Consignment Inventory Setup and Processing

Consignment Discussion

The idea of Selling Consignment is to track and sell material items that have been "lent" to the shop by a supplier.

Once the Consignment Material item is sold, the supplier then bills the shop for the Sold Consignment item(s) and usually replaces the Sold Consignment item(s) with a new "lent" Consignment item(s).

When the supplier billing occurs, the Consignment item(s) billed for are the Sold Consignment item(s), not the new "lent" Consignment item(s). The Supplier Invoice then requires reconciliation of the Sold Consignment item(s) and the restock of the new "lent" Consignment item(s).

Consignment items are entered into inventory as normal stocking item(s) with one additional step. On the Properties Tab, check the box "Sell On Consignment" box. Once Stocked, at the Location Manager make sure to enter the Consignment Vendor (Supplier) within the Consignment area.

The system holds the value of the Inventory items in the 1420 Materials account. When the Consignment Default is setup, the system holds the value of the Consignment items in the 2130 Consignment Liability account.

The true value of your inventory would be the value of the 1420 Materials account minus the value of the 2130 Consignment Liability account.

Follow these procedures to properly setup, process and manage the consignment material items in your software.

SETUP

1. From the Setup (Single Location) or Enterprise Manager (Multi Location), enter the New Master Material Item. Complete the New Master Material Item information as any normal inventory item including description, part #, core value and cost / sell pricing.
   a. If you are a Single Location, select the Properties Tab on the Master Material Item and check the "Sell On Consignment" box in the Consignment area.
   b. If you are a Multi Location review the 2 options below before setting your "Sell On Consignment" box.
      - If you are unsure if All Locations will be selling the item(s) on Consignment.
         o Leave the "Sell On Consignment" box unchecked until you have stocked the item(s) at a Location, then check the "Sell On Consignment" box at the Location level for the Locations that will be stocking the item(s) as "Sell On Consignment."
      - If every Location in your Enterprise will be stocking the item(s) as "Sell On Consignment" then you can check the "Sell On Consignment" box at the Enterprise Manager, Master Material Item.
         i. The Consignment setting at the Enterprise Manager, Master Materials List will make this item a Consignment Material Item by default at all locations if "Sell On Consignment" is checked prior to stocking the item.
         ii. The "Sell On Consignment" box can be checked or unchecked at any Location after being stocked.
            ❖ A Consignment Vendor / Supplier can only be set at the Location level after the item has been Stocked.
               - To setup Consignment information, each Material item is an individual entry and must be setup as such.
               - There is no Batch Update for Default Consignment setup.
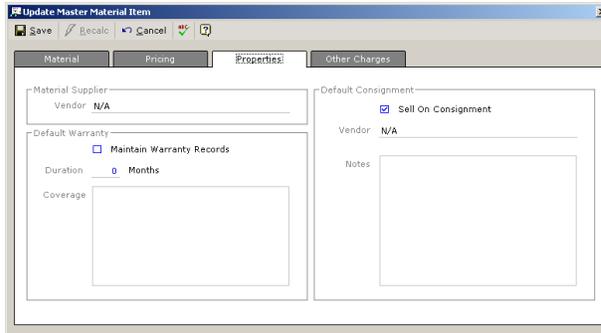
2. Stock the New Material Item(s) to your Location.
   a. From the Location Manager or from the Reports Manager > Materials > Price Catalog > Master List.

3. At the Properties Tab, Ensure that the "Sell On Consignment" box is checked for all Consignment Item(s).
   a. From the Smart Label ▼ select the Vendor (Supplier) that has "lent" you the Consignment Item(s).
   b. Make sure all entries are complete for this Material Item. (i.e. Base Buy Price, Core Price, Sell Pricing, Sell On Consignment and Consignment Vendor/Supplier).
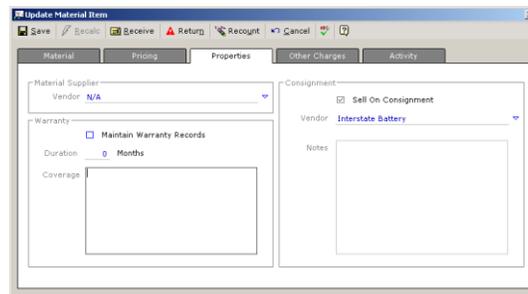
INITIAL STOCK FOR OPENING INVENTORY COUNTS
1. Initial Stock / Opening Inventory for Consignment Material items.
   a. DO NOT RECOUNT Consignment Items for Initial Stock / Opening Balance entries.
   b. Use the Receive option on the Material Item.
      i. Complete the "Receive To Inventory" entries.
         - From the Smart Label, select the Consignment Supplier.
         - At the SI# (Supplier Invoice Number), enter "**consignment**"
         - Complete all entries in the Details area:
            • Received = current In Stock Quantity
            • Cost = current individual item cost
         - Select "Add To Supplier Invoice" @ top left.
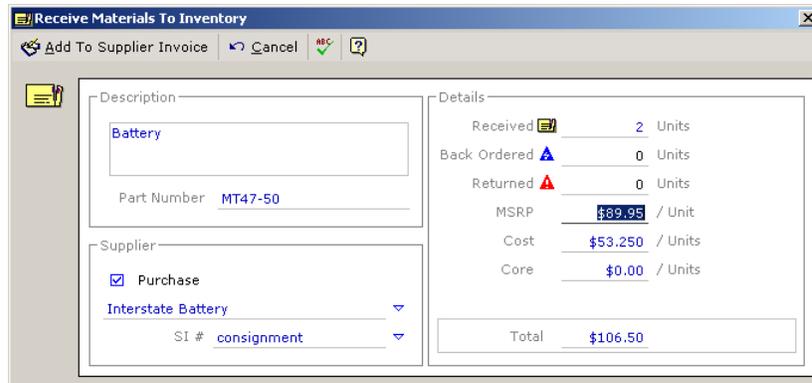
c. The system will make an entry for the "lent" Consignment Items under the Purchases Manager > Purchase Orders > Consignment Slips.
   i. Each Supplier will hold its own Consignment Supplier Invoice number (Slip #) "consignment" in the Consignment Slips.
   ii. The Consignment Slips module is no more than a "Posted Note" and does not affect any accounting areas of the software.
   iii. The Activity Tab on that Material Item provides detailed and accurate information for all purchases, sales and other activity for the Material Item.
d. The value of the Consignment Item(s) is now entered into the following GL accounts;
   i. 1420 – Materials and 2130 - Consignment Liabilities

PROCESSING CONSIGNMENT ITEM(S)
<u>Discussion</u>
When you post the Customer Invoice or Counter Sale that has a Consignment Item on it, a Supplier Invoice is automatically created for the number of consignment items sold under the Purchases Manager > Purchase Orders > Supplier Invoices. Any subsequent Consignment Item(s) sold will append to the Supplier Invoice "consignment."
The system will use the Original Supplier Invoice # that was used when receiving the "lent" Consignment Items into inventory "consignment."
This Supplier Invoice corresponds to what is now owed to the Supplier for the "lent" Consignment Items that have been sold, and should correspond to the Supplier Invoice you will receive.
See #3 below for processing the Supplier Invoice.

1. Receive the Replacement "lent" Consignment Item(s) into Inventory.
   • Depending on if you have set your Consignment Inventory Items up for Inventory Reorders, follow the options below.
      a. Use the Inventory Reorder List to produce a list of required Consignment Inventory Item(s).
         i. From the Purchases Orders, verify and receive the "lent" Consignment Items into inventory.
         ii. Make sure to "consignment" as the Supplier Invoice for the new "lent" Consignment Items being received.
      b. Use the Receive option on the Material Item.
         i. Complete the "Receive To Inventory" entries.
            1. From the Smart Label, select the Consignment Supplier.
            2. At the SI# (Supplier Invoice Number), enter "consignment."
            3. Complete the Details fields, as needed. Make sure that all information is correct.
            4. Select "Add To Supplier Invoice" @ top left.

2. Processing the Supplier Invoice for the Sold Consignment Item(s)

Note: The inventory system uses FIFO (First In, First Out). This means that the oldest item entries will be used as items are sold. Supplier Invoices may represent an updated Cost for the items, Edits to the Supplier Invoice may be required at this level.

      a. Use the Supplier Invoice under the Purchases Manager > Purchase Orders > Supplier Invoices for the Consignment Supplier.

      b. Rt. Click on the "consignment" invoice, select Update.

          i. The items on the Supplier Invoice "consignment" should correspond with the items on the Supplier Invoice. These will be the Sold Consignment Item(s), Quantities and Cost Prices as entered when received.

          Note: If the Consignment information does not match the Supplier Invoice, there are several options to correct and match the Supplier Invoice. Review the options below to edit and correct the entries to match the Consignment Invoice to the Supplier Invoice.

          ii. Make sure to double check all entries for matching Part #, Quantities and Item Costs to the Supplier Invoice.

              1. If All Items match the Supplier Invoice,
- Select Tools > Invoice Number and edit the Invoice Number to match the Supplier Invoice number.
- Verify the Date @ Top Right, Edit if needed.
- Select Post To Accounts Payable @ Top Left

              2. If Item(s) part numbers are a match but the Cost does not match the Supplier Invoice,
- Highlight the item
- Select Tools > Update Item
- Edit the Cost to match the Supplier Invoice.

              3. If there are items on the "consignment" Invoice that are not on the Supplier Invoice,
- Highlight the item(s) that are <u>on the Supplier Invoice</u>, one at a time.
- Select Tools > Update item.
- Edit the SI# to match the Supplier Invoice #.
- Edit the Cost to match the Supplier invoice, if needed.
- Select, Add To Supplier Invoice @ Top Left.
- Complete item Edits as needed.
- This will create a new Supplier Invoice under the Supplier. Once all edits are completed, select Close.
- Select Refresh for the screen to present the new Supplier Invoice.
- Rt. Click and select Update on New Supplier Invoice. Verify all entries.
- Verify the Date @ Top Right, Edit if needed.
- Select "Post To Accounts Payable."
- The additional items not included on this Supplier Invoice will be left on the "consignment" Invoice for future processing.

❖ *Note: Process all Consignment quickly in order to keep the Consignment current and up to date. Best practice is to Receive the new "lent" item(s) into Inventory then process the Supplier Invoice for the Sold item(s).*

❖ *Note: There might be times where items are on the "consignment" invoice and are not on the Supplier Invoice. This is when additional Consignment Item(s) are sold between processing the Supplier Invoice. Following the instructions for #3 above will ensure accuracy in processing and posting these invoices.*