

#\$K+ Processing Sales Orders For Finished Goods

It is becoming more and more common in the forms business to sell products which require several stages of production before delivery to your customer. In other industries, these types of items are referred to as 'Bills of Materials' or 'Component Assemblies', or 'Finished Goods'. For our purposes, we will refer to these types of sales as Finished Goods.

A Finished Goods sale is any sale where a single item is delivered to a customer which consists of more than one stage of production and/or more than one component item.

Some examples might include:

- Buying base stock from one vendor, which is shipped to an imaging company for processing, then to a bindery, then finally on to the customer.
- Selling an item on a custom basis consisting of one or more inventoried raw materials.
- Selling an inventoried item to several customers which consists of several inventories raw materials.

Currently in SAFE, these types of transactions are enabled by using the **Blind Item** feature of Sales Order Line Items. This is a check box in the Sales Order Line Item Window which determines whether or not a line item will print on a customer's invoice if there is no sale price. Thus, a Blind Item can have all the attributes of any other line item (Costs, Vendor P.O., Freight Costs, Vendor Invoice, etc.) but is invisible to the customer since the customer is not being billed for that item. Using one or more Blind Line Items on a sales order, allows us to process the work flow and costs associated with the various steps in manufacturing and shipping our Finished Good without making the customer aware of these steps.

How To Do It: Customer Owned Item, Outside Manufacture

Here is an example involving a Corporate Brochure that is Customer Owned. The customer orders 10,000 brochures which will all be paid for after manufacture, however only 5,000 will be delivered immediately. The remainder will remain in storage at one of the vendors. The manufacturing involves purchasing Base Stock which will then be shipped to an imaging company, then to a bindery, and finally to the customer. The bindery will retain storage of 5,000 for later release.

Step #1: Create The Products

The first step is usually to create the Product ID for the Finished Good by going to the Products Browse and pressing [Insert]. If it is an item that is to be used by a single customer, then type in the customer's Customer ID and Form Number in the appropriate fields. If it will be owned by the customer (paid for up front, regardless of how many are part of the initial shipment), then click 'Customer' in the 'Owned By' field. If your business is paying for the item---even if it is to be used by a single customer, then you should check 'Distributor' in the Owned By field.

The component items, products and services also need to be entered, but they are not marked as Distributor or Customer owned.

Step #2: Create The Sales Order

The next step is to create a sales order with the Finished Good as the first line item. You should enter a zero cost, but the full price of the item to be charged to the customer. You should also indicate each Ship To with appropriate quantities.

#	DESCRIPTION	VENDOR	SHIP FROM	SHIP TO
1.	Corp. Brochure	Perfection	5M Perfection Bindery	Perfection <i>Your Customer!</i>

Step #3: Enter The Component Costs As Line Items

Now, enter the remaining line items, one for each component of the finished good. Each of these line items should have the component cost entered, but no sale price. They should also be marked as Blind.

The order in which you enter these is important: You should enter these lines in the same order as they will be produced.

#	DESCRIPTION	VENDOR	SHIP FROM	SHIP TO
2.	Base Stock	UniSource	UniSource	ImagingPlus
3.	Imaging	ImagingPlus	ImagingPlus	Perfection
4.	Binding	Perfection Bindery	Perfection	Customer, with some remaining at Perfection

Each line represents a Purchase Order to the appropriate vendor. You enter the quantities to be shipped *from* the appropriate vendor then *to* the next vendor in the change so that when you print you POs, you are instructing each vendor in the chain where to send the items on to.

Step #4: Print The POs

After entering your line items, you can press the [Tag All] button at the left of the sales order line items, then press [Print POs]. This will generate purchase orders to each vendor with your instructions for their respective steps in the manufacturing process.

Step #5: Bill The Customer

When you receive your bill from Perfection that the order has shipped, you can bill your customer for 10,000. To do this, locate the order in the Sales Order Browse and press [change]. Now click [Change] on line item #1 and make certain that you have entered *two* Ship Tos:

5,000 shipped to the Customer
5,000 'shipped' to Perfection Bindery

The second Ship To line tells SAFE that 5,000 will remain warehoused, but since the *total* shipped quantity is 10M, the customer will be billed for the entire 10,000.

Save the order and then press [Print], then 'Invoices' from the Sales Order Browse. This bills your customer and creates the back order an open order with the same Order ID in **blue**) for the 5,000 brochures remaining at Perfection Bindery.

Tip: You should probably go to that Order after billing and change the Ship Date field to the expected date for the remainder. That way SAFE can automatically remind you when to release the balance.

Note: If the bill from Perfection is received *before* the other vendors' bills, you may still bill your customer immediately; the bills from the other vendors will simply post in **blue** to A/P (without an invoice #). This means that you will have to enter those vendor invoice numbers directly into A/P when they arrive.

Step #6: Ship The Balance

In a few months, go back to the Sales Order ID to ship the remaining 5,000 brochures to the client. To do this, click [Change] on the Sales Order, Tag the line item and print the P.O. to Perfection Bindery. This will inform them to release the remaining 5,000. You can then change the Shipped Quantity to 5,000 and bill your customer for any freight charges as with any other Sales Invoice.

Note: The back order will only contain one line item, as all the costs of production were captured with the original order.

Notes

1. The total profitability of a Finished Goods order will always be correct. The sales commission will also be correct. However, if you were to run a sales order line item detail report for the Finished Good, you would see a %100.00 profit (!) since no costs were attached to that line item. Also, you would also see a 100% loss on the Blind line items.
2. On this type of order we do not recommend adding line items other than those which are a part of the Finished Good. We say this simply because it can be confusing
3. We indicated that Perfection Bindery was the Vendor ID for the finished product only because that is where the item will be kept in off-line storage. There is no other significance, since no costs are captured with line item #1.

How To Do It: Stock Items, You Manufacture To Order

You sell your own Tax Brochures which are imaged by an outside company on a per order from base stock which you buy in bulk. Again, the customer orders 10,000 which will all be paid for upon delivery.

Step #1: Create The Products

The first step is to create the Product ID for the Finished Good by going to the Products Browse and pressing [Insert]. Do **not** indicate that this is a Distributor Owned item and do **not** indicate a Customer ID.

The component items also need to be entered. The base stock needs to be marked as Distributor owned, since you need to track re-ordering.

Step #2: Create A Stock Purchase Order

The next step is to order, print, and finally, receive the base stock in the Vendor POs browse, since this is an item you own and pay for up front.

Note: The imaging is *not* entered as a Vendor PO, as it is products and services also need to be entered. The base stock needs to be marked as Distributor owned, since you need to track re-ordering.

Step #3: Create The Sales Order

The next step is to create a sales order with the Finished Good as the first line item. You should enter a zero cost, but the full price of the item to be charged to the customer. You should also indicate each Ship To with appropriate quantities.

#	DESCRIPTION	VENDOR	SHIP FROM	SHIP TO
1.	Tax Brochure	HOUSE	10M <leave blank>	Your Customer!

Step #4: Enter The Component Costs As Line Items

Now, enter the remaining line items, one for each component of the finished good. Each of these line items should have the component cost entered, but no sale price. They should also be marked as Blind.

The order in which you enter these is important: You should enter these lines in the same order as they will be produced.

#	DESCRIPTION	VENDOR	SHIP FROM	SHIP TO
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2. Base Stock	<n/a>	<n/a>	Imaging Plus
3. Imaging	ImagingPlus	ImagingPlus	Your Customer

Line Item #2 indicates that we are shipping the base stock, which we already own, to Imaging Plus. This will deplete that quantity in inventory. Since this is a Distributor Owned item, the Cost of Goods Sold is pre-calculated for you.

Line #3 needs a Purchase Order to instruct Imaging Plus what to do with the stock they will be receiving (image it, then ship it to the customer.)

Step #5: Print The Purchase Order From Within The Sales Order

While still in the Sales Order, double Click on line #3 (Imaging) to tag it, then press [Print POs]. This will generate a purchase order to Imaging Plus.

Step #6: Bill The Customer

When you receive your bill from Imaging Plus, you can bill your customer for 10,000. To do this, locate the order in the Sales Order Browse and press [change]. Now click [Change] on line item #1 and change the Shipped Quantity to 10M.

Save the order and then press [Print], then 'Invoices' from the Sales Order Browse. This bills your customer and updates inventory for the Base Stock.

How To Do It: Stock Items, You Manufacture For Resale

Again, you sell your own Tax Brochures which are imaged by an outside company from base stock which you buy in bulk. However, in this example, you have them made up ahead of time for resale to many customers. Again, the customer orders 10,000 which will all be paid for upon delivery.

Step #1: Create The Products

The first step is to create the Product ID for the Finished Good by going to the Products Browse and pressing [Insert]. **Do** indicate that this is a Distributor Owned item but do **not** indicate a Customer ID. This will enable you to track how many you have on hand (so you know when to make more!)

The component items, products and services also need to be entered. The base stock needs to be marked as Distributor owned so that you can track re-ordering.

Step #2: Create The Vendor Purchase Orders

The next step is to create one Vendor Purchase Order for the base stock and one for the imaging. These need to be separate POs. The first PO will be to order the base stock and receive it. This creates the A/P for the base stock and updates your inventory.

The second PO is for the imaging of the items. This is also done under Vendor POs because it is not connected with any particular sales order.

Step #3: Create The Sales Order

The next step is to create a sales order with the Finished Good as the first line item. You should enter a zero cost, but the full price of the item to be charged to the customer. You should also indicate each Ship To with appropriate quantities.

#	DESCRIPTION	VENDOR	SHIP FROM	SHIP TO
1.	Tax Brochure	HOUSE	10M <leave blank>	Your Customer!

Step #4: Enter The Component Costs As Line Items

Now, enter the remaining line items, one for each component of the finished good. Each of these line items should have the component cost entered, but no sale price. They should also be marked as Blind.

The order in which you enter these is important: You should enter these lines in the same order as they will be produced.

#	DESCRIPTION	VENDOR	SHIP FROM	SHIP TO
2.	Base Stock	<n/a>	<n/a>	Imaging Plus
3.	Imaging	ImagingPlus	ImagingPlus	Your Customer

Line Item #2 indicates that we are shipping the base stock, which we already own, to Imaging Plus. This will deplete that quantity in inventory. Line #3 needs a Purchase Order to instruct Imaging Plus what to do with the stock they will be receiving (image it, then ship it to the customer.)

Step #5: Print The POs

Now Double Click on line #3 (Imaging) to tag it, then press [Print POs]. This will generate a purchase order to Imaging Plus.

Step #6: Bill The Customer

When you receive your bill from Imaging Plus, you can bill your customer for 10,000. To do this, locate the order in the Sales Order Browse and press [change]. Now click [Change] on line item #1 and change the Shipped Quantity to 10M.

Save the order and then press [Print], then 'Invoices' from the Sales Order Browse. This bills your customer and updates inventory for the Base Stock.

To The Future:

In a future release, SAFE will include the ability to create true 'Bills Of Materials', ie. Products which consist of a group of pre-determined components. When that happens, you will be able to enter a single line item called 'Corporate Brochure' and all the costs from the component Products will be automatically captured and combined onto the finished product with correct line item profitability.

In the mean time, hopefully these current examples have given you insight on how to handle these types of sales orders in your business.