

**Oracle® Inventory**

Consigned Inventory From Supplier Process Guide

Release 11i

**Part No. B10483-04**

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## **Oracle Inventory Consigned Inventory From Supplier Process Guide, Release 11i**

**Part No. B10483-04**

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# Preface

## Intended Audience

Welcome to Release 11i of the *Oracle Inventory Consigned Inventory From Supplier Process Guide*.

## Assumptions

This guide assumes that you have a working knowledge of the following:

- The principles and customary practices of your business area
- The Oracle Applications graphical user interface.

To learn more about the Oracle Applications graphical user interface, read the *Oracle Application's User's Guide*.

See Related Documents on page viii for more Oracle Applications product information.

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## Structure

- 1 Overview**
- 2 Purchasing Material**
- 3 Consuming Material**
- 4 Costing and Accounting**
- 5 Setting Up**

### **A Windows and Navigator Paths**

This appendix shows the default navigator paths for windows used in Oracle Consigned Inventory and Vendor Managed Inventory.

### **B Setting Up Consigned Inventory**

## Related Documents

### Do Not Use Database Tools to Modify Oracle Applications Data

Oracle **STRONGLY RECOMMENDS** that you never use SQL\*Plus, Oracle Data Browser, database triggers, or any other tool to modify Oracle Applications data unless otherwise instructed.

Oracle provides powerful tools you can use to create, store, change, retrieve, and maintain information in an Oracle database. But if you use Oracle tools such as SQL\*Plus to modify Oracle Applications data, you risk destroying the integrity of your data and you lose the ability to audit changes to your data.

Because Oracle Applications tables are interrelated, any change you make using an Oracle Applications form can update many tables at once. But when you modify Oracle Applications data using anything other than Oracle Applications, you may change a row in one table without making corresponding changes in related tables. If your tables get out of synchronization with each other, you risk retrieving erroneous information and you risk unpredictable results throughout Oracle Applications.

When you use Oracle Applications to modify your data, Oracle Applications automatically checks that your changes are valid. Oracle Applications also keeps track of who changes information. If you enter information into database tables using database tools, you may store invalid information. You also lose the ability to track who has changed your information because SQL\*Plus and other database tools do not keep a record of changes.



This chapter covers the following topics:

- Overview of Consigned Inventory
- Using Vendor Managed Inventory with Consigned Inventory

## Overview of Consigned Inventory

Consigned Inventory from Supplier exists when inventory is in the possession of one party (a dealer, agent, distributor, and so on), but remains the property of another party (such as the manufacturer or primary contractor) by mutual agreement. Consigned inventory from Supplier refers to one type of consigned inventory practice where you receive and maintain goods belonging to one or more of your suppliers. Both suppliers and customers benefit through a consigned inventory strategy:

- Suppliers can compete on the basis of availability and delivery when finished goods are at the customer site, particularly when lead times are lengthy.
- Holding material on consignment reduces the lead time for items that might be required to fill sales orders.
- Customers experience increased inventory turns—thus, reducing funds invested in inventory. Financial resources are free until customer commitments are ensured, or items are used in production.

## Consigned From Supplier Process Overview

Buyers or plant managers define the items and suppliers for which they have a consignment relationship. Buyers then create purchase orders for consignments in response to requisition demand. Goods are received against the order and held in consignment stock until they are actually consumed for usage. Upon consumption, ownership of the material is transferred from the supplier to the owning organization. A consumption advice document informs the supplier that consigned stock has been consumed by the buying organization. After consigned stock is consumed, suppliers can invoice the buying organization. Optionally, if pay on use is used, the buying organization can create invoices on behalf of the supplier, and fully automate the payment process.

Using Oracle iSupplier Portal, suppliers can view consigned stock balances and the transactions that affect it. They can also review automatically generated consumption advice transactions, and initiate the invoicing process. Warehouse personnel can transfer goods from consigned to regular stock using the Consigned Transactions window in Oracle Inventory, or through a mobile device that has been configured

with Oracle Mobile Supply Chain Applications. Oracle Inventory also enables the automatic consumption of consigned materials, such as WIP issues, sales order issues, inter-organization transfers, and subinventory transfers. Using the Material Workbench window, you can query the status of consigned inventory at any time . You can also use the Material Workbench to view consigned on-hand quantities and inquire on consumed stock inventory.

## Using Vendor Managed Inventory with Consigned Inventory

Vendor Managed Inventory (VMI) is a procurement and planning practice in which a company delegates key inventory management functions to its suppliers. Suppliers initiate a replenishment request based on current inventory levels and the customer forecasts. VMI benefits customers through greater service levels and reduced risk of stock-outs. A successful VMI program can provide trading partners with greater efficiency and lower cost, by eliminating the need for repetitive manual tasks involved in ordering commonly required items.

### VMI Process Overview

The VMI supplier monitors the current level of inventory items through access into the customer system (such as Oracle iSupplier Portal or Oracle Collaborative Planning). The view of inventory is restricted to items for which the supplier has VMI planning responsibility. The supplier can see the balance of on hand stock, in-transit quantities, open requisitions and purchase orders, and other information, such as forecasts.

A request results in the creation of an approved purchase requisition. The buyer can manually assign these requisitions onto a blanket purchase order with the VMI supplier, or set up the system to have this process automated. The supplier ships upon approval of the blanket release. When the goods are delivered to your site, the receipts are recorded and the supplier tracks all stages through delivery into stock.

The customer inventory or plant employees use material at any time. When the goods are transferred or placed into production, the material becomes part of internally planned goods—and the supplier no longer has visibility to that portion of stock. If the new VMI on-hand quantity is below thresholds, the supplier manually or automatically requests new shipments on behalf of the customer.

### Consigned and VMI Integration

The Consigned Inventory from Supplier process is often combined with VMI; the supplier continues to own goods stored at the customer facility, and also determines the quantities and timing of deliveries.

In this combined process, buyers or plant managers define the items and suppliers for which a VMI and consignment relationship exists, and establish minimum and maximum inventory levels for each item. Suppliers perform a material request manually or automatically through iSupplier Portal, according to agreed thresholds, forecasted demand, and other information. Purchase orders are created in response to supplier initiated requisition demand, and goods are received and stored in consigned stock. Alternatively, you can transfer the planning responsibility of goods from the supplier to the customer without involving consumption. In this way, the customer takes responsibility for planning the item even though ownership resides with an outside party. When materials are consumed implicitly, such as a work in process issue or sales order issue, the system automatically consumes and transfers the planning

responsibility to the consuming organization. When the goods are transferred to regular stock, the planning responsibility also changes from the external planning party to the buying organization.

For more information, see: Vendor Managed Inventory (VMI) in Oracle Applications, in the Inventory White Papers on *Oracle MetaLink*.



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## Purchasing Material

This chapter covers the following topics:

- Overview of Purchasing Consigned Material
- Requisitioning Consigned Materials
- Using AutoCreate
- Using Automatic Document Creation Workflow
- Entering Purchase Orders for Consigned Materials
- Receiving Consigned Inventory
- Returning Consigned Inventory to Vendors
- Purchasing Intelligence and Consigned Inventory
- Using Retroactive Price Update

### Overview of Purchasing Consigned Material

The consigned from supplier business practice can be used for purchasing some or all of the materials in a warehouse. Material purchased on consignment is defined in the Approved Supplier List (ASL).

After the decision to procure items on consignment has been made, and the consigned relationship has been defined, buyers use existing processes for requisitioning and purchasing consigned material. The requisitioning process is the same for both consigned inventory and regular procurement.

Whenever you purchase goods on consignment, the goods must be delivered into inventory where they can be tracked, reported to the supplier, and consumed.

**Note:** Expense destination material is not purchased using consigned inventory, because these goods are consumed immediately.

When a buyer determines that supply is required for items purchased on consignment, the relevant purchase order shipment lines are automatically flagged as consigned. Similarly, receipts are designated as consigned receipts, and therefore no accounting is performed. When consigned goods are delivered into inventory, they are stored as consignment material and the supplier and supplier site are listed as the owning party.

You can report to the supplier all of the on hand balances of material held on consignment, including real-time information about consigned stock, consumption

transactions, and invoices. This function is performed either through the Oracle iSupplier Portal or Oracle Inventory inquiries.

If you and the supplier agree to change purchase prices after consumption transactions are executed, you can retroactively reflect these price changes on consumption advices

## Requisitioning Consigned Materials

At the requisitioning level there is no difference between regular and consigned material. You can create a purchase order from a requisition for consigned material, only if the corresponding requisition is a Purchase requisition and not an internal requisition. The requisition must have a destination type of Inventory. After the system generates your requisitions, you can use the AutoCreate or Workflow processes to create purchase orders.

You can use Vendor Managed Inventory (VMI) in conjunction with consigned inventory, requiring your supplier to replenish your warehouse with consigned goods up to agreed upon levels.

For VMI, the supplier creates the requisitions to ensure the replenishment of consigned goods according to agreed levels.

Assigning Sourcing Rules, *Oracle Purchasing User's Guide*

Assigning Sourcing Rules and Bills of Distribution, *Oracle Purchasing User's Guide*

## Using AutoCreate

You can use AutoCreate to create standard purchase orders for consigned material from requisitions. With AutoCreate you can choose between manually or automatically creating a new purchase order, or adding to an existing purchase order. When creating purchase orders from requisitions for consigned material, AutoCreate performs the following actions:

- Determines whether a valid record exists on the Approved Supplier List
- Removes document references on the requisition before creating the purchase order—including global agreements, and contracts
- Reviews requisition line destination type—expense destination type is not used for consigned material procurement

Purchase order lines generated from the AutoCreate process are grouped into separate order lines according to the following grouping rules:

- Blanket purchase agreements
  - Item
  - Organization
  - Unit Price
  - Accrual Account
  - Charge Account
  - Variance Account
  - Tax Code

For Global Agreements only, the following additional grouping rules are used:

- Rate Type
- Transaction Date

## Document References

When using either Manual Creation or Automatic Creation mode, you cannot use a document reference. Whether a document reference is associated with the requisition, or you attempt to add a document reference using the New Document window, the document reference is not copied on the purchase order.

All document references must be removed before creating the purchase order because consigned shipments are not releases against global or contract agreements, and should not be calculated in the amount released against those agreements. These references are automatically removed by the system. If you attempt to create a purchase order using the manual autcreate process, the system generates the following message:

- The document reference is not valid for consigned shipments and will not be copied to the Purchase Order.

## Using Automatic Document Creation Workflow

Oracle Purchasing is integrated with Oracle Workflow to create standard purchase orders automatically from approved requisition lines. This functionality is also available for consigned purchase orders.

Document references (contracts, price lists, and so on) are not permitted on orders for consigned material. If you use the AutoCreate or the Automatic Document Creation Workflow processes, all document references are removed before creation of the purchase order.

**Note:** Automatic creation of purchase orders for Approved requisitions is enabled by setting 'Release Method' on Item-Supplier attributes form of Approved Supplier List as "Release Using Autcreate". Also ensure that "PO Create Documents workflow" item attribute 'Is Automatic Creation Allowed?' is set to 'Y'

## Related Topics

Overview of Procurement Workflows, *Oracle Purchasing User's Guide*

Workflow for Creating Purchase Orders or Releases, *Oracle Purchasing User's Guide*

Choosing Workflow Options, *Oracle Purchasing User's Guide*

Setting Up Automatic Sourcing, *Oracle Purchasing User's Guide*

## Entering Purchase Orders for Consigned Materials

Purchase orders for consigned material can be entered using the Purchase Orders window. The relevant purchase order shipment lines are automatically marked as consigned. When entering purchase orders for consigned goods, consider the following information:

- Purchase Order Type

Orders for consigned material are created as standard purchase orders.

- Organization

Consigned materials are purchased in the context of a given warehouse or across warehouses. You enable consigned material for a warehouse or warehouses by establishing a local or global ASL entry.

- Supplier

This supplier and supplier site for the item purchased on consignment must be defined on the Approved Supplier List.

- Item

The item must be set as a consigned item. You do this by associating the supplier, supplier site, and the item, and then selecting Consigned from Supplier checkbox located on the Inventory tab of the Approved Supplier List.

- Document Reference

Document references (such as contracts and price lists) are not permitted on orders for consigned material.

**Note:** Oracle recommends that you do not use the header level amount agreed for your blanket purchase agreement. Using this option Creating Approved Suppliers, page 5-6 limits your ability to consume material above agreed levels.

## Shipments Window

You can view the shipment line details in the Shipments window. Shipment lines for consigned material have the following attributes:

- Invoice Close Tolerance value is 100 percent because the consigned shipment is not invoiced
- Match Approval Level value is 2 Way Matching, regardless of value entered on the Supplier window, because the consigned shipment is not invoiced
- Invoice Match Option value is PO Based Matching, regardless of value entered on the Supplier window, because the shipment is not matched against an accounts payable invoice.
- Accrue on Receipt is disabled because financial liability is deferred until ownership is transferred to your organization
- Consigned checkbox is enabled
- Status values is Close for Invoicing

See: Entering Purchase Order Shipments, *Oracle Purchasing User's Guide*

## Distributions Window

The Destination Type for all consigned shipment distributions is always set to Inventory. See Entering Purchase Order Distributions, *Oracle Purchasing User's Guide*

## Related Topics

Entering Purchase Order Headers, *Oracle Purchasing User's Guide*



## Receiving Consigned Inventory

You receive consigned material in same way in which you receive regular material, except that there is no accounting event that might increase financial liability. When receiving consigned material, you never match a payables invoice to a consigned receipt. When receiving consigned inventory the following access information applies:

- Advance Shipment Notices (ASN)

Your supplier can view open shipments and select the shipments for placement on the ASN. However, your supplier cannot generate ASN's for consumption advice. A consumption advice is a billing-only document.

- Advanced Shipment and Billing Notice (ASBN)

Your supplier cannot create ASBN's for consigned material because consigned material does not contain billing information.

## Returning Consigned Inventory to Vendors

You can return consigned materials to the supplier at any time. The return to vendor (RTV) process is same as that for regular material. No accounting entries are generated for consigned RTV transactions. However, if it is to be returned to the supplier, then any consumed material must be transferred back to consigned stock. The detailed process for RTVs and the related accounting impact is described in Chapter 4, Costing and Accounting, Accounting and Costing Transactions for Consigned Inventory, page 4-2

**Note:** Note: In case of serial controlled items that are already transferred to regular stock, ensure that they are first returned to consigned status before making a return to vendor transaction.

## Purchasing Intelligence and Consigned Inventory

Purchasing Intelligence supports consigned inventory. As previously mentioned, consigned purchase orders cannot be invoiced or paid. The goods ordered are received into consigned inventory at the receiving organization, and then transferred to regular inventory when they are ready to be consumed. When the Consumption Advice is generated against a blanket agreement, the release can be invoiced and paid.

Purchasing Intelligence addresses both standard and consigned purchase orders; it reflects these purchase order amounts in the appropriate reports and in the Key Performance Indicators (KPIs).

Purchasing Intelligence support for consigned inventory includes price based measurements. All price based measurements such as PO Purchases, Contract Leakage, and Non-Contract Purchases will only reflect the purchase order amounts for the consumption advice purchase orders (bill-only purchase orders). Consigned purchase orders (receive-only purchase orders), will be ignored, because they do not represent a purchasing commitment to the supplier.

## Using Retroactive Price Update

The process of applying retroactive price updates to purchasing documents for consigned material is same as that for regular material. Consumption advices are retroactively update only when the profile "PO: Allow Retroactive Pricing of Pos" is set to "ALL RELEASES".

You can execute retroactive price updates either from the PO Approval screen or by submitting the Retroactive Price Update concurrent program. When using the PO Approval screen to make retroactive price updates, enable the "Apply Retroactive Price Update to Existing PO/Releases" check box.

**Note:** Note: Retroactive price update only applies to the consumption advice. Consumption transactions, for which consumption advices have not been created, will not be affected by retroactive price updates. Also note that 'Agreed Amount' limit defined in Blanket Purchase Agreement is not imposed when the price of the consumption advice is updated retroactively.

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## Consuming Material

This chapter covers the following topics:

- Overview of Consuming Material
- Transferring Ownership of Consigned Inventory
- Aging Based Ownership Transfer
- Consumption Transactions
- Generating the Consumption Advice
- Overview of Billing
- Consigned Inventory Diagnostics
- Querying Material Status
- Querying Inventory Aging Details
- Oracle iSupplier Portal

### Overview of Consuming Material

Unlike regular inventory, consigned inventory items remain the property of the consignor—even though the goods are at your site. Ownership changes from the supplier (consignor) to the customer (consignee), when the consigned stock is used by the production organization. This process is called consumption. Consumption involves the change of ownership from supplier owned stock to internally owned stock.

The system automatically generates a Transfer to Regular transaction whenever consumption takes place. Consumption transactions are performed either explicitly or implicitly. Explicit consumption is performed whenever the user specifies the external owning party (the consignor) whose goods will be transferred to the internal organization. Explicit consumption is performed by using the consigned transactions window and performing a transfer to regular transaction, or for example, by performing a miscellaneous issue and indicating the owning party in the transaction line. Implicit consumption refers to any type of consumption in which the system automatically determines that consumption is necessary, and selects the owning parties whose stock will be used up to complete the required transaction.

Some transactions always consume consigned materials. These transactions include the following:

- Sales Order issues
- WIP issues

- Inter-organization transfers
- Miscellaneous issues

Other transactions can be set up to consume according to rules in the Consumption Transaction Setup window—located in Oracle Inventory. These transactions include Subinventory Transfers, Move Orders, Backflush Transfers, and others. For more information about how to set up these transactions, see *Defining Consumption Transaction Rules*, page 5-7, Appendix B, Setup.

When performing inventory transactions, material quantities are selected on a first in, first out basis—regardless of the consigned status of the stock.

The system accesses the relevant Blanket Purchase Agreement using sourcing logic. When the goods are consumed, they are valued and accounted at the price that is in effect at consumption time.

The consumption advice is a purchasing document that provides evidence of consumption to the supplier. It is used for invoice matching purposes. Consumption transactions are grouped together using the concurrent program Create Consumption Advice. The creation and matching of the invoice against the consumption advice generates the corresponding inventory accounts payable accrual reversal. This matching process performs in the same way as standard functionality.

After consumption occurs, it cannot be reversed automatically. For example, if you perform a work in process component issue and later reverse the operation through a component return transaction, the consigned attribute is not restored to the material.

After materials are consumed and the consumption advice is generated, you can use any supported method for paying your supplier.

## Related Topics

*Defining Consumption Transaction Rules*, page 4-2

*Transferring Ownership of Consigned Inventory*, page 3-2

## Transferring Ownership of Consigned Inventory

The Consigned Transactions window in Oracle Inventory can be used to transfer ownership from your supplier to your internal organization. You enter the transaction type, transaction source, item, subinventory, owning party, and quantity information.

The consumption of Lot /Serial controlled items can be carried out with some restrictions. The Consigned transactions can be serial triggered to consume serial controlled items. Similarly specific lots can be consumed by providing the lot number, while performing the transactions. However, whenever an owning party is associated with the supplier, a range of serial numbers within a lot cannot be consumed as the lot/serial number button is disabled on the window.

See: *Transferring Consigned and VMI Material*, *Oracle Inventory User's Guide*

## Aging Based Ownership Transfer

In some consigned relationships, contractual agreements require that you purchase consigned stocks that have not been consumed within a stipulated time period. Use the Consigned Inventory Aging query to display consigned stock that is due for

consumption based on aging requirements. Transfer ownership of consigned stock due for consumption with the Consigned Transactions window. Aging parameters for consigned material is defined on the Approved Supplier List.

## Consumption Transactions

When a consumption transaction is executed, the system performs the accounting and costing processes that are normally executed at receipt and delivery.

Document sourcing is used to determine the relevant prices of goods during consumption. If you set the Automatic Document Sourcing profile option to No, then you must indicate the Blanket Purchase Agreement on the Approved Supplier List Source Documents tab. If you set the Automatic Document Sourcing option to Yes, the system uses the most current valid Blanket Agreement as the basis for pricing goods consumed. There might be differences in currency and unit of measure values in the source agreement and the agreement organizations.

For blanket agreements, the exchange rate type, exchange rate date, and exchange rate, default from the blanket agreement header—regardless of the date of consumption.

- For global agreements, the exchange rate type defaults from the Purchasing Options of the owning organization's operating unit. Exchange rate date is the date of consumption. Exchange rate information is obtained by accessing exchange rate information in the Oracle Financial application.

**Note:** Oracle recommends that you do not use the header level amount agreed for your blanket purchase agreement. Using this setting limits your ability to consume material above agreed levels.

## Generating the Consumption Advice

Consumption Advice is the document used for billing consigned material. It is a formal document used to communicate to the supplier, the quantity and value of the consigned material consumed in a warehouse—based on the supplier who produces the invoice.

The Create Consumption Advice program is used to generate consumption advices. It can be submitted from Transaction Reports Window in Oracle Inventory. The consumption transactions, over a period of time, are grouped together for the creation of consumption advice.

The specific duration in days, over which the consumption transactions are combined for billing by the Create Consumption Advice program, is called the billing cycle. Using the billing cycle, you can choose between the option of combining a number of consumption transactions into a single consumption advice, or having a separate consumption advice for each transaction. For example, if the billing cycle is zero days the consumption advice will group the consumption transactions based on the Create Consumption Advice concurrent program schedule.

You can set up the billing cycle value and the other consigned attributes in the ASL. The value in the Last Billing Date field specifies the date on which the last Create Consumption Advice program was run.

Price information is based on the source document. The system retrieves this information from either the Blanket PO referred to in the ASL, or automatically from the most current Blanket Purchase Agreement—providing that the profile option PO: Automatic Document Sourcing, is set to Yes.

If the source document is a blanket agreement, the consumption advice is a blanket release. If the source document is a global agreement, the consumption advice is a Standard Purchase order. Consumption transactions are grouped into separate consumption advice documents based on the following grouping criteria:

**Separate Blanket Release or Standard Purchase Order Header is created for the unique combination of:**

- Blanket Purchase Agreement
- Operating Unit
- Accrual Account
- Charge Account
- Variance Account
- Rate Type
- Rate
- Owning Organization (Supplier, Supplier Site)
- Need by Date
- Currency Code

**Separate Release or Purchase Order Line is created for the unique combination of:**

- Inventory Item
- Organization
- Price
- Tax Code
- Recoverable Tax
- Non-recoverable Tax
- Tax Recovery rate
- ASL

**The consumption advice has three control options:**

- Close
- Finally Close
- Open for Invoicing

If the purchasing source documents are not available, for example, the agreement is no longer valid, closed or cancelled, the transactions are not processed by the program. When the source document is a global agreement the consumption advice is created in the primary unit of measure of the consuming organization.

See: Defining Consumption Transaction Rules, *Oracle Inventory User's Guide*

## Overview of Billing

You communicate consumption transactions to your suppliers on a periodic basis, by producing consumption advice documents. These purchasing documents can be sent to your supplier manually—or your supplier can view them online using Oracle iSupplier Portal. The consumption advice signals that consigned materials are ready for invoicing.

You can choose either manual billing or Pay On Use, when procuring and using consigned material. Manual billing provides you with an invoice—electronic or paper—or you can enter data in Oracle iSupplier Portal. Pay On Use is a self billing technique that automates accounts payable invoice creation. Pay On Use enables you to automatically register invoices on behalf of your supplier. This decreases the cycle time between material consumption and payment to your supplier. Suppliers accept payment for goods after consumption, and then monitor the consignment status of material in your warehouse.

## Consigned Inventory Diagnostics

Use the Consigned Inventory Diagnostics concurrent program to identify errors that prevent the consumption of consigned material or billing of consumption. This concurrent program identifies errors and provides the remedial action required on part of the user. Consumption Diagnostics reports the errors related to the consumption of consigned material; Consumption Advice Diagnostics reports the errors related to the billing of consumption.

You can optionally send a notification to the buyer when exceptions are encountered.

The screenshot displays the Oracle Inventory Consigned Inventory Diagnostics interface. It includes a search form with fields for Item (containing 'CM'), Supplier, and Organization, along with 'Go' and 'Clear' buttons. Below the search form, a table lists diagnostic results. The table has the following columns: Select, Item, Supplier, Supplier Site, Organization, PO Number, Buyer, Error, and Action. Two rows of data are visible:

Select	Item	Supplier	Supplier Site	Organization	PO Number	Buyer	Error	Action
<input type="checkbox"/>	CM00033	P11-Supplier 0 Procurement Intelligence	P11-S8-SS1	Vision Operations			No valid blanket purchase agreement exists.	Ensure that the item exists on an approved blanket purchase agreement with the designated supplier and supplier site.
<input type="checkbox"/>	CM15138	Advanced Network Devices	SANTA CLARA-ERS	Seattle Manufacturing		Smith, Mr. Jonathan	No valid blanket purchase agreement exists.	Ensure that the item exists on an approved blanket purchase agreement with the designated supplier and supplier site.

## Querying Material Status

You can query and review consigned inventory and material transactions in Oracle Inventory and Oracle Purchasing.

The Material Workbench window enables you to query on hand balances for inventory items by location, project, cost group, ownership, vendor and other inventory characteristics. In the Query Material window, you select values to limit your search criteria. Select the Consigned/VMI tabbed region to enter search criteria for inventory that is designated for consigned or VMI.

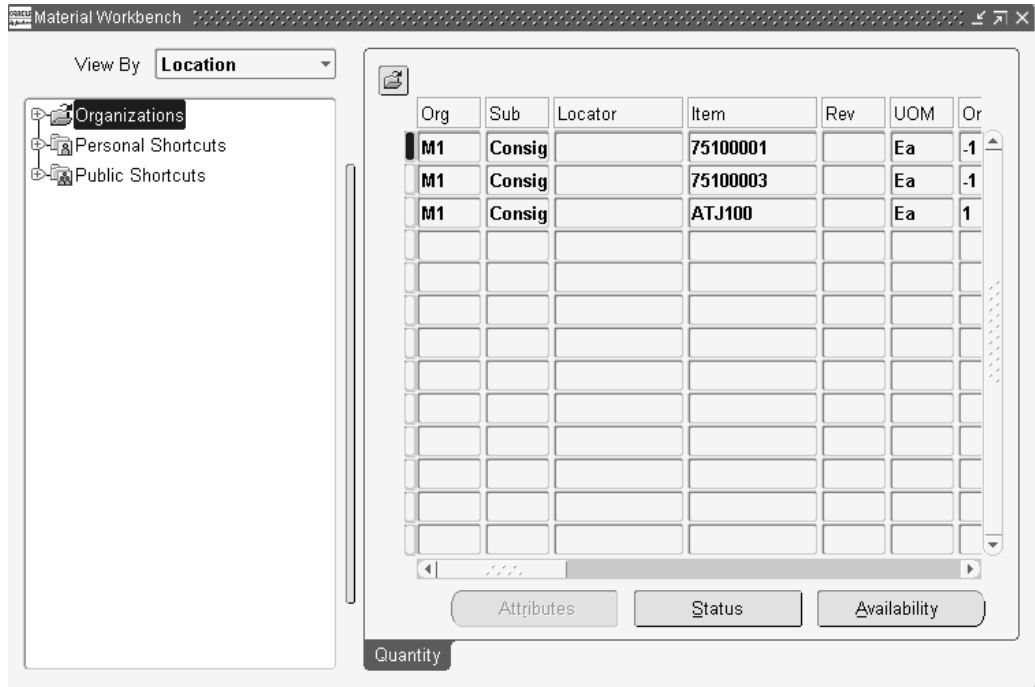
The screenshot shows the Oracle Query Material window. At the top, the title bar reads "Query Material". Below the title bar, there are several input fields: "Organization" with a dropdown menu showing "M1" and a text box containing "Seattle Manufacturing"; "Subinventory" with a text box containing "ConsignVen"; "Locator" with an empty text box; and "View By" with a dropdown menu showing "Location". Below these fields are several tabs: "Item", "Lot", "Serial", "LPN", "Project", and "Consigned/VMI". The "Consigned/VMI" tab is selected. Underneath the tabs, there are two main sections: "Owing Party" and "Planning Party". Each section has three radio button options: "All [Party] Parties" (selected), "All [Party] Stock", and "Select [Party] Party" with an adjacent text input field. At the bottom of the window, there are two buttons: "Clear" and "Find".

The Owing Party region is used to enter the search criteria, and can be limited to All Owing Parties, All Consigned Stock, or you can Select Owing Party.

The Planning Party region is used to enter the search criteria and can be limited to All Planning Parties, All VMI Stock, or you can Select Planning Party.

The results of your search appear in the Material Workbench window.





## Querying Inventory Aging Details

Use the Consigned Inventory Aging query to display consigned stock that is due for consumption.

ORACLE Inventory

Close Window Preferences Diagnostic

Consigned Inventory Consigned Inventory Aging

Consigned Inventory Consigned Inventory Diagnostics

Search - Consigned Inventory Aging

Please enter your search criteria and hit the "Go" button. You may note that the search is case insensitive. [Advance Search](#)

\* View:

Supplier	Supplier Site	Organization	Item	Item Revision	Item Description	Subinventory	UOM	Quantity	Receipt Date	Consume Before	Days Before Consumption Is Due
Advanced Network Devices	SANTA CLARA-ERS	Boston Manufacturing	BS4520		METAL FASTENER	Stores	Ea	75	28-Oct-2003 03:56:26	07-Nov-2003 03:56:26	-5
Office Supplies, Inc.	OFFICESUPPLIES	Boston Manufacturing	ConsAG1		ConsAG1 Desc	FCI	Ea	13	05-Nov-2003 03:35:51	09-Nov-2003 03:35:51	-3
Allied Manufacturing	LOS ANGELES	Boston Manufacturing	PSR1201		OPTICAL SENSOR	Engineer	Ea	37	28-Oct-2003 03:56:26	04-Nov-2003 03:56:26	-8
Allied Manufacturing	LOS ANGELES	Boston Manufacturing	TBR101		TRANSFORMER SHIELD	Engineer	Ea	42	28-Oct-2003 04:03:25	09-Nov-2003 04:03:25	-3
Advanced Network Devices	SANTA CLARA-ERS	Main Distribution Center	BS4520		METAL FASTENER	Stores	Ea	25	28-Oct-2003 04:19:18	07-Nov-2003 04:19:18	-5
Advanced Network Devices	SANTA CLARA-ERS	Seattle Manufacturing	A12001		PCB CHIP 2010	FCI	Ea	20	28-Oct-2003 03:25:33	01-Nov-2003 03:25:33	-11
Vision	VISION GERMANY	Seattle Manufacturing	AS40004		Item for ROP Communications	FCI	Ea	150	05-Nov-2003 07:55:59	06-Nov-2003 07:55:59	-5
Advanced Network Devices	SANTA CLARA-ERS	Seattle Manufacturing	BS4520		METAL FASTENER	Stores	Ea	30	28-Oct-2003 03:28:46	02-Nov-2003 03:28:46	-10
Allied Manufacturing	LOS ANGELES	Seattle Manufacturing	BS4520		METAL FASTENER	Stores	Ea	40	28-Oct-2003 03:28:46	03-Nov-2003 03:28:46	-9
Allied Manufacturing	SAN JOSE-ERS	Seattle Manufacturing	CTG1201 A		KAC ALARM	Engineer	Ea	25	28-Oct-2003 03:43:56	10-Nov-2003 03:43:56	-2

Previous Next 10

Export

Consigned Inventory | Consigned Inventory Diagnostics | Close Window | Preferences | Diagnostics

The Consigned Inventory Aging query displays consigned stocks due for consumption. Consigned stocks that are past the 'Consumed Before' date should be transferred to regular stock. Use the Advance Search option for additional search criteria.

**Note:** Please note that this inquiry does not report serial controlled items.

Suppliers can monitor their consigned shipments via the iSupplier Portal.

## Oracle iSupplier Portal

Your suppliers can use Oracle iSupplier Portal to access and review information about consigned stock and consumption advice data. The procurement process using iSupplier Portal is handled the same way for consigned material as regular inventory. Oracle iSupplier Portal provides the ability to initiate the invoicing process and to create Advanced Shipment Notices (ASN). Your suppliers can also review on-hand quantities, returns, receipts, overdue receipts, shipment schedules, and consumption advice information. When using iSupplier Portal to access consigned inventory data, the following access information applies:

- Oracle Inventory

All information available to your supplier on iSupplier Portal is linked to Oracle Inventory windows and inquiries.

### Inquiries

Oracle iSupplier Portal provides the following inquiry windows for consigned inventory:

- Search - Consigned Items
- Consigned On-Hand
- Consigned Shipments
- Consumption Advice
- Consigned Receipts
- Consigned Returns
- Material Transactions

### Search - Consigned Items Windows

You use the Search - Consigned Items window to find a specific consigned item. You can search by Item, the item's description, the supplier item, the supplier, or the supplier's site.

ORACLE iSupplier Portal Home Logout Preferences Help Diagnostics

Home Orders Shipments Planning Account **Product** Admin

Supplier Items | Order Modifiers | Maintain Capacity | Quality | **Consigned Inventory**

**Consigned Inventory**

[Consigned Inventory Aging](#)

### Consigned Items

Simple Search

Please note that the search is case insensitive. [Advanced Search](#)

Supplier Item

Item

Item Description

Supplier Item	Item	Item Description	Consigned On-Hand	Consigned Shipments	Consumption Advices	Consigned Receipts	Consigned Returns	Material Transactions	VMI
SVGAMON15	CM15138	Monitor - 17"	<input type="button" value=""/>	<input type="button" value=""/>	<input type="button" value=""/>	<input type="button" value=""/>	<input type="button" value=""/>	<input type="button" value=""/>	<input type="button" value=""/>

Home | Orders | Shipments | Planning | Account | Product | Admin | Home | Logout | Preferences | Help | Diagnostics  
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## Consigned On-Hand Quantity Inquiry Window

The On-Hand Items window provides a description of the consigned item, and its related quantity. You can also use this window to view the subinventory in which the consigned item is stored and also the aging details of the consigned on hand stock.

ORACLE iSupplier Portal Home Logout Preferences Diagnostics

Home Orders Shipments Planning Account **Product** Admin

Supplier Items | Order Modifiers | Maintain Capacity | Quality | **Consigned Inventory**

**Consigned Inventory**

[Consigned Inventory Aging](#)

Product: [Consigned Inventory](#) > [Consigned Inventory](#) >

### On-Hand Items

Organization	Item	Item Description	UOM	Quantity	Revision	Subinventory	Inventory Aging
Seattle Manufacturing	CM15138	Monitor - 17"	Ea	50	<input type="button" value=""/>	<input type="button" value=""/>	<input type="button" value=""/>

Home | Orders | Shipments | Planning | Account | Product | Admin | Home | Logout | Preferences | Diagnostics  
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## Consigned Shipments Inquiry Window

Using the Consigned Shipments window, you can view information about the shipment status of consigned purchase orders. In this window, you can view the purchase order number, the quantity ordered versus the quantity received, and the ship-to location. You can also verify the status of a particular shipment.

ORACLE iSupplier Portal Home Logout Preferences Help Diagnostics

Home Orders Shipments Planning Account **Product** Admin

Supplier Items | Order Modifiers | Maintain Capacity | Quality | **Consigned Inventory**

**Consigned Inventory**

[Consigned Inventory Aging](#)

Product: [Consigned Inventory](#) > [Consigned Inventory](#) >

### Consigned Shipments

PO Number	Line	Shipment	Supplier Item	UOM	Quantity Ordered	Quantity Rece'vd	Ship-To Location	Status	VMI	Attachment
4444	1	1	SVGAMON15	Each	200	100	M1-Seattle	Closed For Invoice	<input type="checkbox"/>	<input type="checkbox"/>

Home | Orders | Shipments | Planning | Account | Product | Admin | Home | Logout | Preferences | Help | Diagnostics  
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[About this Page](#)

## Consumption Advice Inquiry Window

In the Consumption Advices window, you can review the consumption advices for a particular consigned purchase order. In this window, you can view the purchase order number, the order date, the buyer, and the amount of the order. You can also verify the status of a given purchase order.

ORACLE iSupplier Portal

Home Logout Preferences Help Diagnostics

Home Orders Shipments Planning Account Product Admin

Supplier Items | Order Modifiers | Maintain Capacity | Quality | Consigned Inventory

Product: Consigned Inventory: Consigned Inventory >

Consigned Inventory Aging

Consumption Advices

PO Number	Rev	Document Type	Description	Order Date	Buyer	Currency	Amount	Status	Attachment	Consumption
4443-1	0	Blanket Release		16-Dec-2004 22:42:40	Stock_Ms_Pat	USD	10,750.00	Open		

Export

Home | Orders | Shipments | Planning | Account | Product | Admin | Home | Logout | Preferences | Help | Diagnostics

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## Material Transactions Inquiry Window

In the Material Transactions inquiry window, you can view detailed information about the transaction status of any consigned item. This window includes the organization and location name for the consigned item. You can also view various information about the consigned transaction, such as the inbound and outbound quantities, the documentation type, and the document source.

ORACLE iSupplier Portal

Home Logout Preferences Help Diagnostics

Home Orders Shipments Planning Account Product Admin

Supplier Items | Order Modifiers | Maintain Capacity | Quality | Consigned Inventory

Product: Consigned Inventory: Consigned Inventory >

Consigned Inventory Aging

Material Transactions

Organization	Location	Transaction Date	Transaction Type	Supplier Item	Item	Item Description	UOM	Inbound Quantity	Outbound Quantity	Document Type	Document Source
Seattle Manufacturing	M1-Seattle	16-Dec-2004 22:40:40	Transfer to Regular	SVGAMON15	CM15138	Monitor - 17" Ea			50	Purchase Order	4443
Seattle Manufacturing	M1-Seattle	16-Dec-2004 22:40:14	PO Receipt	SVGAMON15	CM15138	Monitor - 17" Ea		100			

Export

Home | Orders | Shipments | Planning | Account | Product | Admin | Home | Logout | Preferences | Help | Diagnostics

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**Note:** All supply intelligence reports exclude consigned inventory.

## Consigned Inventory Aging Inquiry

This inquiry enables you to monitor consigned shipments that the buying organization is required to consume within a stipulated time period. Using this window you can find the shipments that are due for shipments, you can subsequently follow up with the buyer to take ownership of the due quantities and make payments. You can also export this data.

Views

View

Supplier Site	Organization	Supplier Item	Item	Item Revision	Item Description	Subinventory	UOM	Quantity	Receipt Date	Consume Before	Days Before Consumption is Due
SANTA CLARAS	<a href="#">Boston Manufacturing</a>		TBR101		Transformer Shield	<a href="#">Stores</a>	Ea	100	12-Jul-2004 02:37:49	22-Jul-2004 02:37:49	-7
SANTA CLARAS	<a href="#">Seattle Manufacturing</a>		AS54888		Sentinel Standard Desktop	<a href="#">FloorStock</a>	Ea	5	22-Jan-2004 09:00:00	23-Jan-2004 09:00:00	-187
SANTA CLARAS	<a href="#">Seattle Manufacturing</a>		AS54888		Sentinel Standard Desktop	<a href="#">Stores</a>	Ea	5	30-Apr-2004 13:16:31	01-May-2004 13:16:31	-88
SANTA CLARAS	<a href="#">Seattle Manufacturing</a>		CM15138		Monitor - 17"	<a href="#">RIP</a>	Ea	90	29-Dec-2003 00:00:00	27-Feb-2004 00:00:00	-153
SANTA CLARAS	<a href="#">Seattle Manufacturing</a>		TBR101		Transformer Shield	<a href="#">Stores</a>	Ea	125	13-Jul-2004 02:59:03	18-Jul-2004 02:59:03	-11

**Note:** This inquiry cannot be used for Serial Controlled items.



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## Costing and Accounting

This chapter covers the following topics:

- Overview of Costing and Accounting in Consigned Inventory
- Accounting and Costing Transactions for Consigned Inventory
- Return to Vendor Transactions (RTV)
- Retroactive Price Update

### Overview of Costing and Accounting in Consigned Inventory

Consigned Inventory from Supplier is fully integrated with Oracle Cost Management. Oracle Cost Management is a full absorption, perpetual and periodic cost system that automatically costs and values all inventory, work in process, and purchasing transactions. It supports all perpetual costing methods including standard costing, average costing, fifo costing, and lifo costing. Accounting and costing occurs at the time of consumption.

At receipt:

- Consigned goods are not accrued with financial implications. The owning organization is the supplier site.
- The cost manager identifies material transactions for consigned stock, but does not cost these transactions.

At consumption:

- Material is transferred from consigned stock to regular stock by transferring the ownership from supplier to the inventory organization.
- When the goods are consumed, they are valued and accounted at the price that is in effect at consumption time. Sourcing rules determine the appropriate purchasing agreement.

Consumption transactions are grouped at the end of the billing cycle by running the concurrent process.

#### See Also

Overview of Standard Costing, *Oracle Cost Management User's Guide*

Overview of Average Costing, *Oracle Cost Management User's Guide*

Overview of FIFO/LIFO Costing, *Oracle Cost Management User's Guide*

## Accounting and Costing Transactions for Consigned Inventory

Although, consigned inventory accounting prevents the use of expense items—the Inventory Asset Value is disabled—you can expense a consigned item into an expense inventory account.

### Standard Cost Accounting Entries for Consigned Inventory

The following table provides a summary of the accounting transactions for consigned inventory in a standard cost organization.

Transaction	Regular Stock Accounts	Consigned Stock Accounts
PO Receipt	Debit: Receiving Inspection at PO price Credit: AP Accrual at PO price	None
Delivery to Asset Subinventory	Debit: Inventory at standard cost Credit: Receiving Inspection at PO price Credit: PPV at variance	None
Delivery to Expense Subinventory	Debit: Expense at standard cost Credit: Receiving Inspections at PO price	None
Consumption in Asset Subinventory (Transfer to regular stock)	None	Debit: Inventory at standard cost Credit: AP Accrual at PO price Credit: PPV at variance
Consumption in Expense Subinventory	None	Debit: Expense at PO price Credit: AP Accrual at PO price
Generation of Consumption Advice	Not applicable	None
Generate invoice and match against consumption advice	Not applicable	Debit: AP Accrual at PO price Credit: Liability at invoice price Debit: Invoice Price Variance
Return to Vendor (RTV)	Debit: AP Accrual at PO price Credit: Inventory at standard cost Debit/Credit:PPV at variance	None
Transfer to consigned in Asset Subinventory	Debit: AP Accrual at PO price Credit: Inventory at standard cost Debit/Credit:PPV at cost variance	Not applicable



<b>Transaction</b>	<b>Regular Stock Accounts</b>	<b>Consigned Stock Accounts</b>
Transfer to consigned in Expense Subinventory	Debit: AP Accrual at PO price Credit: Expense at standard cost	Not applicable
Miscellaneous receipt into regular stock	Debit: Inventory at standard cost Credit: Miscellaneous Receipt at Miscellaneous cost Debit/Credit: PPV at variance	Not applicable
Miscellaneous receipt into consigned stock	Not applicable	None
Miscellaneous issue from regular stock	Debit: Miscellaneous issue at Miscellaneous cost Credit: Inventory at standard cost Debit/Credit: PPV at variance	Not applicable
Miscellaneous issue from consigned stock (Transfer from consigned to regular stock, the issue from regular stock)	Not applicable	Debit: Inventory at standard cost Credit: AP Accrual at PO price Credit: Inventory at standard cost Debit/Credit: PPV at variance
Retroactive Price Update	Dr./Cr. Price Adjustment Cr./Dr. AP Accrual	Dr./Cr. Price Adjustment Cr./Dr. AP Accrual

**Note:** With Delivery into Expense subinventories, the expense account is debited at the PO Cost and no PO Variance is recorded.

### Average Cost Accounting Entries for Consigned Inventory

The following table provides a summary of the accounting transactions for consigned inventory in an average cost organization.

<b>Transaction</b>	<b>Regular Stock Accounts</b>	<b>Consigned Stock Accounts</b>
PO Receipt	Debit: Receiving Inspection at PO Cost Credit: Inv. A/P Accrual at PO Cost	None
Delivery to Asset Subinventory	Debit: Inventory at PO cost Credit: Receiving Inspection at PO cost	None
Delivery to Expense Subinventory	Debit: Expense at PO cost Credit: Receiving Inspections at PO cost	None

<b>Transaction</b>	<b>Regular Stock Accounts</b>	<b>Consigned Stock Accounts</b>
Consumption in Asset Subinventory (Transfer to regular stock)	None	Debit: Inventory at PO cost Credit: AP Accrual at PO cost
Consumption in Expense Subinventory	None	Debit: Expense at PO cost Credit: Inventory AP Accrual at PO cost
Generation of Consumption Advice	Not applicable	None
Generate invoice and match against consumption advice	None	Debit: AP Accrual at PO cost Credit: Liability at invoice price Debit: Invoice Price at Variance
Return to Vendor (RTV)	Debit: AP Accrual at PO cost Credit: Inventory at PO cost	None
Transfer to consigned in Asset Subinventory	Debit: AP Accrual at PO cost Credit: Inventory at PO cost	Not applicable
Transfer to consigned in Asset Subinventory	Debit: Inventory AP Accrual at PO cost Credit: Inventory at PO cost	Not applicable
Miscellaneous receipt into regular stock	Debit: Inventory at miscellaneous cost Credit: Miscellaneous Receipt Account at miscellaneous cost	Not applicable
Miscellaneous receipt into consigned stock	Not applicable	None
Miscellaneous issue from regular stock	Debit: Miscellaneous issue at Miscellaneous cost Credit: Inventory at standard cost	Not applicable
Miscellaneous issue from consigned stock (Transfer from consigned to regular stock, the issue from regular stock)	Not applicable	Debit: Inventory at PO cost Credit: AP Accrual at PO cost Debit: Miscellaneous issue account at miscellaneous cost Credit: Inventory at miscellaneous cost
Retroactive Price Update	Dr./Cr. Price Adjustment Cr./Dr. AP Accrual	Dr./Cr. Price Adjustment Cr./Dr. AP Accrual

## Return to Vendor Transactions (RTV)

Accounting and invoicing transactions for RTVs differ depending which material transactions have occurred. They can fall into one of several scenarios:

- An RTV or adjustment prior to the consumption of material is performed in Oracle Purchasing. You first find the specific consigned shipment, and perform the adjustment. Since the original receipt was flagged as consigned, accounting or costing transactions were not created. Debit memos are not generated because invoicing transactions have not been performed.
- If the material has been consumed using the Transfer to regular transaction in the Consigned transactions window, and the consumption advice has not been created, the return requires an additional step—transferring the material back to consigned status prior to executing the RTV transaction.

You perform a Transfer to consigned transaction, this restores the material to consigned status. The reversal accounting entries are generated for the corrected quantity. The consumption advice will reflect the net quantity, and consequently no credit memos are needed.

If the consumption advice has not been generated and you cannot locate the original consumption transaction, first perform a Miscellaneous issue from regular stock. Next, create a Miscellaneous receipt into consigned stock.

**Note:** Miscellaneous issue transactions are based on standard or current average cost information. A manual credit memo must be created, and a manual adjustments to the Purchase Price Variance (PPV) account must be made.

- If the consumption advice has been created, or consumption transaction have been generated implicitly, you cannot perform a Transfer to consigned transactions. To perform an RTV transaction:
  - Create a miscellaneous issue out of the regular stock area, and a miscellaneous receipt into the consigned stock area.
  - Create a manual credit memo and match it to the appropriate consumption advice.

There is a current limitation in consigned inventory that prevents the use of expense items (Inventory Asset Value turned off). Nevertheless, a consigned item can be delivered into an expense Inventory. If you receive into an expense Inventory, the expense account assigned to the Inventory is used instead of the material valuation account.

Subinventories containing consigned material must have the Quantity Tracked parameter enabled. This option allows the maintenance of on-hand quantities and is required in order to record consumptions properly.

## Retroactive Price Update

Retroactive price changes updates AP Accrual, therefore there are substantial differences between regular materials and consigned materials.

For regular materials there are two steps, PO Receipt and Delivery to an Asset Subinventory. Retroactive price update adjusts PO receipts only. Therefore Retroactive Price Adjustment journals are created in the operating unit where PO receipt has occurred. Retroactive price adjustment journals are imported from PO to the GL.

Consumption of consigned material (a transfer to regular transaction) in an Asset Subinventory occurs in an inventory organization. When Retroactive price update is executed, a price update material transaction is created in an inventory organization and

the distribution is created when the cost manager runs. Price adjustments journals for consigned materials need to be transferred from inventory to the GL.

### Period End Case Study

If your accounting period is the same as Consignment Billing Cycle, you will need to bill against all consignment consumptions in the given period. The process is as follows:

1. Verify that all WIP material/resource transactions or INV material transactions have stopped for the period
2. Execute the WIP/Lot Move Transaction Manager, verify that it completes successfully.
3. Optionally run the Material Transaction Manager (depending on TP mode), verify that it completes successfully.
4. Run the Cost Manager, verify that it completes successfully.
5. Optionally run the INV Physical or INV Cycle Count, approve and post adjustments.
6. Run the Create Consumption Advice, verify that it completes successfully.
7. Run Retroactive Price Update.
8. Restart creating WIP material/resource transactions, and INV material transactions.

### Standard Cost Adjustment Case Study

If you run Standard Cost Adjustment including consigned items:

1. Verify that all WIP material/resource transactions or INV material transactions have stopped for the period.
2. Run the WIP/Lot Move Transaction Manager, verify that it completes successfully.
3. Optionally run the Material Transaction Manager (depending on TP mode), verify that it completes successfully.
4. Run the Cost Manager, verify that it completes successfully.
5. Run Create Consumption Advice, verify that it completes successfully.
6. Run Retroactive Price Update.
7. Run Standard Cost Adjustment.
8. Restart creating WIP material/resource transactions, and INV material transactions.

In this case, consider a consignment consumption of item X, where purchase price = 10 USD, and unit cost = 10 USD

Dr. INV Material 1,000 USD (100EA @ 10 USD)

Cr. AP Accrual 1,000USD (100EA @ 10 USD)

If the price is retroactively changed from 10 USD to 15 USD; Adjusted amount = New Line Amount (100EA x 15USD) – Old Line Amount (100EA x 10USD)

Dr. Price Adjustment 500 USD

Cr. AP Accrual 500 USD

Unit cost is adjusted from 10 USD to 15 USD

Dr. INV Material 500 USD (100EA @ 5 USD)

Cr. Standard Cost Adjustment 500 USD (100EA @ 5 USD)

Price Adjustment account and Standard Cost Adjustment can be netted if an item's

- Purchase price and unit cost are the same
- Price change and cost change are the same



## Overview of Setting Up

This section contains an overview of the steps to complete to set up Consigned Inventory from Supplier. Setup involves several phases, including setting up other applications including Oracle Costing, Oracle Inventory, Oracle iSupplier, Oracle Payables, and Oracle Purchasing. You may not need to perform some of the steps below if you've already performed a common-application setup.

## Related Product Setup Steps

### Oracle Cost Management

Set up Oracle Cost Management and ensure that all the following steps have been completed

- Define cost types and cost elements
- Define resources, material sub-elements, overheads, and overhead defaults
- Define costs for your item numbers

### Oracle Inventory

Set up Oracle Inventory and ensure that all the following steps have been completed:

- Create your organizations
- Define your organization parameters
- Define items and item costs
- Define your units of measure
- Define your subinventories
- Define your stock locators

### Oracle Internet Supplier Portal

Set up Oracle iSupplier Portal and ensure that all the following steps have been completed:

- Set Up Profile Options
- Enable Function Security
- Security

## Oracle Payables

Set up Oracle Payables and ensure that all the following steps have been completed:

- Define payment terms
- Define suppliers

## Oracle Purchasing

Set up Oracle Purchasing and ensure that all the following steps have been completed:

- Define purchasing options
- Define buyers
- Define approved suppliers
- Define receiving options

## Oracle Workflow

Oracle Purchasing uses Oracle Workflow technology to perform document to handle requisition and purchase order approvals, automatic creation of purchase orders and releases, order changes, and account generation. Consigned Inventory from Supplier uses specific settings in these workflow automated processes.

See: Setting Up Oracle Workflow, *Oracle Workflow Guide*. and Choosing Workflow Options, *Oracle Purchasing User's Guide*

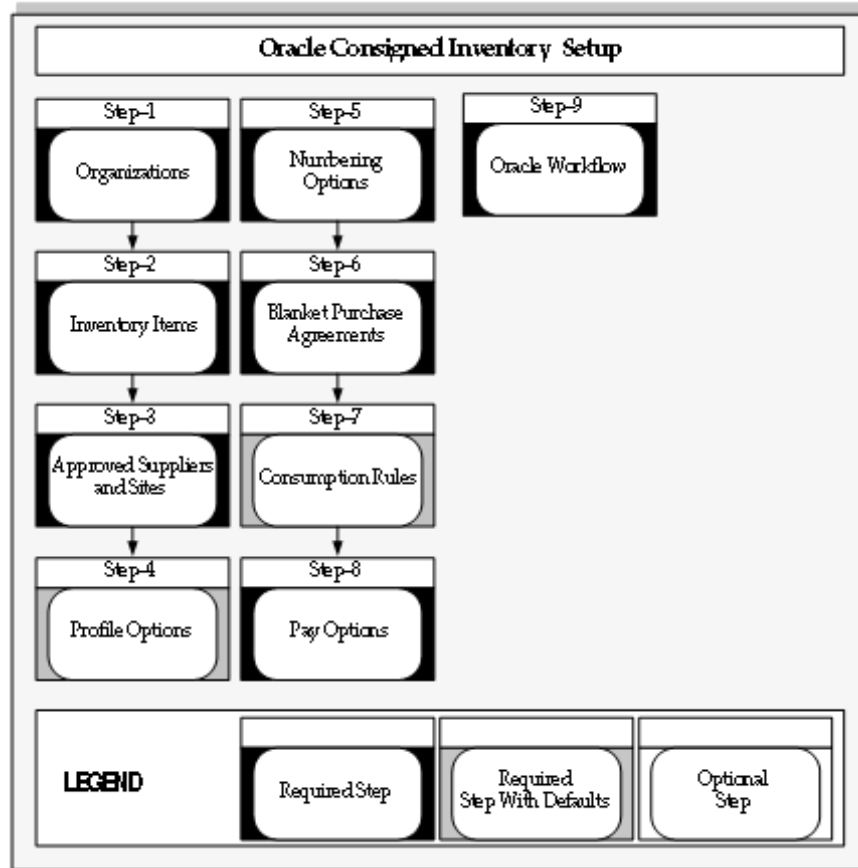
## Setup Flowchart and Checklist

Some of the steps outlined in this flowchart and setup checklist are:

- Required
- Required Step With Defaults
- Optional

Required Step With Defaults refers to setup functionality that comes with pre-seeded, default values in the database. You need to perform optional steps only if you plan to use the related feature or complete certain business functions.





### Setup Checklist

The following table lists setup steps. After you log on to Oracle Applications, complete these required steps to implement Oracle Consigned Inventory from Supplier.

Step No.	Step
Step 1	Set Up Organizations
Step 2	Set Up Oracle Inventory Items
Step 3	Set Up Oracle Approved Supplier List and Supplier Sites
Step 4	Set Up Profile Options
Step 5	Numbering Options
Step 6	Set Up Oracle Purchasing Blanket Purchase Agreement
Step 7	Define Consumption Rules (optional)
Step 8	Set Up Pay Options in Oracle Payables
Step 9	Set Up Oracle Workflows

# Setup Steps

## Step 1: Set Up Organizations (Required)

You may not need to perform this step if you have already set up or performed a common-applications set up, or installed Oracle Inventory. You first perform the following tasks:

- Define legal entities organizations
- Assign business groups and operating units to responsibilities
- Define organizations
- Define organization lookups
- Define business groups

See: *Creating an Organization, Using Oracle HRMS - The Fundamentals*

Next, define one or more inventory organizations before using Oracle Inventory. Organizations describe distinct entities in your company and may include separate manufacturing facilities, warehouses, distribution centers, and branch offices. Since Oracle Inventory allows you to implement multiple sets of books with multiple organizations, specify the set of books for each organization. Complete the following tasks:

- Classify the organizations as inventory organizations
- Define accounting information for inventory organizations
- Define inventory organization parameters
- Define receiving options for the inventory organizations

See: *Defining Default Inventory Parameters, Oracle Inventory User's Guide.*

**Note:** Consigned Inventory from Supplier is not used with Process Manufacturing organizations.

## Step 2: Set Up Inventory Items

You might not need to perform this step if you have already installed and set up Oracle Inventory or performed a common-applications set up. This step involves the following tasks:

- Define organizations
- Define items
- Define units of measure
- Define subinventories
- Define WIP supply types

See: *Defining Items, Oracle Inventory User's Guide.*

:Consigned Inventory Items are defined in the Master Items window with attributes Transactable, Stockable, Inventory Asset Value as Yes.

**Note:** Consigned Inventory from Supplier does not use Outside Processing, EAM items, Configure to Order and Assemble to Order items.

### **Step 3: Set Up Approved Suppliers and Supplier Sites (Required)**

Set up Approved Supplier Lists specifying the supplier site and item combinations for the Consigned goods. See: *Creating Approved Suppliers*, page 5-6

### **Step 4: Set Up Profile Options (Required)**

You need to define values for the profile options used in Oracle Consigned Inventory from Supplier to specify how the application controls access and processes data.

### **Step 5: Set Up Numbering Options in Oracle Purchasing (Optional)**

Numbering options for requisitions, purchase orders, quotations, and RFQs are set in the Purchasing Options window.

See: *Defining Numbering Options*, *Oracle Purchasing User's Guide*

### **Step 6: Set Up Blanket Purchase Agreements (Required)**

Blanket purchase agreements provide the details of the goods or services you plan to buy from a specific supplier in a period, but you do not yet know the detail of your delivery schedules. Blanket purchase agreements specify negotiated prices for your items before actually purchasing them. A blanket release is used against a blanket purchase agreement to place the actual order.

Payment option defaults are defined on fields in Oracle Payables, on the Suppliers window. You can change these options on your purchase order.

See: *Creating Approved Suppliers*, page 5-6

### **Step 7: Define Consumption Rules (Optional)**

The consumption setup window is used to specify additional Transaction Types for implicit consumption of the consigned stock. The consumption record is based on the transaction type used.

### **Step 8: Define Pay Options (Required)**

Your pay options are defined on the Suppliers window in Oracle Payables. You can choose self-billing or automatic.

### **Step 9: Set Up Workflow Options (Required)**

Consigned Inventory from Supplier uses the following settings for Oracle Purchasing workflows:

- Workflow: PO Create Documents Workflow
- Attribute, Is Automatic Creation Allowed, is set to Yes. This enables automatic document creation for approved requisition lines.
- Profile option, PO: Allow Auto-generate Sourcing Rules—set to Create and Update
- Profile option, PO: Automatic Document Sourcing—set to Yes.
- Supplier-Item Attributes window:
  - Release Method: Release Using AutoCreate
  - Source Documents: Blanket purchase agreement required

- Inventory tab: Enable box—Consigned Inventory from Supplier (for consigned items)

## Creating Approved Suppliers

Your purchasing suppliers are created in the Suppliers window, and they are associated to the items you buy using the Approved Supplier List and Supplier-Item Attributes windows. The fields defined in the following way for consigned inventory from supplier.

The screenshot shows the 'Supplier-Item Attributes (M1)' window. At the top, there are radio buttons for 'Global' (selected) and 'Local', with a 'Create Local' button. Below these are input fields for 'Item' (AS54888), 'Commodity', 'Supplier' (Advanced Network), and 'Site' (SANTA CLARA). To the right, there are dropdown menus for 'Purchasing UOM' (Each), 'Release Method' (Release Using AutoCr), and 'Country of Origin'. A 'Price Update Tolerance' field is set to a percentage. Below the input fields are four tabs: 'Source Documents', 'Supplier Scheduling', 'Planning Constraints', and 'Inventory'. The 'Inventory' tab is active, showing a table with the following data:

Seq	Type	Number	Line	Global	Owning Org	Status	From
1	Blanket	8680	1	<input type="checkbox"/>	Vision Operations	Approved	
				<input type="checkbox"/>			
				<input type="checkbox"/>			
				<input type="checkbox"/>			
				<input type="checkbox"/>			

- Local and Global supplier lists

Your approved supplier can be either local or global supplier. A local ASL is used only in the organization in which it was defined. A global ASL may be used in all organizations you specify.

- Source Documents tabbed region

The Source Documents region is used to associate specific quotations or blanket purchase orders agreements with the supplier and item combinations. This enables Purchasing to default source documents automatically. All consigned enabled suppliers must have a referenced blanket purchase agreement.

Only blanket purchase agreements may be used as source documents for consigned inventory. The blanket purchase agreement may be either local or global.

You can assign a specific blanket purchase agreement here, or set the profile option PO: Automatic Document Sourcing to Yes. Setting this profile option to Yes, automatically defaults pricing information from the most recently created blanket agreement. If it is set to No, Approved Supplier List (ASL) is used to determine the blanket agreement.

- Inventory tabbed region

This region is used to enable consigned inventory, indicate Billing Cycle Days and define the Aging parameters. The Billing Cycle (Days) value is used by the concurrent batch program, Create Consumption Advice, to generate consumption advice documents for billing records. The Last Billing Cycle Date field is set to the system date when you initially set up Consigned Inventory from Supplier. It is updated each time the program runs.

The default is null. If the value is null, a consumption advice is created every time consigned material is consumed. The Billing Date is defaulted to the current system date. and subsequently updated every time the Create Consumption Advice concurrent program is executed. See: Overview of Consuming Material., page 3-1

If you are required to consume consigned material within a stipulated time period, enable Consume on Aging check box. Indicate the maximum number of days material may be kept in consigned status using the Aging Period Days.

The screenshot displays the 'Supplier-Item Attributes (M1)' window with the 'Inventory' tab selected. At the top, there are radio buttons for 'Global' and 'Local', a 'Create Local' button, and a 'Purchasing UOM' dropdown set to 'Each'. Below these are fields for 'Item' (AS54888), 'Commodity', 'Supplier' (Advanced Network), and 'Site' (SANTA CLARA). The 'Inventory' section contains a 'Replenishment Control' box with options for 'Automatic Allowed', 'Approval' (Supplier or Buyer), 'Method' (Min - Max Quantities), and 'Forecast Horizon (Days)'. To the right are fields for 'UOM', 'Minimum Quantity', and 'Maximum Quantity'. Below this is a 'Consigned from Supplier' section with a checked checkbox, 'Billing Cycle (Days)', 'Last Billing Date' (12-NOV-2003), a 'Consume on Aging' checkbox, and 'Aging Period (Days)' field.

See:

Defining Approved Supplier Statuses. *Oracle Purchasing User's Guide*

Defining the Supplier and Item/Commodity Combination, *Oracle Purchasing User's Guide*

Defining the Supplier/Item Attributes, *Oracle Purchasing User's Guide*

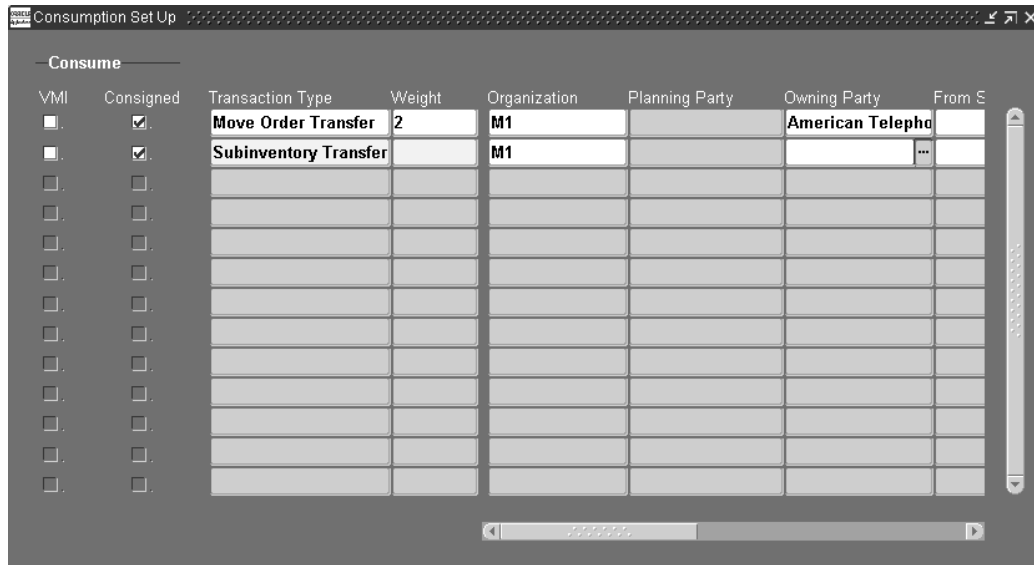
## Defining Consumption Transaction Rules

The Consumption Setup window is used to enlist additional transaction types for consigned inventory consumption. Implicit consumption occurs when these transactions—in combination with the specified organization, subinventory, location, and item—are processed.

## To define consumption rules:

sample text

1. Navigate to the Consumption Setup window.
2. Select a value in the Transaction Type field, such as issue or transfer type.
3. Optionally, select values in the Organization, Planning Party, and Owning Party fields.
4. If you wish to restrict the consumption to specific items, subinventories or locators select values in the applicable field. Optionally, you can enter a value in the Item field.



The screenshot shows the 'Consumption Set Up' window with a table titled 'Consume'. The table has the following columns: VMI, Consigned, Transaction Type, Weight, Organization, Planning Party, Owning Party, and From. The first two rows are populated with data:

VMI	Consigned	Transaction Type	Weight	Organization	Planning Party	Owning Party	From
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Move Order Transfer	2	M1		American Telepho	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Subinventory Transfer		M1			...
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	<input type="checkbox"/>						

5. Check the consume consigned check box if a consumption record is to be created.
6. Save your work.

## Setting Up Self Billings

The process of enabling self-billing for material procured under consignment includes the following pre-requisites and requirements:

### Supplier Site Options

You enable paying your supplier by selecting a method on the Purchasing tab of the Supplier Sites window in Oracle Payables. When self-billing for the supplier site is enabled, you will create invoices automatically rather than wait for the supplier to bill you. All invoices for material purchased from this supplier and supplier site combination are automatically billed.

The screenshot shows the SAP Supplier Sites configuration window for 'DALLAS-ERS'. The window title is 'Supplier Sites (Vision Operations: USD) - Consolidated Supplies, 1014'. The main form contains the following fields:

- Site Name: DALLAS-ERS
- Alternate Name: DALLAS-ERS
- Country: United States
- Address: 4480 Morning Star
- City: Dallas
- State: TX
- Postal Code: 75252
- Province: (empty)
- County: (empty)
- Language: (empty)
- Inactive On: (empty)

Below the main form is a navigation bar with tabs: General, Contacts, Account..., Control, Payment, Bank A..., EDI, Invoice..., Withhol..., Tax Re..., and Purchas... The 'Payment' tab is selected, and the 'Self-Billing' sub-section is active. The 'Self-Billing' section contains the following fields:

- Ship-To Location: M1- Seattle
- Bill-To Location: V1- New York City
- Ship Via: UPS
- FOB: Origin
- Freight Terms: Due
- Transportation Arranged: (empty)
- Country of Origin: (empty)
- Pay On: Receipt
- Alternate Pay Site: (empty)
- Invoice Summary Level: Receipt
- Create Debit Memo from RTS Transaction
- Gapless Invoice Numbering
- Selling Company Identifier: (empty)

In the Payment on Receipt region, set the following values:

- Pay On

Select a payment method. The supplier site must be a purchasing site. Receipt is used for material that is not consigned. Use is employed for consigned material, and Receipt and Use is for material that can be either consigned or non-consigned material.

- Alternate Pay Site

Optionally, you can select a different pay site than the supplier site. The supplier site is the default pay site.

- Invoice Summary Level

Enter the level you want to use for consolidating invoices for this supplier site when submitting the Pay on Receipt AutoInvoice Program. The invoice summary levels are dependent on the Pay On method selected:

If Receipt and Use has been selected, the invoice summary level available is Pay Site.

If Use has been selected, the invoice summary level options are Consumption Advice, and Pay Site.

Pay Site summary level groups invoices together based on the following grouping criteria:

- Currency
- Payment terms

Consumption Advice summary level creates a separate invoice for every eligible consumption advice processed.

## Pay On Use

Select Use in the Transaction source parameter when running the Pay on Receipt Autoinvoice concurrent program.

An accounts payable invoice is created after consumption advice records are generated. When the concurrent program is submitted, it first identifies all eligible change of ownership transactions. Invoice records are created in accounts payable for the line matched with the corresponding purchase order or blanket release.

## Pay On Receipt and Use

Select ERS and Use in the Transaction source parameter when running the Pay on Receipt Autoinvoice concurrent program.

An accounts payable invoice is created after consumption advice records are generated. When the concurrent program is submitted, it first identifies all eligible change of ownership transactions. Invoice records are created in accounts payable for the line matched with the corresponding purchase order or blanket release.

Invoices are created for receipt and consumption advice combinations.

**Note:** For additional information about pre-requisites, see: Purchasing Region of the Suppliers and Supplier Sites Windows, *Oracle Payables User's Guide*.

## Pay on Receipt Autoinvoice Concurrent Program

The Pay on Receipt Autoinvoice concurrent program automatically creates invoices from eligible consumption advice. The following rules govern this program:

- In order to create invoices from consumption advice—self-billing must be enabled and the receipt type must be either Pay on Use, or Pay on Use and Receipt.
- Invoices are created for consumption advice in the same operating unit selected for the concurrent program.
- If the consumption advice is partially billed, an invoice is created only for the amount not billed.
- If an alternate pay site is specified in the Supplier Site, the invoice is created for the alternate pay site.
- Invoices are not created if the concurrent program fails. This is dependent on the Commit Interval parameter that is being used.
- For a consumption advice to be invoiced, the status must not be Finally Closed.

## Payment Currency

If the purchase order currency and the supplier site currency are not fixed rate currencies, the purchase order currency is used. Otherwise, if the purchase currency and the supplier site are fixed rate currencies, the supplier site payment currency is used.

If a supplier site payment currency is not specified, the supplier site invoice currency is used if it is fixed rate compared to the purchase order currency. If the supplier site invoice currency is not fixed rate, use the purchase order currency as the payment currency.



## Payment Terms

Payment terms are derived from the following purchase order data:

- The payment terms specified on the order line are used first.
- If payments terms are not specified on the order line, the payments terms on the purchase order header are used.
- If payments terms are not specified on the purchase order header, the payment terms at the pay site are used.

## Invoice Date

The invoice date defaults from the consumption advice if the invoice summary level is Consumption Advice. If the summary level is Supplier Site, the date of the invoice is the date of the latest consumption advice grouped onto the invoice.

## Exchange Rate

The exchange rate defaults from the consumption advice if the invoice summary level is Consumption Advice. If the summary level is Supplier Site, the rate is derived from the latest consumption advice grouped onto the invoice. If the exchange rate is user specified, the exchange rate date and rate information are based on values specified on the blanket purchase agreement used to source the consumption advice.

## Pay On Receipt Autoinvoice Parameters

The following parameters are used with consigned material:

- Transaction Source: Select either ERS and USE, or USE when running the concurrent program for the consumption advice.
- Commit Interval: Required. The default is 1. The commit interval is a numeric representation of the number of invoices evaluated before they are committed. For example, if you have a commit interval of 10, after 10 consumption advice documents have been processed and invoices created, they are saved. If you then process another 5 and the concurrent program fails, only 5 will not be committed. The previous 10 will not be affected.
- Receipt Number: Optional. Enter a receipt number if you only want that receipt processed. If the value in this parameter is null, all receipts that have not been invoiced are processed.
- Aging Period: Optional. You may want to allow time for corrections or returns against the receipts before converting the receipts into invoices. The profile option PO: ERS Aging Period enables you to specify this delay period between the receipt date and the invoice creation date. See: Profile Options, *Oracle Purchasing User's Guide*.



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## Windows and Navigator Paths

This appendix shows the default navigator paths for windows used in Oracle Consigned Inventory and Vendor Managed Inventory.

This appendix covers the following topics:

- Windows and Navigator Paths

### Windows and Navigator Paths

For windows described in other manuals:

<b>Application</b>	<b>Description</b>
INV	<i>Oracle Inventory</i>
iSP	<i>Oracle iSupplier Portal</i>
PO	<i>Oracle Purchasing</i>

Although your system administrator may have customized your navigator, typical navigational paths include the following:

<b>Window Name</b>	<b>Navigation Path</b>
Approved Supplier List	PO > Supply Base> Planning Approved Supplier List
Consigned Inventory	iSP > Home page > Consigned Items or INV > Reports > Consigned Inventory
Consigned Inventory Aging	INV>Reports>Consigned Inventory iSP> Home > Product > Consigned Inventory
Consigned Diagnostics	INV>Reports>Consigned Inventory
Consigned Transactions	INV > Transactions > Consigned Transactions
Consumption Setup	INV > Setup > Transactions > Consigned/VMI Consumption
Material Workbench	INV > On-hand Availability > Material Workbench > Query Material > Consigned/VMI tab > Find
Create Consumption Advice	INV > Reports > Transactions > Create Consumption Advice (Name)
Purchase Orders	PO > Purchase Orders > Purchase Orders
Shipments	PO > Purchase Orders > Shipments button
Supplier-Item Attributes	PO > Supply Base > Approved Supplier List > Attributes button

---

## Setting Up Consigned Inventory

### Overview

This appendix contains additional information about the purchasing windows and the miscellaneous transactions window.

### Purchase Order Information

#### Purchase Order Summary Window

The Purchase Order Summary window allows you to search for purchase orders. You can search by the following Consigned Inventory and VMI criteria:

- Consumption Advice- If you select this check box, the system returns purchase orders with consumption advice data.

**Note:** -When you select consumption advice, remember to check also View releases when the sourcing documents are standard blanket agreements

- VMI- This drop down box enables you to search for Vendor Managed items. The available values are Yes, No and Null.
- Consigned- This drop down box enables you to search for Consigned items. The available values are Yes, No, and Null.

**Note:** When you select VMI, consigned, or both, the results window is limited to shipments or distributions.

Find Purchase Orders (Vision Operations)

Number  Type   
 Release  Currency   
 Supplier  Site   
 Ship-To Org   Show External Locations  
 Bill-To  Line Type   
 Ship-To  Buyer   
 Line   View Releases  
 Shipment   Consumption Advice  
 Global Agreement

Item Date Ranges Status Related Documents Deliver To Accounting Projects

Item, Rev    
 Category   
 Description   
 Supplier Item   
 VMI Yes   
 Consigned Yes

Results

Headers  
 Lines  
 Shipments  
 Distributions

Clear New Release (B) New PO Find (J)

### Purchase Order Headers Window

In the results window, you can select the folder icon to view the following information:

- Consumption Advice header, lines, shipments, distributions
- Consigned -shipments, distributions
- VMI- shipments and distributions

Find Purchase Orders (Vision Operations)

Purchase Order Headers (Vision Operations)

Number	Release	F
4236	1	0
4233	1	0
4231	3	0
4231	2	0
4231	1	0
4211	1	0
4207	1	0

Shipments

Consigned

Show Field

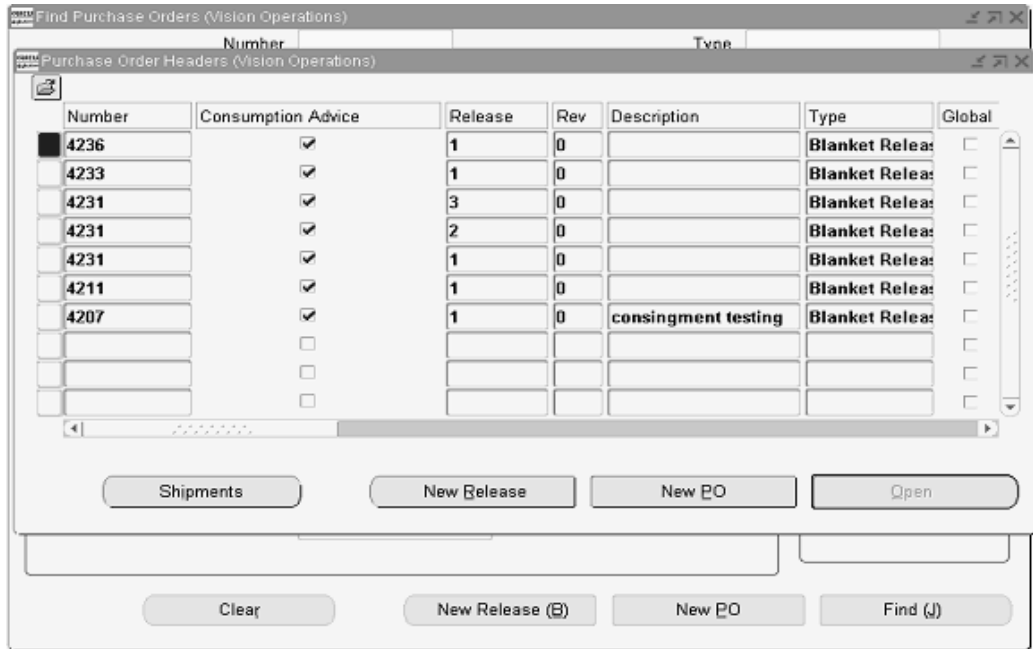
Find|c%

Field

Cancelled By ...  
 Cancelled Date ...  
 Closed Date ...  
 Confirmed Order ...  
 Consumption Advice ...

Find Open

End OK Cancel



## Modified Material Transactions Form

The Find Material Transactions window includes additional search criteria:

- Consumption Advice Status (Pending, Error, Created)
- Supplier

The Results window displays the Consumption Advice Status and Consumption Advice Error Explanation fields.

**Note:** The Consumption Advice Field is enabled only when the Transaction Type is 'Transfer to Regular' or the Transaction Action is 'Ownership Transfer'

Find Material Transactions (M1)

Transaction Dates: [ ] - 21-MAY-2004 23:59:59

Item: [ ] Revision: [ ]

Description: [ ]

Category Set: [ ] Category: [ ]

Subinventory: [ ] Locator: [ ]

Lot: [ ] Serial: [ ]

Supplier Lot: [ ]

Source Type: [ ]

Source: [ ]  Include Logical Transactions

Action: [ ]  Subinventory Transfer

Transaction Type: **Transfer to Regular**  Cost Group Transfer

Transaction Quantities: [ ] - [ ]

Supplier: **Advanced Network Devices - SANT/** Consumption Advice: [ ]

Transferred to Projects: [ ] Costed: [ ]

[ Clear ] [ Find ]

A new tab in the Results window provides the information related to the Consumption Advice.

Material Transactions (M1)

Location Intransit Reason, Reference Transaction ID Transaction Type Consumption Advice

Item	Revision	From Owning Party	Creation Status	Error Expl
AS18947		Advanced Network Devices-S	Created	
AS18947				

Item Description: **Sentinel Deluxe Desktop** Date: **17-MAR-2004 15:24:43**

Primary UOM: **Ea** Primary Quantity: **3**

[ Distributions ] [ Lot / Serial ]

## Modified Pending Transactions Form

The Find Pending Transactions window includes additional search criteria:



- Error code: Ownership Transfer Error. This code limits the search to transactions in 'Pending' status due to a failure during consumption of consigned material

The screenshot shows a web-based search interface for pending transactions. The title bar reads "Find Pending Transactions". The form includes the following fields and values:

- Organization: M1 Seattle Manufacturing
- Header ID: (empty)
- Process Flag: (dropdown menu)
- Transaction Status: (dropdown menu)
- Error Code: Ownership transfer error
- Error: (empty)
- Transaction Type: (empty)
- Source Type: (empty)
- Source: (empty)
- Dates: (empty) - (empty)
- Subinventory Transfer
- Cost Group Transfer
- Item: (empty)
- Description: (empty)
- Subinventory: (empty)
- Locator: (empty)

At the bottom of the form are two buttons: "Clear" and "Find".

## Transaction Information

When using Miscellaneous Issue/Receipt, if the item is under VMI or consigned control (based on the ASL setup), you can select Owning party and Planning party from folder tool.

Miscellaneous receipt (M1)

**Standard**

Item	Locator	Lot	Expires On	Owning Party	Planning Party	Account
<input checked="" type="checkbox"/> CM66254				General Electri...	General Electric-	
<input type="checkbox"/>						
<input type="checkbox"/>						
<input type="checkbox"/>						
<input type="checkbox"/>						
<input type="checkbox"/>						
<input type="checkbox"/>						
<input type="checkbox"/>						
<input type="checkbox"/>						
<input type="checkbox"/>						

Description

Available

On-hand

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