



Tips & Tricks #51 - The Internal Magic of Creating Purchase Orders from OE Orders Part 2 – More details on Operation and Costing

As referenced in the first installment – “PO’s From OE Orders” - these features are described in both the Order Entry Users Guide by searching for “Purchase Order Automation” - found in the “Orders” chapter under the “Two-step Orders/Order Line Items” section and in the Purchase Order User Guide by searching for “Automated Purchase Orders” - found in the “Purchase Orders” chapter. For a review of the basics of automating Purchase Orders – features, setup and operation - please see the previous Tips & Tricks #50 - <https://www.passport-training.com> - select Tips and Tricks from the title bar.)

More details on the process

We left the discussion of the auto-create of PO’s from OE orders with the following snap-shot of the bottom of the Order Entry (OE) screen showing the results of having created a line item in OE that generated a line item in a Purchase Order (PO) if this is the first line of the PO, having created both the PO and the first line item in it.

Quantity to ship	.00	
Backordered 19.00 *BO*		
Unit price	17.56	EACH
Discount percent	.00	
Ship date	"ASAP"	
Unit cost	14.01	EACH
Vendor	3M	
	3M Co.	
Neg. cost	14.20	PO # 25552 -100
Est. cost	.00	

Note that after having saved the OE line item, the program has also created the PO line item and displays the PO number and line number of that PO line item. (The line number in the PO is made the same as the OE line number.) Although the unit cost in this example as dictated by average cost is 14.01, the operator has decided to use Negotiated Cost of 14.20 as the unit cost to be used in that PO line and this will automatically be inserted into field 10 (Unit Cost) in the PO line. The operator could also have manually gone into that PO later and after having selected the unit cost hit F2 to bring in the *Vendor Item cost* for that Vendor/Item# combination. A third option would have the operator simply enter the cost they wish to use.

- **Entering an OE Order involving multiple vendors and multiple PO's**

For both back-orders and drop-ships and as an extension to the features already described, multiple line items for different products (item numbers) for the same vendor will update an already existing PO. In addition, for both types of orders, since the entry of the Vendor ID in

each OE line item triggers the addition of, or update to, a PO line, by using multiple vendors on different lines of the OE order you will generate multiple PO's – one PO for each unique vendor used within the OE order being created whether it is a back-order or drop-ship. In other words, if you create a five-line OE order – 2 lines for one vendor and 3 for the other – you will end up with two PO's being created.

For back-orders this can be useful because in minimizing in-stock inventory, you may want to enter orders for multiple customers knowing that the system is accumulating multiple PO's to satisfy those orders. But *any* existing PO for the relevant vendor, whether manually entered or created as a result of creating back-orders in OE, can be selected by the program. As a result, this can complicate your shipping cycle because of differences in delivery times from the various vendors – but that is a separate, judgment issue.

Another related area is associated with this. Clearly, only the first auto-PO for a vendor will create the PO itself. After that, for back-ordered items, any PO that has a PO for the same vendor (excepting drop-ship auto-PO's – see below) may be selected. The program will determine if *any* PO already exists for that vendor specified in a line item and will use it if it exists. Again, this facet of the functionality demands some consideration and planning as to how long you keep the entry cycle for a PO open before posting and when you post them and applies to the issues raised in the last two paragraphs.

Drop-ship orders can also generate multiple PO's however, we recommend not using a single OE order to produce multiple PO's. Keep in mind that you will be creating one invoice for all the drop-shipped product. As a result of having one invoice document covering what would be multiple receivings, both you and the customer may have a complex and confusing set of issues anticipating, managing and reconciling the separate unsynchronized deliveries by the different vendors resulting from the generation of the several PO's.

For example, does the customer have the “right” to delay payment until all the separate shipments that are covered by your invoice, have arrived and the customer has had time to match and reconcile that invoice against all the multiple receivings? Also, unless the invoice has been deliberately entered in vendor sequence the line items on an order will unlikely be in vendor sequence. On a 100 line item order for example, this would mean a patchwork of different vendors running down the page – a problem for relating the various deliveries to the invoice.

(Note this kind of problem highlights an important difference between the functions involved with creating back-order generated PO's and drop-ship PO's since the former will have the received stock invoiced separately from the original invoice that was back-ordered.)

It is possible to have drop-shipped items, back-ordered items and regular inventory all on the same OE order. This means that you could have one line-item to be shipped from stock, another back-ordered in the OE with an auto-PO created and one drop-shipped also with a PO created. Again, we recommend against this for similar reasons as above i.e. because stock items will be delivered at one time, the back-ordered item on another schedule and the drop ship on yet a third. Each of these three modes should probably be set up as separate OE orders so that they can be tracked separately.

One last important point: Above, we have covered that PO lines from different back-ordered orders can piggy-back on each other. This works because all the product is being delivered to

your warehouse. This does work for drop-ship auto-PO's because only a complete PO will be shipped to the customer – the order and therefore the PO are not divisible into multiple locations and customers. As a result, these drop-shipped auto-PO orders are programmed to be immune to this piggy-backing – i.e. each OE order will create one or more PO's based on vendor and each of these PO's can only be updated by the creating OE order.

Results

This is what you see when you do the setup, process an order and avoid the minefield situations we have described above - a real life worked example:

LT	MR	MR	MR	MR	MR	MR
120	3M33440	3M 33440*3/8" x 13" - 80x	Goods	051131334403	24.00000	24.00000

Gross total ordered: 1,003.34 Total ordered to ship: 1,003.34

Line info: Sequence # 120 Line type Goods 2 line items Running quantity: 34.00

Goods | Services | Notes

Item # 3M33440 3M 33440*3/8" x 13" - 80x Sanding Belt 10 Pack
 UPC 051131334403 5/cs 33440

Warehouse: []

On hand: .00 Available: .00
 Commit: .00 On order: .00
 On B/O: .00 On W/O: .00
 (Backorderable)

	GROSS	TO SHIP
Line amount:	421.44	42
Discount amount:	.00	
Extended price:	421.44	42

Customer product # []
 Manufacturer item # []

Quantity ordered	24.00	EACH	*DS*
Quantity to ship	24.00	EACH	

Unit price 17.56 EACH
 Discount percent .00
 Ship date "ASAP"
 Unit cost 14.01 EACH

Vendor 3M
 3M Co.

Neg. cost 12.00 PO # 25556 120
 Est. cost .00

Since there is nothing special in the OE customer/header screen, we have not included it. Here is the second line item screen of the OE order line item and the customer needs 25 "each" of the item shown (2 orange boxes) to be drop-shipped. Having entered the item code and moved down to the quantity ordered, the operator hits F1 which resets the ordered quantity ordered to zero and marks this item as a drop-ship line item. The quantity to ship is therefore made equal to the quantity ordered. (Note the *DS* to the right of the unit of measure indicating that this line item will be processed as a drop ship.)

Once a vendor ID is entered (light green), the program is triggered to produce a PO automatically. Since the negotiated price was entered, this will be used as the PO cost (blue highlighted box). The PO created from this line item - PO# and line number - are displayed (dark green box).

If we look at the PO that is created from this OE line item, we will see:

```

Purchase orders (Enter)                               Johnson
* 1. P.O.#      25556
  2. P.O. date  11/28/23
  3. Vendor     3M      3M Co.
  --Purchasing address--
  Adrs-#       3M Center
                Building 223-45-01

  City         Saint Paul
  State        MN
  Country      USA      County
  4. F.O.B.    Prepaid
  5. Ship-via
  6. Ordered by PDD
  7. Is this a confirming order? N
  Is this a multi-drop order? D

<F1> = next P.O., <SF1> = previous P.O., <F3> = delete P.O., <F6> = notes
Field number to change ?
  
```

The PO header shows the data generated from the OE line item screen. This will be a new PO number if this is the first line for this vendor/PO or the re-used PO number if this is the second or subsequent one. Also shown is the PO line number and vendor. Note also that the multi-drop order field (orange box) that would normally be “Y” or “N” for multi-drop now has a “D” acknowledging that this is an OE drop-ship created PO.

Then skipping over 2 screens that are no different from the standard manually entered PO, we skip to the PO line we have created:

```

Purchase orders (Enter)
P.O.#: 25556      Vendor: 3M

1. Seq # 120      2. Item # 3M33440      3M 33440*3/8" x 13" - 80x
Sanding Belt 10 Pack
Our stocking unit: EACH

3. Worksheet #
4. Vendor product # 710003319
5. Vendor's descr 3M 33440*3/8" x 13" - 80x Sanding Belt 10 Pack
6. Vendor sell unit EACH
7. Vendor ship unit EACH

8. (Not applicable)
9. Qty ordered 24 EACH
10. Unit price 12.00 EACH
    (EXT price = 288.00 )
Running total =

11. This P.O. line is for ? other
    Order #: 26452      Line #: 120
    11/29/23          24      *ALL*

<F2> = line item notes, <F3> = delete, <F5> = view item descriptions
Field number to change ?
  
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Here we see the PO# and sequence number as generated, plus the PBS IC item number (dark green box). The PO program has retrieved the Vendor Item code (vendor’s code for their item) based on the IC Item code (light green). To the right we see the quantity ordered determined by the quantity ordered field on the OE order (orange box) and, since we put in a negotiated price, the \$12 cost we want to use for this item (blue box). The dark green box below shows that this order has type “Other” consistent with ordering non-inventory items – as explained above, this is a requirement of it being an OE drop-ship order. The bottom orange box shows the OE order number and line number and the quantity and default delivery date for the PO ordered items.

Receivings

The receiving cycle for auto-PO items based on OE back-orders is relatively simple. These items are received in the standard manner such that the Inventory is updated i.e. these are type "I" PO's feeding inventory. And as is normal for inventory receipts, the Balance Sheet Liability/Un-Invoiced Receiving (UIR) is used as an offset for this. (Details of this in the next/last installment). Keep in mind as explained before, PO's generated from back-orders are little different from regular PO's for stock except the quantities being ordered are automatically being determined by the difference between the ordered and available to-ship quantities in the OE order. The receiving therefore sets the cost of the inventory received (average or standard cost) and ultimately passes the cost/liability on into Accounts Payable to be processed.

The case for the drop-ships is a little more complicated to explain. These items must be "received" but this step simply acknowledges the vendor's receipt of the PO and the confirmation of quantities and prices for the items to be shipped directly from the vendor. Because there is no (local) inventory involved, there is neither an inventory update nor a UIR update. In other words, unlike the "I" inventory case which updates inventory, this receiving for drop-shipped merchandise produces no costing records. Therefore, later, the vendor invoice requesting payment for the stock shipped from the PO is the point at which the data for the value of the stock requested is processed. So, it is actually the process of vouchering the vendor invoice that will deal with these costs. And we will deal with this in the next and final installment on this topic. Stay tuned!