

Consignment – general information

Consignment consists in storing items owned by a vendor in a warehouse of a customer who collects them and sells them before they have made a formal purchase and settlement with a vendor. Consignment is most commonly used in franchise networks.

In the system, there are two types of consignment warehouses:

- **own consignment warehouse** – a warehouse physically owned by a customer, in which items owned by a vendor are stored and which are disposed of and sold by a customer
- **customer's consignment warehouse** – a warehouse physically owned by a secondary customer, where items of a vendor or a customer are stored, which are managed by the secondary customer; the items can be owned by a vendor who is located several levels higher; when looking from the perspective of a secondary customer, a customer becomes a vendor and a secondary customer becomes a customer. In the customer's system it is a virtual warehouse which is used only for determining that the items have been transported to a customer's warehouse; a customer does not record in its system each sales transaction made by a secondary customer – a customer can only issue a sales document to a secondary customer to whom the warehouse is assigned, after prior receiving a special report from it.

Items delivered by a vendor are owned by this vendor, whereas a customer is responsible for their proper storage.

Payment for the items is made after the resource has been depleted (in the case of production) or sold out (in the case of trade).

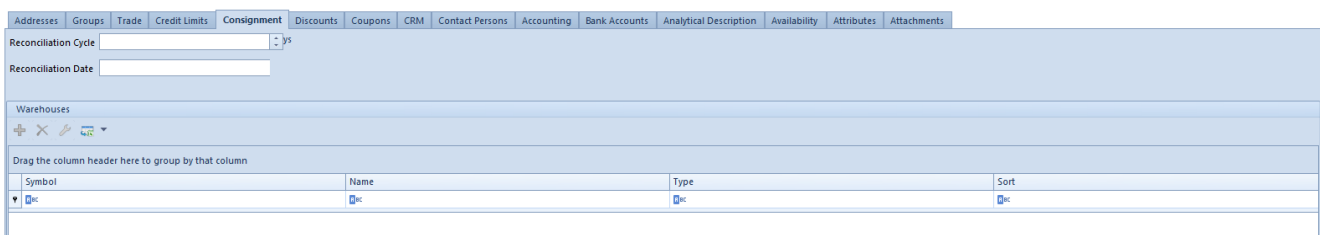
Configuration

Activation of consignment

In the system, the consignment handling is deactivated by default. In order to activate it, it is necessary to check parameter *Handle consignment* located in menu *System* → *Configuration* → *Trade* tab. As a result of this operation:

- button [CSR] located in menu *Sales* that opens a list of these documents is activated
- the button used for generating a CSR from the level of a list of SOR and WM- is activated
- in the customer/vendor form there appears tab *Consignment* which is used for defining basic parameters in the consignment process.

Tab Consignment in the customer/vendor form



The screenshot shows the 'Consignment' tab in a software interface. At the top, there are several tabs: Addresses, Groups, Trade, Credit Limits, Consignment (selected), Discounts, Coupons, CRM, Contact Persons, Accounting, Bank Accounts, Analytical Description, Availability, Attributes, and Attachments. Below the tabs, there are two input fields: 'Reconciliation Cycle' with a dropdown arrow and 'Reconciliation Date' with a date picker icon. Below these fields is a section titled 'Warehouses' with a toolbar containing icons for adding, deleting, and refreshing. Underneath is a table with the instruction 'Drag the column header here to group by that column'. The table has four columns: Symbol, Name, Type, and Sort. Each column has a small icon to its left.

Tab Consignment in the customer form

The following fields are available in the tab *Consignment*:

- **Reconciliation Cycle** – indicates every how many days it is necessary to make reconciliation with a given

customer (100 days is maximum)

- **Reconciliation Date** – field with a date indicating next reconciliation with a customer/vendor. The date can be selected from the built-in calendar.

Fields in groups *Returns – Consignment* and *Returns – Invoice* are available only for vendors and customers who are also vendors. They are for information purposes only.

Below, there is a list of all consignment warehouses associated with a given customer.

Adding consignment warehouses

Warehouses are defined from the level of:

- menu *Main* → *Warehouses*
- warehouse module *Warehouse* → *Warehouses*
- customer/vendor form, tab *Consignment*

Defining consignment warehouses is nearly identical to defining local or distant warehouses. The difference is that in the case of consignment warehouse:

- a specific customer/vendor is assigned (necessary condition for customer's consignment warehouses)
- warehouse type is defined (own/customer's)

The vendor defined for an own consignment type can be changed until a document has been issued to this warehouse. After defining warehouses, it is necessary to assign documents to them on which a given warehouse can be used. To do so, from the level of *Configuration* -> *Company Structure* -> *Company*, it is necessary to open tab *Warehouses*, open an appropriate warehouse for editing and define its availability and parameter *Default* of particular documents.

Note

In order to be able to issue a CSR document, it is necessary

to set its availability and parameter *Default* for selected own consignment warehouse.

Consignment in documents

This article presents a simplified example of documents circulation between vendor, customer and secondary customer.

called consignment warehouse and issues a warehouse document for a customer, e.g. a SOR

- A customer receives the item from the vendor to the consignment warehouse on the basis of the warehouse document issued by the vendor and next the customer issues a POR document to the vendor to its own consignment warehouse
- The customer:
 - sells the item received in the consignment warehouse of *Own* type and documents it through sales invoices or receipts associated with the SOR documents for the item sold
 - acquires the item for its own needs moving it to its own local warehouse by using WM-/WM+ documents (the source warehouse will be its own consignment warehouse, the target warehouse – a local warehouse)
 - moves the item to a consignment warehouse of its secondary customer by means of WM-/WM+ documents (the source warehouse will be its own consignment warehouse, the target warehouse – a consignment warehouse of the secondary customer)
- In the event when the customer has moved the merchandise to a consignment warehouse of its secondary customer:
 - the customer sells the item from the warehouse in which they have received it
 - after the sale the secondary customer provides the customer with a consignment sales report
 - on the basis of this report the customer creates SI and SOR documents to its secondary customer from the consignment warehouse of the secondary customer, thereby making the sale and settlement with their customer
- The customer informs the vendor which items from the consignment warehouse of *Own* type have been sold, including those which have been sold by its secondary customer from the consignment warehouse of the secondary

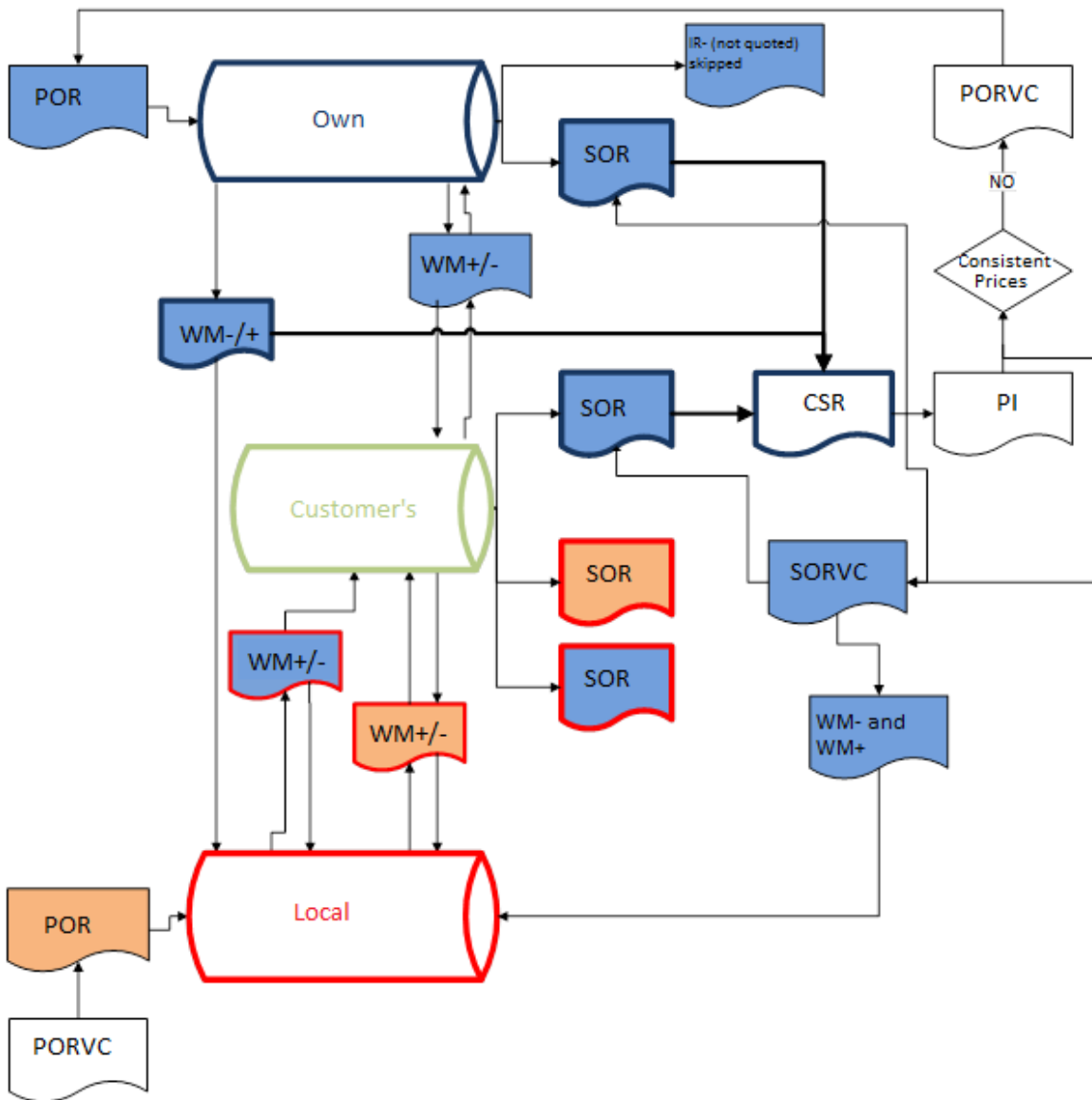
customer

- On this basis, the vendor issues a sales invoice document to the customer, in which there are listed the items sold by the customer (and their secondary customers). At this moment, the actual sale of the merchandise by the vendor for the customer takes place
- On the basis of the sales invoice received from the vendor, the customer records the purchase invoice document to the vendor, associating the items of the invoice with the items of the POR documents with which the merchandise was received in the consignment warehouse of *Own* type
- If the prices in the purchase invoice and the POR document are different, the customer issues a value correction document to the POR document.

In case a company is also vendor of consignment goods, the consignment path might be extended:

- the reproduction of the transfer of goods within consignment is registered with the help of WM- document from a local warehouse to a customer's consignment warehouse
- after receiving a sales report from a "customer", payment is processed according to the standard path, described in the above process, that is by means of SI/R and SOR issued for the customer assigned to the consignment warehouse of *Customer's* type and which contains the resources from that warehouse.

A diagram presenting almost full path (without ordering stage) of subsequent operations performed on a delivery received in a consignment warehouse of *Customer's* type, as well as operations on a resource moved from a local warehouse to a consignment warehouse looks as follows:



Advanced consignment scheme

Fill color in the above diagram determines type of delivery:

- **blue** – a resource from a delivery received in own consignment warehouse
- **orange** – a resource from a delivery received in a local warehouse

Shape outline color in the above diagram determines:

- **red** – that a resource went through a local warehouse regardless of where it was received
- **blue** – documents which can be added to a CSR from a delivery received in own consignment warehouse

The process always starts from a POR document which registers a delivery in own consignment warehouse or local warehouse. Although the diagram presented above does not illustrate it, an item can also be received in a local warehouse by an IR+ document.

Attention should be paid to the following operations when analyzing the consignment process, and so, the update of resources in this process:

- a CSR includes SOR documents issued to:
 - own consignment warehouse
 - consignment warehouse of *Customer's* type, but only if a resource released by these documents was originally received to own consignment warehouse and have not been moved to any local warehouse in in the meantime
- a CSR includes WM- and WM+ documents which move an item from own consignment warehouse to a local warehouse
- items not included in a CSR are subject to quotation
- it is necessary to distinguish WM- and WM+ documents issued manually and moving an item from own/customer's consignment warehouse to a local warehouse from which have been generated automatically to a SORQC
- WM- and WM+ documents issued manually are subject to quotation only if they have been added to a CSR, they are subject to quotation until they are not added a CSR
- WM- and WM+ documents issued automatically to a CSR are subject to quotation only if a CC has been generated to a SORQC associated with those documents, on the basis of the CC generated to the SORQC, there are cost corrections generated to WM- and WM+ documents as well as to subsequent documents in the presented path; or resources included in this WM+ are updated in the warehouse
- WM- and WM+ documents which move an item from own consignment warehouse to consignment warehouse of

Customer's type are quoted only after SOR documents releasing the moved resources are quoted; such WM- and WM+ documents will not be quoted until a resource they move is not added to a CSR with the use of a SOR issued in consignment warehouse of *Customer's* type

- other documents, that is: IR-s, although they include resources created by a delivery received in own consignment warehouse, will never be quoted (when quoting from a CSR); while updating and generating a CC, such documents are not taken into account at all
- SOR documents issued in consignment warehouse of *Customer's* type and using resources going through a local warehouse will not be included in a CSR, and thus, they are not subject to quoting

Note

In case of AVCO method of collecting resources, it is possible to select an own consignment warehouse associated with vendor as a target warehouse in WM- document.

Consignment Sales Report

Consignment sales report is used for collecting the whole sale of the resources received from one customer/vendor in one consignment warehouse of *Own* type in a given period. At the same time, the CSR serves as information for the vendor which items supplied by it have been sold by the customer.

The consignment sales report includes:

- sale of items from delivery from a specific customer/vendor to a consignment warehouse of *Own* type on the basis of SOR documents.

- “sales” for the customer, whereby the item is moved from the consignment warehouse by means of WM documents to a local warehouse of the customer, thereby becoming their property
- sale of consignment items made by the secondary customers from the consignment warehouse of the secondary customer (documented by a SOR issued to a customer assigned to the consignment warehouse of the secondary customer)

A list of CSR documents and the associated functionality are available in module *Sales*. The list displays information regarding:

- document number
- date of issue
- code
- secondary vendor name
- warehouse in which an item has been received
- range of dates in which SOR and WM- included in the CSR have been issued
- subtotal and total values of the report
- current document status

The form is composed of the following tabs: *General*, [Attributes](#), [Associated Documents](#) and [Attachments](#)

The tab *General* presents:

- document number
- vendor for whom the report is being created
- warehouse in which the resource delivered by a given vendor has been received (it can only and exclusively be an own consignment warehouse)
- center in which a document is issued
- field with a space for an additional description to a report
- current document status

- date of issue of a document
- subtotal and total values of the report
- range of dates within which the dates of issue of documents including in the created CSR fall

In field *Warehouse* a warehouse, for which in the configuration the CSR document has been set as default, is set as default. That does not mean, however, that it cannot be replaced with another own consignment warehouse.

Note

It is not possible to issue a CSR to a consignment warehouse of a secondary customer or a local warehouse.

A list of CSR items displays the items and their quantity which has been released within the selected period of time by means of SOR and WM- documents from own consignment warehouse that is the basis of the report.

These items can only be added after selecting a vendor as well as a warehouse. From a list filtered by dates, vendor and warehouse, a user can select specific SOR or/and WM- documents. The other option involves the automatic addition of all SOR and WM- documents fulfilling the criteria set – button **[Add Automatically]**.

Note

In databases with FIFO/LIFO methods selected, the system does not include the documents which have already been added to another CSR (confirmed and unconfirmed), SOR documents which have been completely corrected, and WM- documents associated with a SORQC.

Note

In databases with AVCO method selected, upon adding a WM- document to a CSR, it is possible to decrease the quantity. Such WM- document can be added to another CSR document with quantity decreased by quantities already included in other CSR documents.

Example

1. A WM- document is issued with an own consignment warehouse selected as source warehouse and a customer's consignment warehouse specified as target warehouse. Item Scarf in quantity 10 pcs is added onto the document.
2. The WM- is confirmed
3. The WM- is included in a CSR document, quantity is automatically transferred from the WM-
4. Quantity of item Scarf is decreased on the CSR from 10 pcs to 8 pcs
5. Another CSR document is issued, the WM- from p. 1. is included in it with quantity 2 pcs (10 pcs from the WM- – 8 pcs included in the first CSR)

Prices of the individual items are retrieved from the current price list for received items assigned to the vendor selected in the CSR, in system currency of a company being the document owner. They are not editable and are only used for information purposes. They can differ from the prices in the POR and PI, which ultimately document the purchase.

A CSR document can also be generated from the list of SOR and WM- documents. Generation can be performed for one or many documents checked in the list. With regard to WM-, these can be documenting whose source warehouse is own consignment warehouse and whose target warehouse is a local warehouse. Documents are generated with *Unconfirmed* status.

After confirming the CSR document, it is sent to the vendor who in return submits a sales invoice that includes exactly the same items. After receiving such an invoice, an operator can generate a corresponding purchase invoice from the CSR list level.

Inventory

Consignment handling also includes taking an inventory of the resources in a consignment warehouse of *Own* type. The process of creating an inventory document is identical as the process for local warehouses. The only difference is the documents generated as a result of confirming the inventory.

The following documents will be created for a consignment warehouse:

- **POR** – if a positive difference in the quantity of item has arisen in the inventory sheets
- **POR** – if a positive difference in the quantity of item has arisen in the inventory sheets

The complete description of creating an inventory in the system can be found in category [Inventory](#).

I0 in consignment

On internal order it is possible to select consignment warehouses as target or source warehouses. In case on an I0 document:

- **as the source warehouse** is set a local, distant or own consignment warehouse, the user cannot select own

consignment warehouse as the target warehouse.

- **as the target warehouse** is set an own consignment warehouse, the user cannot select another warehouse than customer's consignment warehouse as the source warehouse.

For internal orders, resource reservations are created upon submitting a document.

If a customer's consignment warehouse is set as the source warehouse and an own consignment warehouse is the target warehouse, then if *Reserve resources* parameter is checked, during the second confirmation only those resources are collected which come from the own consignment warehouse (the target warehouse on document).

Upon confirming an IO, it is possible to generate WM- document on which the customer's consignment warehouse is the source warehouse. On the WM- there will be only those resources collected which were received in the customer's consignment warehouse from the own consignment warehouse.

Example

1. POR1 is issued to an own consignment warehouse, then WM-1/WM+1 document is generated, where the own consignment warehouse is the source warehouse and a customer's consignment warehouse is the target warehouse

2. POR2 document is issued to a local warehouse and next, WM-2/WM+2 document is generated, where the local warehouse is the source warehouse and the customer's consignment warehouse is the target warehouse.

3. IO document is issued, where the customer's consignment warehouse is the source warehouse and the own consignment warehouse is the target warehouse. Parameter *Reserve resources* is checked on the IO.

4. From the I0 there is WM-3 document generated, where customer's consignment warehouse is the source warehouse and the own consignment warehouse is the target warehouse. On WM-3 there are resources collected from the customer's consignment warehouse, but only from POR1 document, because resources in the customer's consignment warehouse were received from the own consignment warehouse.

Document	Quantity	Warehouse	Source Warehouse	Target Warehouse
POR1	2 pcs	Own consignment		
WM-1/WM+1	2 pcs		Own consignment	Customer's consignment
POR2	10 pcs	Local		
WM-2/WM+2	10 pcs		Local	Customer's consignment
I0	5 pcs		Customer's consignment	Own consignment
WM-3	2 pcs		Customer's consignment	Own consignment

Only 2 pcs were transferred on the WM-3 document, because there had been only 2 pcs from POR1 available in the own consignment warehouse before the warehouse movement.

Corrections to SOR documents

issued to consignment warehouse

During the consignment process, corrections to SOR are issued:

- to a local warehouse compliant with the SOR document, if none of the items included in the SOR has been yet included in the CSR
- to a default local warehouse (with the possibility of changing it to another local warehouse), if at least one SOR item is included in the CSR

The method of generating a SORQC in case there is an oscitation with a CSR, is as follows:

- a SOR document is issued from own consignment warehouse
- a SOR document is included in a CSR
- a SORQC is created for this SOR, in which the subitems that have been included in the CSR are corrected
- a default local warehouse is set in the SORQC (other than the warehouse set in the SOR)
- when confirming the SORQC:
 - the item is returned to the warehouse which has been selected in the source SOR,
 - at the same time, WM-/WM+ documents are being created which relocate these resources to the warehouse from SORQC document
 - the source warehouse in the WM-/WM+ documents is the SOR own/customer's consignment warehouse, and the target warehouse is the SORQC local warehouse
 - value of the returned item is the same on SORQC, WM-/WM+, and on SOR – if the item price has been changed in the meantime (a CC has been created to the SOR), then appropriate CC documents are also created for the SORQC and WM-/WM+ documents
- While generating subsequent CSRs, a WM- document

generated in that way is not taken into consideration.

Note

It is not possible to cancel WM- and WM+ documents created in the result of a SORQC confirmation. These documents are cancelled automatically when the user cancels the SORQC.

Consignment with FIFO/LIFO methods of queuing resources

Due to their particularities, the differences between methods of queuing resources affect the way of executing stages of the consignment process.

In the case of FIFO/LIFO queuing methods:

the system does not take into account documents which have already been added by means of another CSR (both confirmed and unconfirmed), SOR documents which have been corrected in full and WM- associated with SORQC.

Purchase invoice, receipt corrections and update of purchase value for FIFO/LIFO method

A purchase invoice for consignment items, received in a warehouse by means of a POR, is not generated directly from this POR but from a CSR document issued to a vendor from whom we have received the item. A vendor, after receiving the CSR, generates a PI, whose counterpart at the customer's will be a purchase invoice.

Generating a PI

In order to generate a PI to a CSR, a user should check appropriate documents in the CSR list and click on button **[PI]** available in the main menu in the group of buttons *Generation*.

A purchase invoice can be generated to a confirmed CSR only. Otherwise, the generation button is grayed out.

In the generated PI, the vendor and secondary vendor will be a customer/vendor identified as the vendor in the CSR. The transaction type always takes on value *National* and is not editable.

Receipt correction – PORVC

When confirming a purchase invoice generated from a CSR, the comparison of prices of the items appearing in the purchase invoice with the prices in the associated POR items takes place. If quantities of individual items of the POR and PI are defined in different units, then for POR document (in consignment service, items in a PI are always defined in basic unit) the system calculates price for the basic unit according to unit conversion calculator. If the prices in the POR and PI do not agree, a value correction will be automatically generated to each POR document in which the difference in the price of items appears. Correction of value will apply to such quantity of individual items only, which is included in the CSR and thus, in the PI. In other words, a correction is generated only for such quantity of individual items which has been sold and purchase value of these very items is modified. Purchase value of the other parts of deliveries from POR documents (not included in the CSR and PI), to which a PORVC correction is generated automatically, remains unchanged.

Cost corrections and update of resource

values in a warehouse

In the result of re-quoting of an item received in the consignment process which was caused by:

- confirmation of a PORVC issued to a POR before payments for a consignment item have been applied
- confirmation of a PI generated from a CSR in which prices of items on the PI are different from prices of associated items on POR – PORVC generated automatically
- confirmation of a PORVC generated to a PI created in the consignment process – PORVC generated automatically

the system generates appropriate cost corrections to documents which released a given item before re-quoting it and modifies value of the remaining quantity of that item (which has not been released “outside” with a SOR) in consignment warehouses of *Customer’s* type and in local warehouses, if a re-quoted item was received in a warehouse of such type.

Consignment with AVCO method of queuing resources

In the case of AVCO queuing method:

- on a WM- document, as the target warehouse, it is possible to indicate a consignment warehouse of *Own* type associated with a customer/vendor.
- after adding the WM- document to a CSR document it is possible to decrease the quantity. Such a WM- document can be added to another CSR document with quantity

decreased by quantities already included in other CSR documents.

Purchase invoice, receipt corrections and update of purchase value for AVCO method

A purchase invoice for consignment items, received in a warehouse by means of a POR, is not generated directly from this POR but from a CSR document issued to a vendor from whom we have received the item. A vendor, after receiving the CSR, generates a SI, whose counterpart at the customer's will be a purchase invoice.

Such an invoice contains all the items from the source SCR in the identical quantities. It is issued to the vendor/secondary vendor, whose item appeared in the CSR.

Generating a PI

A PI is generated from CSR according to standard rules valid for FIFO/LIFO methods.

Generating a POR

POR document is associated with an invoice according to the following rules:

- all POR documents are searched, which are issued in the same currency with the same warehouse and include the same items/lots as PI
- according to settings on warehouse form, POR documents will be sorted according to the selected settings. More information regarding the order of associating PI with POR can be found in article [Configuration](#)
- the first document from the POR list filtered according to the above criteria is verified
- the first item included in such POR is verified (items are selected according to number in column *No.* on a

document)

- association of a given item with PI document is verified in case if
 - quantity of the item is not associated with the invoice in full – association for the remaining quantity not associated with invoice is created
 - quantity of the item is associated with invoice in full – the item is omitted and the system verifies another item

Receipt correction – PORVC

When confirming a PI document generated from CSR for own consignment warehouse, the system checks price in items of the PI against price in items of associated POR documents:

- if price in items of POR documents associated with an item of PI document is the same, no additional document is generated
- if price in an item of POR document associated with item of PI is different, then when confirming the PI, PORVC document is generated to the associated POR, in which price after correction will equal price in the PI item

Cost corrections and update of resource values in a warehouse

During update of resource values in a warehouse, it is verified if the resources are available and in case if:

- resources are available – upon generating PORVC, the system corrects value of a given resource in a warehouse by values resulting from PORVC
- resources are not available – upon generating PORVC, the system generates CC document to it

Generating WM- from S0

The functionality of generating a warehouse movement from an order is used whereby a customer orders consignment items and the order is executed through a movement of the ordered item to its consignment warehouse (the customer's consignment warehouse).

In order to generate a WM- from a S0, in the S0 list a user should check the order or several orders and select button [WM-] in the main menu from the group of buttons *Generation*.

Note

A warehouse movement document can be generated only to orders issued to a recipient assigned to the consignment warehouse indicated in the document.

Fractures of generated WM- document:

- the document is added with *Unconfirmed* status
- If the resources in a S0 document are retrieved from one warehouse, one WM- document will be generated, for which the source warehouse is the warehouse from the subitems of the S0 document, and the target warehouse – the customer's consignment warehouse to which the customer from the S0 is assigned.
- If the resources in a S0 document are retrieved from more than one warehouse, a list of warehouses, which appear in the subitems of the S0, is displayed with the possibility of selecting one or several warehouses. After selecting a warehouse/warehouses, as many WM- documents as the number of selected warehouses are generated.
- The number of items in the document is subject to edition.

- After canceling or deleting a WM- document generated from a SO, the quantity of items executed in this WM- document will be made available again for execution in the SO.
-

P0 to own consignment warehouse

Registration of a P0 document is used when a customer places an order at a vendor for a consignment item, which as a result of the execution of the order is received in its own consignment warehouse.

Note

If in at least one of three places in a P0 document – in the header, in packs, or on subitems, own consignment warehouse associated with a customer is selected, it is not possible to edit vendor/secondary vendor in this document.

It is not possible to generate a PI from a purchase order which contains subitems issued to a consignment warehouse. It is possible to generate a POR document which will receive a resource in a warehouse.

Note

If a POR document has been created for a purchase order, it is not possible to generate an API to it. However, if an API has been created to a P0 first, then it will not be possible to issue a POR (that is, no consignment service will be possible).

Returns of goods in consignment

Returns of goods in consignment

The process of consignment sale anticipates returns of goods, which failed to be sold, back to their vendors. The period in which goods can be returned as well as the quantity of goods subject to be returned depend on an agreement between the parties. Arrangements between parties can be registered on the form of a given customer/vendor, in tab Consignment.

Consignment warehouse of Customer's type

Return from a customer's consignment warehouse is executed by WM-/WM+ documents. If within the period of time set forth in the contract a customer has not sold the entire lot placed in the secondary customer's consignment warehouse it can return the remaining part.

Depending from which warehouse resources in a secondary customer's consignment warehouse originate, in WM- and WM+ documents the target warehouse will be a consignment warehouse of Own type – or a local warehouse and the source warehouse – the secondary customer's consignment warehouse.

Note

It is not possible to move (return) resources from a secondary customer's consignment warehouse, which originally come from a consignment warehouse of Own type to a local warehouse and adversely – coming from a local warehouse to a consignment warehouse of Own type.

Returned resources can be only moved to a warehouse from which

they have been taken to a secondary customer's consignment warehouse. In a case of returning resources to a local warehouse it is not important if it is the same

local warehouse or another local warehouse – it only needs to be a local warehouse. Original resources coming from a consignment warehouse of Own type have to be returned to the same warehouse.

Own consignment warehouse

In the situation when a customer did not sell in full the goods received at an own consignment warehouse and arranged with a vendor that the unsold goods would be returned, such operation can be registered with a PORQC or IR- document, depending on the moment of registering the return

A PORQC document can be issued only prior to making a payment to vendor for part of the goods that have already been sold.

Note

Only these resources can be returned with a PORQC which are currently available in own consignment warehouse to which the POR refer, for which the PORQC is being issued Resources available in other warehouses are not subject to return, although they have been originally received with the same POR document to which the PORQC is being issued.

If payment is made for the goods sold, return of the remaining goods can be registered with an IR- document.

The goods are not included in a CSR document when making subsequent payments to the vendor.

Local warehouse

If goods were delivered, in the process of consignment sale, to a local warehouse from an own consignment warehouse, such goods cannot be returned. This type of operation is tantamount to the purchase of goods from this vendor.

