consignment Control. The value in this field defaults to Purchase Order Maintenance. Each item record created for a particular supplier must have the same PO cost point.

When you try to change the value for a supplier/item combination and other records for that supplier exist, you are prompted to change the PO Cost Point value for all instances of that supplier in this program.

Important Responding Yes updates the PO cost point for all records for the specified supplier including supplier/item combination records. No returns you to the PO Cost Point field and no updates are made.

Set Up Supplier Consignment Accounts

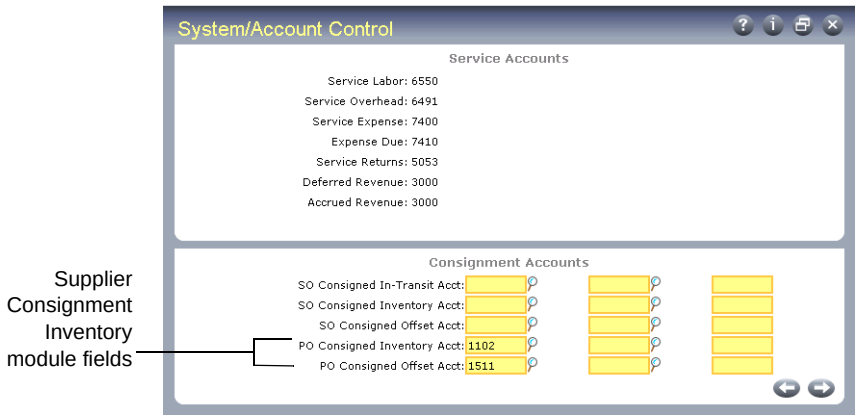
Use three programs to identify accounts for tracking supplier consignment inventory:

- Domain/Account Control (36.1)
- Product Line Maintenance (1.2.1)
- Purchasing Account Maintenance (1.2.5)

Create accounts first in Account Code Maintenance (25.3.13). Use Domain/Account Control to set up defaults. Codes entered in Domain/Account Control default to Product Line Maintenance. Product Line Maintenance accounts default to Purchasing Account Maintenance.

Note One of the Consignment Inventory modules must be activated to access the Consignment Accounts frame.

Fig. 2.6
Domain/Account Control (36.1)



PO Consigned Inventory Acct. Enter the GL account, sub-account, and cost center codes used to track consigned inventory that has been received by your facility.

PO Consigned Offset Acct. Enter the GL account, sub-account, and cost center codes used to track deferred payable amounts for consigned receipts.

The PO Consigned Inventory and PO Consigned Offset accounts are updated simultaneously to record consigned activity and do not affect the balance sheet. Other accounts are not updated until inventory is used.

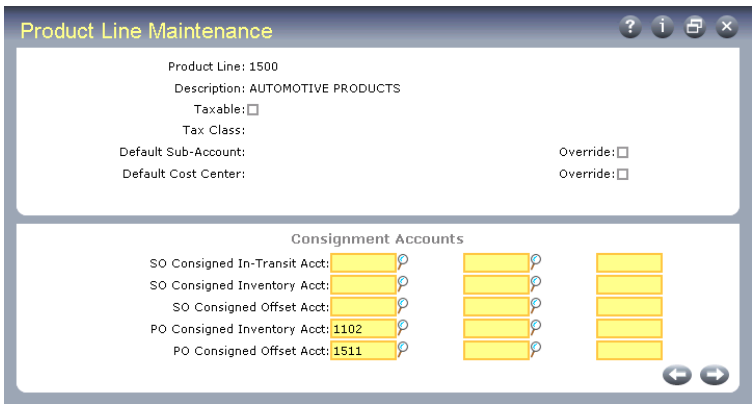
The remaining account fields in this frame are used by the Customer Consignment Inventory module.

See “Set Up Customer Consignment Accounts” on page 8.

Set Up Product Line Accounts

Use Product Line Maintenance (1.2.1) to tailor consignment accounts for items that belong to a particular product line. If you do not define specific product line accounts, the system uses the default GL accounts from Domain/Account Control.

Fig. 2.7
Consignment Accounts in Product Line Maintenance (1.2.1)

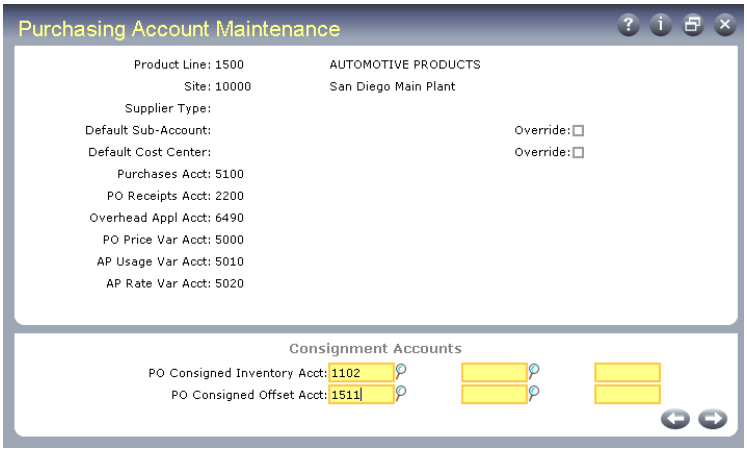


Optionally use Purchasing Account Maintenance (1.2.5) to further define GL accounts designated for consignment. By setting up accounts for combinations of product line, site, and supplier type, you can separately track accounts for multiple sites and types of suppliers.

Set Up Purchasing Detail Accounts

Purchasing detail accounts default from Product Line Maintenance. Often, these are used to associate cost centers with different sites and supplier locations.

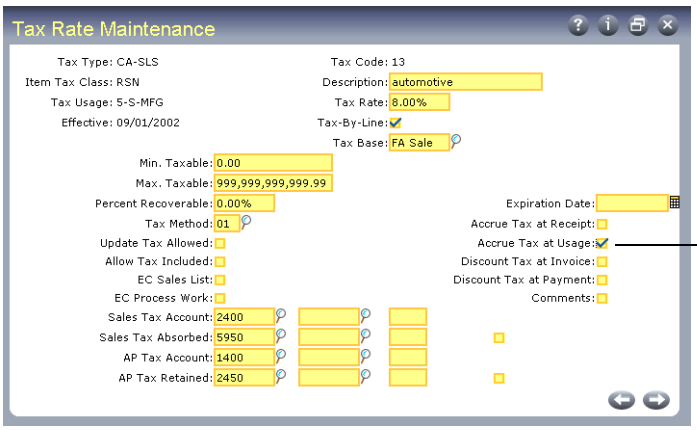
Fig. 2.8
Consignment Accounts in Purchasing Account Maintenance (1.2.5)



Update Tax Rates

When the Supplier Consignment Inventory module is active, you have an additional option for determining when the system creates GL transactions for tax amounts on consigned purchases. The tax point is determined by settings defined for the tax rate in effect in Tax Rate Maintenance (2.13.13.1).

Fig. 2.9
Setting Tax Accrual in Tax Rate Maintenance (2.13.13.1)



Taxes accrue when inventory is used.

The Accrue Tax at Receipt setting normally determines the tax point for purchased items. This field is ignored when using this module.

For consigned items, the Accrue Tax at Usage setting lets you accrue taxes when consigned items are used. Items can be used in a variety of ways, including:

- Issue to a work order, distribution order, sales order, repetitive order, or configured item final assembly work order
- Unplanned issue
- Transfer to another location or site

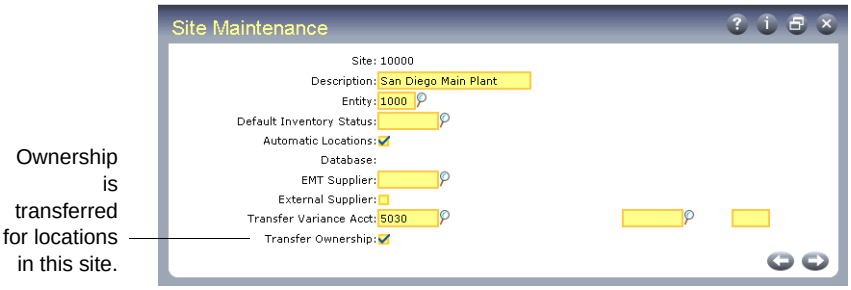
When Accrue Tax at Usage is No, the system creates tax transactions for consigned items during vouchering.

See “Using Supplier Consigned Inventory” on page 55.

Update Settings for Sites and Locations

When the Supplier Consignment Inventory module is active, you can use the Transfer Ownership field to indicate how consigned inventory should be managed when it is transferred to a specific site.

Fig. 2.10
Transferring Ownership in Site Maintenance (1.1.13)



The value you specify for a site determines the default value for new locations created in the site. This default applies both to locations created in Location Maintenance (1.1.18) and any locations created by the system when Automatic Locations is Yes. You can modify the default in Location Maintenance as needed.

The same field exists in Location Maintenance. At the location level, this field has the following effect:

No: Inventory received into the location retains its consigned status.

Yes: Receiving inventory into the location initiates a transfer of ownership (usage). To track the ownership change, RCT-PO and CN-ISS transactions occur in addition to the inventory transfer and receipt. The supplier can now invoice you for the inventory, and GL accounts are updated. See “Using Supplier Consigned Inventory” on page 55.

When the Supplier Consignment Inventory module is not active, the Transfer Ownership field is disabled.

Transfer of ownership occurs automatically when consigned inventory is issued to work orders, sales orders, or final assembly orders and when unplanned issues occur. Ownership transfer is optional only during inventory transfers and receipts.

Note Distribution order issues are a type of transfer.

Managing Consigned Inventory

Key management functions of the Supplier Consignment Inventory module are to:

- Manage inventory quantities.
- Provide inventory valuation and update GL accounts.
- Defer AP transactions until consumption.

When you activate the Supplier Consignment Inventory module and begin receiving inventory, consigned inventory ownership, quantities, age, use, vouchering, and payment are automatically tracked.

It does this by first identifying which purchase order lines are consignment lines. The system then manages the receipt of consignment line items with special consignment transactions. Information associated with consigned receipts is maintained in a cross-reference table, in addition to the standard inventory information.

The inventory references the PO line on the receipt. These inventory cross-reference records are visible for usage and aging analysis.

Creating Inventory Transaction History

Every inventory transaction creates a record in inventory transaction history. Each record has a unique, sequential transaction number and a transaction type. Transactions include the following information:

- Transaction data
- Inventory data
- Cost data
- GL transaction data
- User ID of the person entering the transaction

Supplier Consignment Inventory Transaction Types

The transaction type code identifies the function used to initiate the inventory change. Table 2.2 lists the supplier consignment transaction type codes included in inventory history records with a brief description of each type and some of the programs that create the transactions. Any other programs that create similar transactions (ISS-SO, ISS-WO, RCT-TR, ISS-UNP) for consigned inventory would also create the special consigned transactions.

Table 2.2
Consignment Transaction Types

Transaction Type	Menu Number	Program that Creates the Transaction/Description
CN-RCT	5.13.1 5.5.5.11 5.13.20	Purchase Order Receipts PO Shipper Receipt Receives consigned inventory into a location. Credits PO Consigned Inventory, debits PO Consigned Offset.
CN-ADJ, RCT-PO	5.18.13	Aging Inventory Update Adjusts balances of consigned inventory. Instead of extending the aging date of consigned inventory, enter Yes in the Use field to indicate consumption. Initiates receipt transactions.
CN-ADJ	5.18.25.21	Consignment Inventory Adjustment Adjusts locations, quantities, and other details of consigned inventory. Debits or credits PO Consigned Inventory account and credits or debits PO Consigned Offset account.
ISS-TR, RCT-TR RCT-PO, CN-ISS	3.4.1 3.4.2 3.4.3 3.4.4 10.5.13 11.1.1.13 11.11.6 18.3.6 18.22.3.6 18.22.5.11 19.7 19.11	Transfer Single Item Transfer Multiple Item (positive quantities only) Transfer with Lot/Serial Change Batchload Transfer with Lot/Serial Change Project Activity Recording Call Activity Recording Material Order Shipments Repetitive Picklist Transfer Sub-Shipper Issue Quality Order Maintenance Quality Order Results Entry Moves inventory from one location to another. **Note**: Consignment transactions occur only when Transfer Ownership is Yes for the receiving location.
ISS-DO, ISS-GIT RCT-DO, CN-ISS	12.15.20 12.17.21 12.17.22	Distributed Order Receipt Distribution Order Processing Distribution Order Shipments **Note**: Consignment transactions occur only when Transfer Ownership is Yes for the receiving location.
ISS-WO, RCT-PO, CN-ISS	3.12 16.10 16.12 16.19 17.13.7 17.6.5 18.14 18.17 18.22.13 18.22.17	Receipts–Backward Exploded Work Order Component Issue Work Order Receipt Backflush Work Order Operation Backflush Flow Schedule Receipts Kanban Fill/Receive Repetitive Labor Transaction (manual backflush) Receipts–Backward Exploded (manual backflush) Backflush Transaction Rework Transaction (manual backflush)
CYC-CNT, RCT-PO, CN-ISS	3.13.2	Cycle Count Results Entry

Transaction Type	Menu Number	Program that Creates the Transaction/Description
ISS-SO, RCT-PO, CN-ISS	7.9.5 7.9.7 7.9.15 7.9.21 7.13.1 7.25.3 11.7.1.16 7.18.13 7.18.14 7.18.15 7.18.19 7.18.22	Pre-Shipper/Shipper Confirm Pre-Shipper/Shipper Auto Confirm Sales Order Shipments Shipper Unconfirm Pending Invoice Maintenance SO Batch Shipment Processor RMA Shipments When using Supplier Consignment as Customer Consignment: Inventory Usage Create Authorization Usage Create Sequenced Usage Create Shipper Usage Create Usage Create Undo
ISS-FAS, RCT-PO, CN-ISS	8.13	Sales Order Release to Work Order
ISS-UNP, RCT-PO, CN-ISS	3.7 19.7 19.11	Issues–Unplanned Quality Order Maintenance Quality Order Results Entry
CN-ISS	All	Credits PO Consigned Offset, debits PO Consigned Inventory

Reviewing Transaction History

Use Transactions Detail Inquiry (3.21.1) to display detailed inventory transaction history records sorted by transaction number. Enter the transaction number to display all the information about that transaction.

When consigned inventory is used, multiple inventory transactions are processed and corresponding transaction history records created. For the consigned transaction, the system records the number of the standard transaction initiating it in the Remarks field.

The transactions for purchasing, receiving, and using consigned inventory are shown sequentially in the following figures.

Figure 2.11 shows a purchase order (P1136) for 100 consigned items.

Fig. 2.11
Purchasing Consigned Inventory

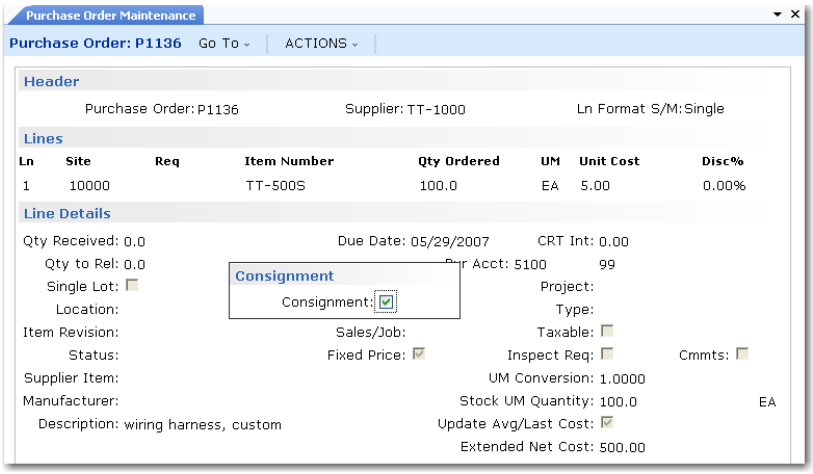


Figure 2.12 shows the transaction created when 10 of those items are received into the consignment location, which generates a CN-RCT transaction type. The Remarks field identifies this as a consignment transaction.

Fig. 2.12
Receiving Consigned Inventory (CN-RCT)

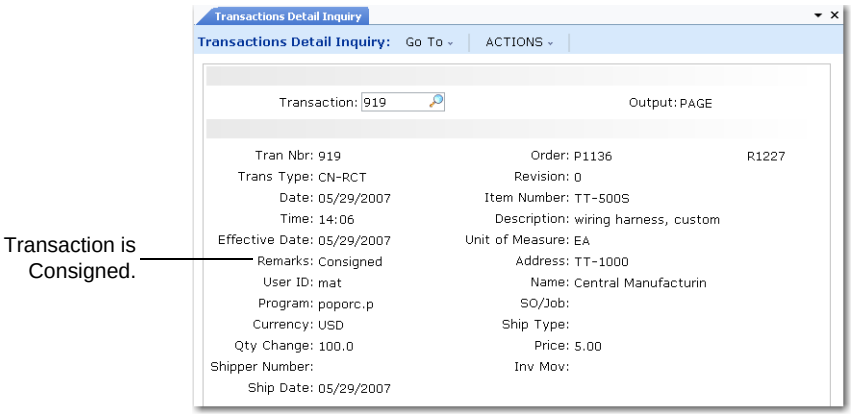
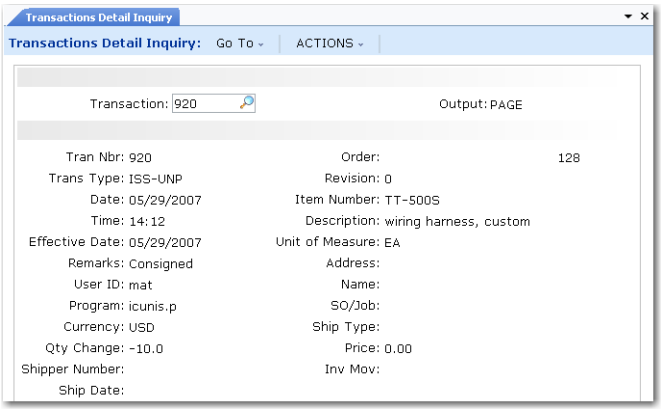


Figure 2.13 represents the usage of consigned inventory from the consigned location using an unplanned issue. The ISS-UNP transaction balances against the CN-RCT transaction to credit the consignment GL accounts that were debited at CN-RCT.

Fig. 2.13
Issuing Consigned Inventory (ISS-UNP)



The unplanned issue creates two additional transactions: RCT-PO and CN-ISS. When consigned inventory is used/consumed, it changes ownership and becomes non-consigned. Figure 2.14 shows transaction type RCT-PO that was generated from the usage in Figure 2.13. The RCT-PO balances the ISS-UNP. The Remarks field references the transaction number.

Fig. 2.14
Receiving Regular Inventory (RCT-PO)

References the ISS-UNP transaction that generated this RCT-PO transaction.

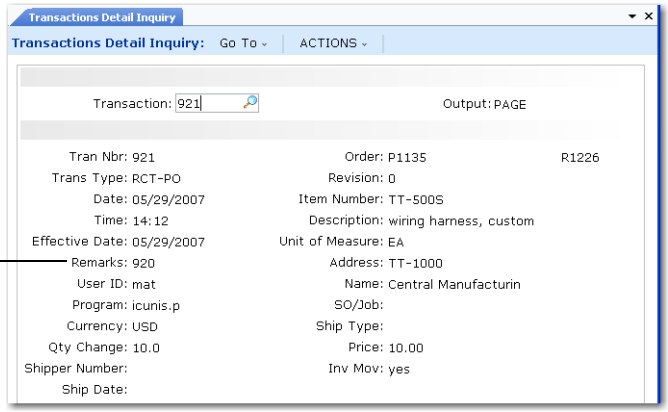
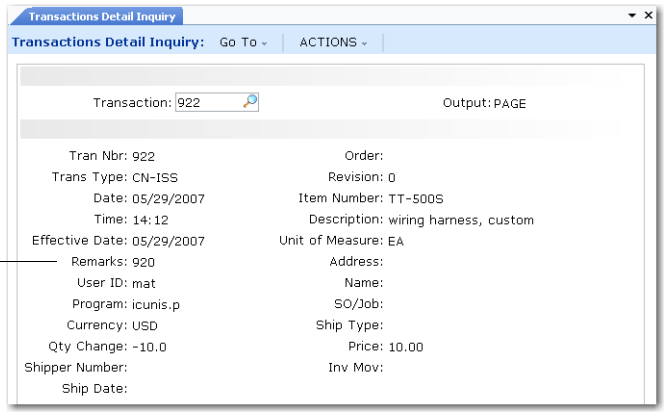


Figure 2.15 shows the CN-ISS transaction created during a usage. The RCT-PO transaction generates a CN-ISS transaction, which represents the change in inventory status from consigned to non-consigned. This balances the original CN-RCT transaction.

Fig. 2.15
Transaction History for Issuing Consigned Inventory (CN-ISS)

References the ISS-UNP transaction that generated the CN-ISS transaction.



Ordering Consigned Inventory

When the Supplier Consignment Inventory module is active, additional frames and fields display for user input during order entry in:

- Blanket Order Maintenance (5.3.1)
- Scheduled Order Maintenance (5.5.1.13)
- Purchase Order Maintenance (5.7)

In all three programs, the system uses a hierarchical approach to retrieve previously entered default data that applies to specific suppliers and items.

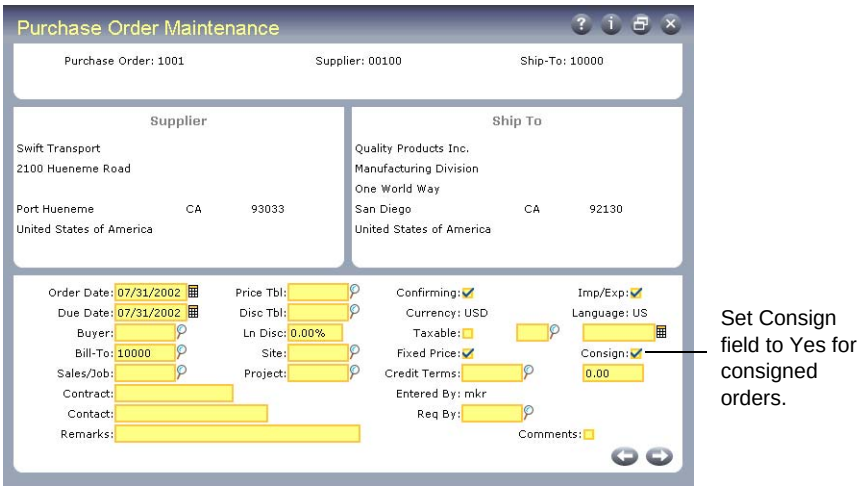
- When entering a new order, the system uses default values for the supplier defined in Supplier/Item Controls Maintenance. If a record does not exist for the supplier and a blank item, the system uses defaults defined in Supplier Consignment Control.
- At the purchase order line, the system first uses defaults defined in Supplier/Item Controls Maintenance for the order supplier and line item. If a record does not exist, values default from the order header.

Purchase Order Maintenance

Specify Yes in the Consign field in the purchase order header to indicate that the order includes consigned items.

Note Scheduled orders and blanket orders are processed the same way using similar fields and frames. They are not illustrated here.

Fig. 2.16
Consign Field in Purchase Order Maintenance (5.7)



Consign. Enter Yes if most items on this purchase order are received from the supplier as consigned inventory.

Enter No if most items purchased from this supplier are non-consigned.

When you specify Yes in the header Consign field, a Supplier Consignment frame displays, illustrated in Figure 2.17. Scheduled orders and blanket orders are processed the same way using similar fields and frames.

Fig. 2.17
Consignment Frame in Purchase Order Maintenance (5.7)

Maximum Aging Days. Optionally enter the maximum number of days consigned inventory on this order is allowed to reside at your facility. Enter 0 (zero) to indicate that no scheduled aging deadline exists.

The system automatically adds the number of days entered here to the receipt date to determine the maximum aging date. The calculated date is used by reports to determine how long inventory has been at your facility.

You can extend the maximum aging date as many times as required using Aging Inventory Update (5.18.13) or Aging Inventory Batch Update (5.18.14). An extension automatically updates each receipt.

PO Cost Point. Specify which purchase order cost you want the system to use to calculate the purchase price variance.

Usage: Use purchase order cost at time of usage.

Receipt: Use purchase order cost at time of physical receipt.

The value defaults from Supplier/Item Controls Maintenance or Supplier Consignment Control. Once a consigned receipt is processed, this field cannot be updated.

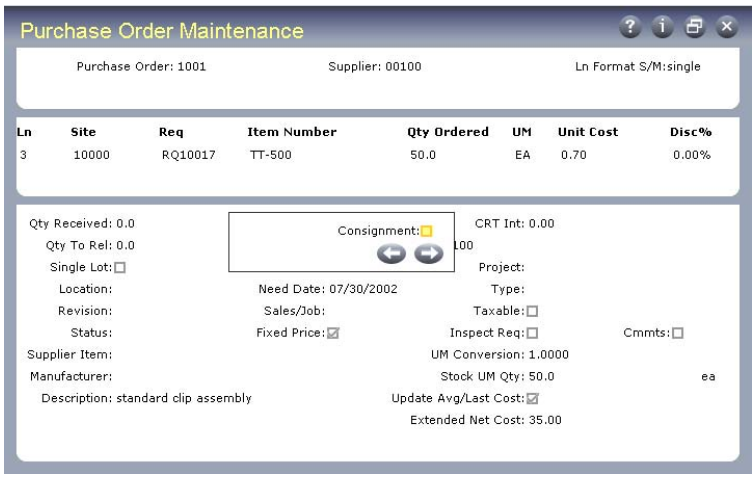
When Usage is specified on scheduled purchase orders, the system looks for the current price in the following order:

- Price list associated with the scheduled order
- Supplier/item price
- Cost of the purchase order

When Usage is specified on discrete purchase orders, the system always uses the cost on the purchase order.

Regardless of what you enter on the header, you are prompted during line-item entry to specify whether the particular line is consigned. If you specify Yes, you can also specify the maximum aging date for the line. Figure 2.18 illustrates the Consignment field for a PO line.

Fig. 2.18
Consignment Line Item Frame in Purchase Order Maintenance



Receiving Consigned Inventory

You can receive items purchased on consignment using either:

- Purchase Order Receipts (5.13.1)
- PO Shipper Receipts (5.13.20)

Instead of a standard RCT-PO, which makes the purchase order available for vouchering, a CN-RCT transaction records the receipt of consigned inventory. The RCT-PO occurs when items are used, causing transfer of ownership from the supplier and making the items available for vouchering.

See “Using Supplier Consigned Inventory” on page 55.

Receiving consigned items creates the following GL transactions:

- Debits the PO Consigned Inventory account defined in Purchasing Account Maintenance for the product line, site, and supplier type, if available. Otherwise, the account from Product Line Maintenance is used.
- Credits the PO Consigned Offset account defined in Purchasing Account Maintenance for the product line, site, and supplier type if available. Otherwise, the account from Product Line Maintenance is used.

Using Supplier Consigned Inventory

The system records the receipt of consigned inventory with a CN-RCT transaction instead of a standard RCT-PO. The RCT-PO occurs when items are used, causing transfer of ownership from the supplier and making the items available for vouchering.

Inventory can be consumed at various points in the manufacturing process, initiating the transfer of ownership. Some examples include the following:

- Issue to a manufacturing order, such as a work order, repetitive order, flow schedule, or final assembly work order.
- Issue to a sales order.
- Backflush in a manufacturing process.
- Manually use in a consignment aging program.
- Transfer to a location that is defined as initiating an ownership transfer, either an inventory transfer or issue to a distribution order.

For inventory transfers (ISS-TR) and issues to distribution orders (ISS-DO), transfer of ownership depends on the value of the Transfer Ownership field associated with the receiving location. When this is Yes, usage transactions occur.

Other types of issues always transfer ownership. These include ISS-SO, ISS-WO, ISS-FAS, ISS-UNP.

See “Update Settings for Sites and Locations” on page 46.

The value of Use Consigned First in Supplier Consignment Control determines how the system processes inventory when consigned and non-consigned items are located together.

See “Use Consigned First” on page 42.

GL Effects of Usage

Issuing items with an ownership transfer updates the following consignment accounts:

- Credits the PO Consigned Inventory account defined in Purchasing Account Maintenance for the product line, site, and supplier type
- Debits the PO Consigned Offset account defined in Purchasing Account Maintenance for the product line, site, and supplier type

In addition, transactions are created for all of the accounts normally updated during a PO receipt.

Once a usage transaction (RCT-PO, CN-ISS) occurs, the quantity associated with the receiver is available to be vouchered. Vouchering of receipts for consigned items occurs in the same way as standard items. Reaveraging of costs takes place when consigned inventory is consumed.

Average costing occurs upon transfer of ownership or at usage of supplier-consigned inventory. Re-averaging of the item cost for non-consigned on-hand inventory is initiated at the time of receipt.

Notifying Suppliers of Usage

You can use two methods to notify your suppliers that you have used consigned inventory:

- Generate a report to send to them.
- Use EDI eCommerce to export usage data.

Generating a Usage Export Report

Use Consignment Usage Export Report (5.18.10) to notify your supplier about consigned items you have used. This is useful if you are not using EDI eCommerce transmissions to communicate usage records.

When run in update mode, the system marks selected records as having been reported. These records are not included the next time the report is run.

Use Consignment Usage Report to see all inventory that has been used regardless of whether it has been reported to the supplier.

Exporting EDI Files

Use Consignment Usage Export (35.4.2) to notify your trading partners, defined in EDI eCommerce, of inventory transactions (RCT-PO, CN-ISS) initiating a transfer of ownership.

Enter ranges of selection criteria for purchase order, item number, supplier, site, and transaction usage dates that apply to the records you want to export. When your supplier imports this information, they can then invoice you for the items used.

See *User Guide: EDI eCommerce*.

Using Supplier Consignment and Customer Consignment

If you have both consignment modules active, you can ship items received from a supplier on consignment to one of your customers to be kept on consignment at the customer facility. This type of consignment activity is called a pass through.

Example Your company manufactures printers and ships to large distributors. You receive ink cartridges from one of your suppliers on consignment. When you ship printers to your distributors, you send ink cartridge kits with them on consignment.

In this kind of business scenario, the vouchering of the items received from your supplier is delayed until your customer uses the items and you receive the usage information from them. To manage this delay, shipping the items does not create an ISS-SO transaction, but a CN-SHIP. When your customer uses the item, the CN-USE transaction triggers the RCT-PO and CN-ISS on the supplier consignment side.

See “Shipping Consigned Inventory” on page 17.

Using Customer Consignment with Kanban

When you use Kanban Fill/Receive (17.22.19.5) to receive and transfer kanban-controlled items, three types of kanban transactions can occur: purchase receipt, item movement, and production receipt.

Inventory balances are updated depending on the setting of Impact Inventory in Kanban Master Maintenance (17.22.4). When Impact Inventory is Yes for a kanban card and the items involved are consigned, additional consignment transactions also occur.

- Executing a purchase receipt transaction records a CN-RCT instead of the standard PO-RCT.
- Executing an item movement transaction creates PO-RCT, CN-ISS transactions if the receiving location is set up for ownership transfer.
- Executing a production receipt transaction creates PO-RCT, CN-ISS transactions as well as the WO-ISS transaction.

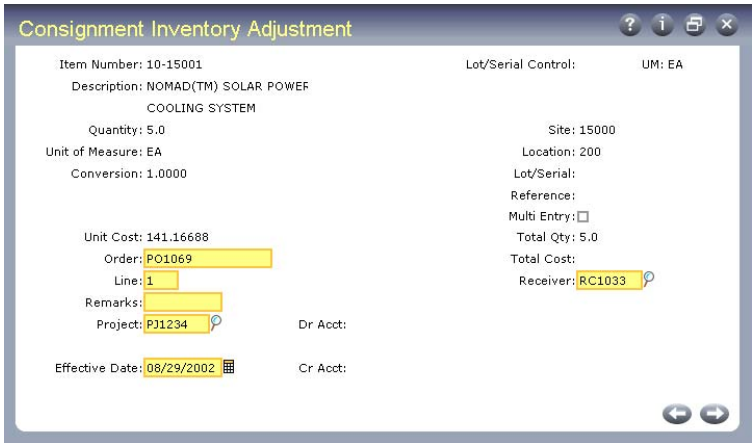
See *User Guide: Kanban*.

Making Inventory Adjustments

Consignment Inventory Adjustment

Use Consignment Inventory Adjustment (5.18.25.1) to manually modify consigned inventory information such as quantities and locations.

Fig. 2.19
Consignment Inventory Adjustment (5.18.25.1)



Purchase order and line number are required. The system validates that the items on the order line were consigned. A warning displays if there are no consigned items in the location specified.

You might use this program after doing a physical inventory to indicate that surplus items are consigned.

Adjustment generates records of type CN-ADJ to record consignment adjustment.

A negative quantity adjustment:

- Credits the PO Consigned Inventory account
- Debits the PO Consigned Offset account

A positive quantity adjustment:

- Debits the PO Consigned Inventory account
- Credits the PO Consigned Offset account

See “Tracking Consigned Inventory During Inventory Counts” on page 60.

Important Consignment Inventory Adjustment is designed only to update the consignment quantity. It does not adjust any other elements of the regular consignment business cycle. Before using it, be aware that:

- This function does not make any changes to the quantity on hand. This can lead to possible discrepancies between inventory valuation reports and the inventory GL balance. You should make appropriate adjustments to quantity-on-hand balances, as needed.
- Pending vouchers are not updated based on this adjustment. Changes to the amount due the supplier must be made manually.

Processing Returns, Rejects, and Corrections

Rejects and Returns

If no usage has occurred against the PO, consigned inventory being rejected is returned to the supplier using:

- Purchase Order Returns (5.13.7)
- Purchase Order Receipts (5.13.1)
- PO Shipper Receipt (5.13.20) with a negative line item quantity

No transfer of ownership occurs during inventory returns since the supplier already owns the material.

Corrections and Returns

When Use Consigned First is Yes in Supplier Consignment Control, consigned inventory being returned as a correction is returned to consignment by processing a reversal for a negative quantity using standard programs. The system returns inventory to its consigned site and location to the extent that it has *not* been reported to the supplier as used.

When Use Consigned First is No or Default, consigned inventory is returned as non-consigned.

If usage against the PO has been reported to the supplier, consigned inventory being returned as a correction is returned to the designated site and location as non-consigned.

The system excludes reported usage records for reversals, thus eliminating the risk of double payment for consigned inventory when original usage was reported and paid prior to a reversal transaction. Usage records created due to the aging of consigned inventory are also excluded from reversal transactions.

In addition to a standard issue transaction for the negative quantity, negative quantities processed as consigned reversals create RCT-PO and CN-ISS transactions. The quantity is transferred back to consigned inventory.

When reversals of consigned inventory occur, the system creates a GL transaction that debits the Consigned Inventory account and credits the Consigned Inventory Offset account.

The system automatically adjusts the existing unpaid pending voucher that was created when the material was first consumed.

Managing Aged Inventory

In the Supplier Consignment Inventory module, you can track inventory by receipt date or by how long it has been in a consignment location. By assigning maximum aging days to the purchase order line, you can:

- Identify inventory on a particular purchase order receipt that exceeds the maximum aging date without being consumed.
- Extend the aging date by number of days or date on items received on individual or multiple purchase orders.
- Transfer ownership of the consigned inventory from a supplier to yourself.

When you have not consumed or returned consigned inventory by the maximum aging date, ownership can be transferred to you. The transfer of ownership does not occur automatically, however, allowing you and your supplier to negotiate a compromise.

Note The aging date is separate from the expiration date.

To determine the date that maximum aging occurs, the system uses the following calculation:

receipt date + maximum aging days = maximum aging date

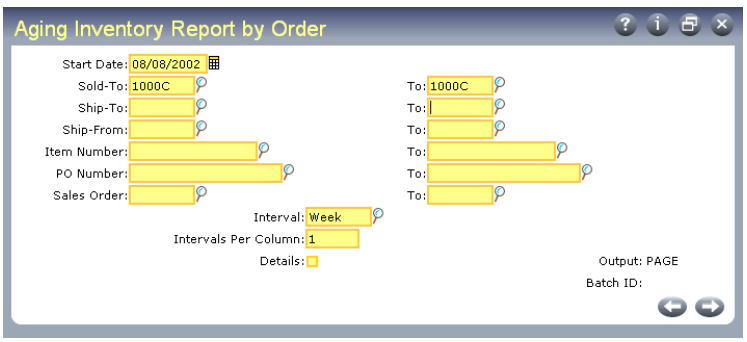
- Receipt date is the date recorded in Purchase Order Receipts (5.13.1) or PO Shipper Receipt (5.13.20).
- Maximum aging days is taken from the consignment purchase order line data in Purchase Order Maintenance (5.7) or Scheduled Order Maintenance (5.5.1.13).

The calculated maximum aging date for each shipment is shown in various aging reports.

Identifying Aged Inventory

Use Aging Inventory Report by Order (5.18.15) to determine how long unused inventory has been consigned for ranges of PO or scheduled order numbers. You can make daily, weekly, or monthly determinations for six periods, such as six calendar weeks.

Fig. 2.20
Aging Inventory Report by Order (5.18.15)



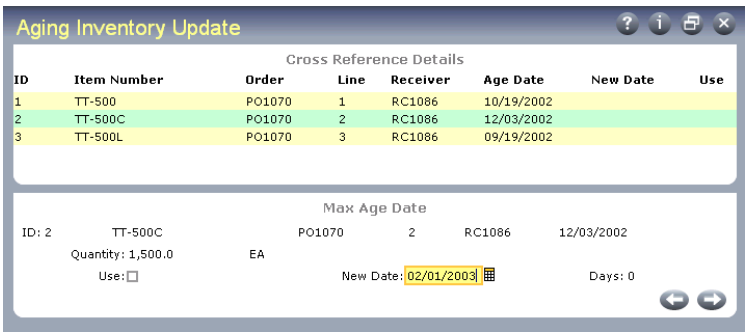
Use Aging Inventory Report by Part (5.18.16) to identify consigned inventory by item number.

Extending the Aging Date

Use Aging Inventory Update (5.18.13) to extend the allowed time of consignment by setting a new aging date or adding days to the existing date. You can extend the maximum aging date as many times as required. An extension automatically updates each purchase order receipt.

Enter selection criteria in the first frame. The system displays matching order lines in the Cross Reference Details frame. Select a record for update and modify it as required in the Max Age Date frame.

Fig. 2.21
Aging Inventory Update (5.18.13), Cross Reference Details and Max Age Date Frames



Values default from receipt data. You can update the following fields in the Max Age Date frame:

Use. Enter Yes to designate this inventory as used. Entering Yes generates transaction history records of type CN-ADJ to record the transfer of consigned inventory and RCT-PO to record receipt from the supplier.

New Date. Enter the new maximum age date you want to assign to this inventory, unless you enter the number of calendar days you want to add to the age date.

Days. If New Date is blank, enter the number of calendar days you want to add to the maximum age date. The system automatically calculates the new date.

Use Aging Inventory Batch Update (5.18.14) to revise aging dates for items received on multiple purchase orders. When you extend the aging date, the system automatically updates the age date on each PO receipt.

See “Using Supplier Consigned Inventory” on page 55.

Tracking Consigned Inventory During Inventory Counts

During cycle count and physical inventory count processes, you must determine procedures for managing consigned inventory. Typically, you include supplier consigned inventory during a count because it is physically present at your site.

Various cycle count and physical inventory programs let you manage supplier consigned inventory according to your needs. You can count:

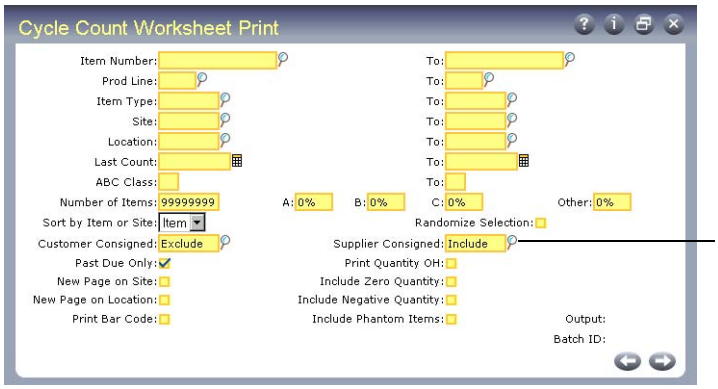
- Only consigned inventory
- Only non-consigned inventory

- Both consigned and non-consigned inventory

For example, you can use consignment fields in Cycle Count Worksheet Print (3.13) to select inventory to count.

See *User Guide: Master Data* for cycle and physical count procedures.

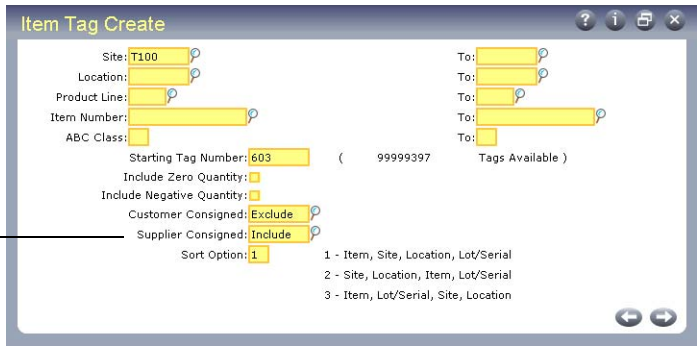
Fig. 2.22
Tracking Consigned Inventory Using Cycle Count Worksheet Print (3.13)



Worksheet includes supplier consigned inventory.

Similarly, when you use Item Tag Create (3.16.1), you can choose to update tags for only consigned, only non-consigned, or both types of inventory.

Fig. 2.23
Tracking Consigned Inventory Using Item Tag Create (3.16.1)



Tags include supplier consigned inventory.

When you exclude consigned inventory, any inventory adjustments affect non-consigned inventory only. If you choose to include consigned inventory or do a count of consigned inventory only, the system uses special transactions when adjusting inventory downward.

These transactions occur in Cycle Count Results Entry (3.14) and Inventory Balance Update (3.16.21).

When consigned and non-consigned supplier inventory are combined in a location, the system checks the value of Use Consigned First in Supplier Consignment Control to determine how to manage adjustments. Downward adjustments to supplier consigned inventory create the standard CYC-CNT or TAG-CNT transaction, followed by RCT-PO and CN-ISS transactions to track the inventory changes and transfer ownership of material.

The various possibilities are shown in Table 2.3.

Table 2.3
Balancing Consigned Inventory After Cycle or Physical Counts

Option Entered	Results	Action	Transactions
Only consigned	Shortage	Shortage is reduction of consigned inventory.	CYC-CNT or TAG-CNT RCT-PO, CN-ISS
	Surplus	Surplus is non-consigned.	CYC-CNT or TAG-CNT
Include consigned and non-consigned	Shortage	Depends on value of Use Consigned First in Supplier Consignment Control	If Yes: CYC-CNT or TAG-CNT RCT-PO, CN-ISS If No: CYC-CNT or TAG-CNT
	Surplus	Surplus is non-consigned.	CYC-CNT or TAG-CNT
Exclude consigned	Shortage	Shortage is reduction of non-consigned.	CYC-CNT or TAG-CNT
	Surplus	Surplus is non-consigned.	CYC-CNT or TAG-CNT

Use Consignment Inventory Adjustment (5.18.21) to associate the surplus (non-consigned) inventory to a consignment order, if needed.

See “Using Supplier Consigned Inventory” on page 55.

Reporting Consignment Inventory Data

The system automatically collects consigned inventory data during transactions. The Supplier Consignment Inventory module provides several reports for collecting, locating, tracking, and reviewing consigned inventory. These reports are designed to clearly show data for consigned and consumed inventory.

A number of reports let you evaluate accounts and track inventory movement from its initial receipt to ownership transfer or consumption. Table 2.4 shows reporting tools available in Supplier Consignment Inventory and a brief explanation of the data that each provides.

Consigned inventory data is also shown in many standard inventory reports and inquiries. For a list of these reports, see Table 1.5 on page 34 in the Customer Consignment Inventory chapter.

Table 2.4
Reports and Inquiries in the Supplier Consignment Inventory Module

Menu	Report	Function/Purpose
5.18.2	Supplier/Item Controls Browse	Displays data defined for consigned inventory items and suppliers.
5.18.6	Consignment Inventory Report	Displays consigned inventory items of a product line by selected criteria including site, location, lot/serial number, ABC class, grade, assay %, status, expiration date, and other details.

Menu	Report	Function/Purpose
5.18.7	Consignment Inventory by Order	Displays selected consigned inventory receipts sorted by PO. Displays with or without quantities and is sorted by: (1) Site, customer, supplier, item, PO, (2) Item, site, supplier, PO, or (3) PO, item.
5.18.8	Consignment Usage Report	Displays detailed inventory usage by selected criteria including PO, item, supplier, site, and usage date. Is sorted by: (1) Site, supplier, item, PO, (2) Item, site, supplier, PO, or (3) PO, item.
5.18.9	Consignment Usage Summary Report	Displays inventory usage by selected criteria including PO, item, supplier, site, and date. Is sorted by: (1) Site, supplier, item, PO, (2) Item, site, supplier, PO, or (3) PO, item.
5.18.10	Consignment Usage Export Report	Displays inventory usage with the option to mark usage records as reported.
5.18.15	Aging Inventory Report by Order	Displays inventory quantities and aging dates by purchase order.
5.18.16	Aging Inventory by Part	Displays inventory quantities and aging dates by item number.

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