Oracle® Inventory
Consigned Inventory from Supplier Process Guide
Release 11i
Part No. B10483-01

June 2003
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- Did you find any errors?
- Is the information clearly presented?
- Do you need more information? If so, where?
- Are the examples correct? Do you need more examples?
- What features did you like most about this manual?

If you find any errors or have any other suggestions for improvement, please indicate the chapter, section, and page number (if available). You can send comments to us in the following ways:

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- FAX - (650) 506-7200
- Oracle Manufacturing and Supply Chain Applications Documentation
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  Redwood Shores, CA 94065
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If you would like a reply, please give your name, address, and telephone number below. If you have problems with the software, please contact your local Oracle Support Services.
Preface

Audience for This Guide

Welcome to Release 11i of the Consigned Inventory from Supplier Process Guide. This guide assumes 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 Applications User’s Guide.

See the section, Other Information Sources, for more information about Oracle Applications product information.

How To Use This Guide

This guide contains the information you need to understand and use Oracle Consigned Inventory from Supplier.

- Chapter 1: Provides an overview of Consigned Inventory from Supplier including the process flow of the tasks and transactions performed.
- Chapter 2: Describes how consigned material is procured including setup procedures, requisitions, purchase orders, and the AutoCreate function.
- Chapter 3: Describes the consumption process and changes in ownership for material purchased as consigned inventory.
- Chapter 4: Describes costing and accounting transactions.
- Chapter 5: Describes the details of paying your supplier for consigned goods.
The appendices provide you with complete navigation paths to windows used in Oracle Consigned Inventory from Supplier. And describe how to set up functionality.

Documentation Accessibility

Our goal is to make Oracle products, services, and supporting documentation accessible, with good usability, to the disabled community. To that end, our documentation includes features that make information available to users of assistive technology. This documentation is available in HTML format, and contains markup to facilitate access by the disabled community. Standards will continue to evolve over time, and Oracle Corporation is actively engaged with other market-leading technology vendors to address technical obstacles so that our documentation can be accessible to all of our customers. For additional information, visit the Oracle Accessibility Program Web site at http://www.oracle.com/accessibility/.

Accessibility of Code Examples in Documentation

JAWS, a Windows screen reader, may not always correctly read the code examples in this document. The conventions for writing code require that closing braces should appear on an otherwise empty line; however, JAWS may not always read a line of text that consists solely of a bracket or brace.

Accessibility of Links to External Web Sites in Documentation

This documentation may contain links to Web sites of other companies or organizations that Oracle Corporation does not own or control. Oracle Corporation neither evaluates nor makes any representations regarding the accessibility of these Web sites.

Other Information Sources

You can choose from many sources of information, including online documentation, training, and support services, to increase your knowledge and understanding of Oracle Consigned Inventory from Supplier.

If this guide refers you to other Oracle Applications documentation, use only the Release 11i versions of those guides.
Related User’s Guides

Oracle Consigned Inventory from Supplier shares business and setup information with other Oracle Applications products. Therefore, you may want to refer to other user’s guides when you set up and use Oracle Consigned Inventory from Supplier.

You can read the guides online by choosing Library from the expandable menu on your HTML help window, by reading from the Oracle Applications Document Library CD included in your media pack, or by using a Web browser with a URL that your system administrator provides.

If you require printed guides, you can purchase them from the Oracle Store at http://oraclestore.oracle.com.

Guides Related to All Products

Oracle Applications User’s Guide
This guide explains how to enter data, query, run reports, and navigate using the graphical user interface (GUI) available with this release of Oracle Consigned Inventory from Supplier.

User Guides Related to This Product

Oracle Cost Management User’s Guide
This guide describes how to use Oracle Cost Management in either a standard costing or average costing organization. Cost Management can be used to cost inventory, receiving, order entry, and work in process transactions. It can also be used to collect transaction costs for transfer to Oracle Projects. Cost Management supports multiple cost elements and multiple subelements. It also provides comprehensive valuation and variance reporting.

Oracle General Ledger User’s Guide
This guide explains how to plan and define your chart of accounts, accounting period types and accounting calendar, functional currency, and set of books. It also describes how to define journal entry sources and categories so you can create journal entries for your general ledger. If you use multiple currencies, use this manual when you define additional rate types, and enter daily rates. This manual also includes complete information on implementing Budgetary Control.
Oracle HRMS Documentation Set

- *Using Oracle HRMS - The Fundamentals* explains how to set up organizations and site locations.
- *Managing People Using Oracle HRMS* explains how to enter and track employee data.
- *Running Your Payroll Using Oracle HRMS* explains how to set up payroll, do withholding, run statutory reports, and pay employees.
- *Managing Compensation and Benefits Using Oracle HRMS* explains how to set up Total Compensation, including 401(k), health, and insurance plans.
- *Customizing, Reporting, and System Administration in Oracle HRMS* explains how to customize to the system and design reports.

Oracle Internet Supplier Portal

Oracle Internet Supplier Portal provides suppliers with the ability to use a standard web browser to directly manage business transactions and access information securely over the internet. It provides the framework to enable buyers and suppliers to communicate key business transactions while enabling the ability to search, monitor, revise, and review.

Oracle Inventory User’s Guide

This guide describes how to define items and item information, perform receiving and inventory transactions, maintain cost control, plan items, perform cycle counting and physical inventories, and set up Oracle Inventory.

Oracle Purchasing User’s Guide

This guide describes how to create and approve purchasing documents, including requisitions, different types of purchase orders, quotations, RFQs, and receipts. This guide also describes how to manage your supply base through agreements, sourcing rules, and approved supplier lists. In addition, this guide explains how you can automatically create purchasing documents based on business rules through integration with Oracle Workflow technology, which automates many of the key procurement processes.

Oracle Warehouse Management User’s Guide

This manual provides information about warehouse resource management, warehouse configuration, and advanced pick methodologies for material handling.
for warehouses, manufacturing facilities, and distribution centers. This product is one of the components of Oracle Mobile Supply Chain Applications.

Installation and System Administration

Oracle Applications Concepts
This guide provides an introduction to the concepts, features, technology stack, architecture, and terminology for Oracle Applications Release 11i. It provides a useful first book to read before an installation of Oracle Applications. This guide also introduces the concepts behind Applications-wide features such as Business Intelligence (BIS), languages and character sets, and Self-Service Web Applications.

Installing Oracle Applications
This guide provides instructions for managing the installation of Oracle Applications products. In Release 11i, much of the installation process is handled using Oracle Rapid Install, which minimizes the time to install Oracle Applications, the Oracle8 technology stack, and the Oracle8i Server technology stack by automating many of the required steps. This guide contains instructions for using Oracle Rapid Install and lists the tasks you need to perform to finish your installation. You should use this guide in conjunction with individual product user’s guides and implementation guides.

Upgrading Oracle Applications
Refer to this guide if you are upgrading your Oracle Applications Release 10.7 or Release 11.0 products to Release 11i. This guide describes the upgrade process and lists database and product-specific upgrade tasks. You must be either at Release 10.7 (NCA, SmartClient, or character mode) or Release 11.0, to upgrade to Release 11i. You cannot upgrade to Release 11i directly from releases prior to 10.7.

Maintaining Oracle Applications
Use this guide to help you run the various AD utilities, such as AutoUpgrade, AutoPatch, AD Administration, AD Controller, AD Relink, License Manager, and others. It contains how-to steps, screenshots, and other information that you need to run the AD utilities. This guide also provides information on maintaining the Oracle applications file system and database.
Oracle Applications System Administrator’s Guide
This guide provides planning and reference information for the Oracle Applications System Administrator. It contains information on how to define security, customize menus and online help, and manage concurrent processing.

Oracle Alert User’s Guide
This guide explains how to define periodic and event alerts to monitor the status of your Oracle Applications data.

Oracle Applications Developer’s Guide
This guide contains the coding standards followed by the Oracle Applications development staff. It describes the Oracle Application Object Library components needed to implement the Oracle Applications user interface described in the Oracle Applications User Interface Standards for Forms-Based Products. It also provides information to help you build your custom Oracle Forms Developer 6i forms so that they integrate with Oracle Applications.

Oracle Applications User Interface Standards for Forms-Based Products
This guide contains the user interface (UI) standards followed by the Oracle Applications development staff. It describes the UI for the Oracle Applications products and how to apply this UI to the design of an application built by using Oracle Forms.

Other Implementation Documentation

Oracle Applications Product Update Notes
Use this guide as a reference for upgrading an installation of Oracle Applications. It provides a history of the changes to individual Oracle Applications products between Release 11.0 and Release 11i. It includes new features, enhancements, and changes made to database objects, profile options, and seed data for this interval.

Multiple Reporting Currencies in Oracle Applications
If you use the Multiple Reporting Currencies feature to record transactions in more than one currency, use this manual before implementing Oracle Consigned Inventory from Supplier. This manual details additional steps and setup considerations for implementing Oracle Consigned Inventory from Supplier with this feature.
Multiple Organizations in Oracle Applications
This guide describes how to set up and use Oracle Consigned Inventory from Supplier with Oracle Applications’ Multiple Organization support feature, so you can define and support different organization structures when running a single installation of Oracle Consigned Inventory from Supplier.

Oracle Workflow Guide
This guide explains how to define new workflow business processes as well as customize existing Oracle Applications-embedded workflow processes. You also use this guide to complete the setup steps necessary for any Oracle Applications product that includes workflow-enabled processes.

Oracle Applications Flexfields Guide
This guide provides flexfields planning, setup and reference information for the Oracle Consigned Inventory from Supplier implementation team, as well as for users responsible for the ongoing maintenance of Oracle Applications product data. This manual also provides information on creating custom reports on flexfields data.

Oracle eTechnical Reference Manuals
Each eTechnical Reference Manual (eTRM) contains database diagrams and a detailed description of database tables, forms, reports, and programs for a specific Oracle Applications product. This information helps you convert data from your existing applications, integrate Oracle Applications data with non-Oracle applications, and write custom reports for Oracle Applications products. Oracle eTRM is available on Metalink.

Oracle Manufacturing APIs and Open Interfaces Manual
This manual contains up-to-date information about integrating with other Oracle Manufacturing applications and with your other systems. This documentation includes API’s and open interfaces found in Oracle Manufacturing.

Oracle Order Management Suite APIs and Open Interfaces Manual
This manual contains up-to-date information about integrating with other Oracle Manufacturing applications and with your other systems. This documentation includes API’s and open interfaces found in Oracle Order Management Suite.
Oracle Applications Message Reference Manual

This manual describes all Oracle Applications messages. This manual is available in HTML format on the documentation CD-ROM for Release 11i.

Training and Support

Training

Oracle offers a complete set of training courses to help you and your staff master Oracle Consigned Inventory from Supplier and reach full productivity quickly. These courses are organized into functional learning paths, so you take only those courses appropriate to your job or area of responsibility.

You have a choice of educational environments. You can attend courses offered by Oracle University at any one of our many Education Centers, you can arrange for our trainers to teach at your facility, or you can use Oracle Learning Network (OLN), Oracle University’s online education utility. In addition, Oracle training professionals can tailor standard courses or develop custom courses to meet your needs. For example, you may want to use your organization structure, terminology, and data as examples in a customized training session delivered at your own facility.

Support

From on-site support to central support, our team of experienced professionals provides the help and information you need to keep Oracle Consigned Inventory from Supplier working for you. This team includes your Technical Representative, Account Manager, and Oracle’s large staff of consultants and support specialists with expertise in your business area, managing an Oracle8i server, and your hardware and software environment.

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 Oracle Applications 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.

**About Oracle**

Oracle Corporation develops and markets an integrated line of software products for database management, applications development, decision support, and office automation, as well as Oracle Applications, an integrated suite of more than 160 software modules for financial management, supply chain management, manufacturing, project systems, human resources and customer relationship management.

Oracle products are available for mainframes, minicomputers, personal computers, network computers and personal digital assistants, allowing organizations to integrate different computers, different operating systems, different networks, and even different database management systems, into a single, unified computing and information resource.

Oracle is the world’s leading supplier of software for information management, and the world’s second largest software company. Oracle offers its database, tools, and applications products, along with related consulting, education, and support services, in over 145 countries around the world.

**Your Feedback**

Thank you for using Oracle Consigned Inventory from Supplier and this process guide.

Oracle values your comments and feedback. At the end of this guide is a Reader’s Comment Form you can use to explain what you like or dislike about Oracle Consigned Inventory from Supplier or this process guide. Mail your comments to the following address or call us directly at (650) 506-7000.
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Redwood Shores, CA 94065
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Or, send electronic mail to mfgdoccomments_us@oracle.com.
This chapter describes the features of Oracle Consigned Inventory from Supplier including:

- Overview of Consigned Inventory on page 1-2
- Using Vendor Managed Inventory with Consigned Inventory on page 1-3
Overview of Consigned Inventory

Consigned Inventory from Supplier exists when inventory is in the possession of one party (a dealer, agent, distributor, and so forth), 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 are able to 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 to fill sales orders.
- Customers experience increased inventory turns—reducing funds invested in inventory. Financial resources are free until customer commitments are ensured or items 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. Ownership of the material is transferred from the supplier to the owning organization upon consumption. A consumption advice document informs the supplier that consigned stock is consumed by the buying organization. Once consigned stock is consumed, suppliers are then able to 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 have online visibility into consigned stock 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 using Oracle Mobile Supply Chain Applications. Inventory also enables the automatic consumption of consigned materials according to a user-defined setup. You can query the status of consigned inventory at any time using the Materials Workbench and view consigned on-hand quantities and consumed stock through Inventory inquiries.
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 upon visibility into the current inventory levels and the forecast of the customer. VMI benefits customers through greater service levels and reduce 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 iSupplier Portal or Collaborative Planning). The view of inventory is restricted to items 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 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 uses the 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 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 where VMI and consignment relationships exist, 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. Goods can be explicitly consumed while remaining as stock.
planned by the supplier. Alternatively, you can transfer the planning responsibility of goods from supplier to customer without involving consumption. In this way, the customer takes responsibility for planning the item even though ownership is 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 transfer the planning responsibility to the consuming organization.

For more information, see: Vendor Managed Inventory (VMI) in Oracle Applications, in the Inventory White Papers on Oracle MetaLink.
This chapter describes the process transactions when consigned material is procured and includes the following topics:

- Overview of Purchasing Consigned Material on page 2-2
- Requisitioning Consigned Materials on page 2-2
- Entering Purchase Orders for Consigned Materials on page 2-5
- Oracle iSupplier Portal on page 2-6
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.

Once 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 accounting is not 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 iSupplier Portal or Oracle Inventory inquiries.

Requisitioning Consigned Materials

Requisitioning consigned material is the same process as requisitioning regular material. You can also generate requisitions based on replenishment or planning requirements, or manually create purchase orders. After your requisitions are generated, you can use the AutoCreate or Workflow processes to create purchase orders.

Standard purchase orders are created from the designated supplier, and the purchase order shipment lines displayed as consigned goods.
To ensure that you have enough consigned materials on hand to fulfill requisition or other demand, consider setting up sourcing rules or bills of distribution to automate this process. Alternatively, you can use Vendor Managed Inventory (VMI) in conjunction with consigned inventory, requiring your supplier to replenish your warehouse with consigned goods according to agreed levels.

See:
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. AutoCreate uses the following considerations when creating purchase orders from requisitions for consigned material:

- Determines if 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
- Creates only standard purchase orders from requisition lines for consigned material
- Reviews Requisition Destination Type—expense type is not used consigned material
- Includes grouping rules

A single requisition for both consigned and regular material is grouped—consigned shipments are grouped onto one line, and regular stock items are grouped to separate lines.

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
Requisitioning Consigned Materials

- 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 the 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 are removed before creating purchase orders. In Manual Creation mode, an error message appears if you attempt to use a document reference. In Automatic Creation Mode, an error message does not display.

**Source Documents**

A source document must be associated with the requisition line for consigned material when the destination type is inventory. You can choose to specify a source document in the Approved Supplier List. If you have set the Purchasing profile option PO: Automatic Document Sourcing to Yes, the source document is determined automatically.

**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.

A sourcing rule (and associated Assignment Set) for the item, supplier, and supplier site combination must be set up. See Oracle Purchasing User Guide: Setting Up Automatic Sourcing.

Document references (contracts, price lists, and so forth) are not permitted on orders for consigned material. If you use the AutoCreate or Automatic Document Creation Workflow processes, all document references are removed before creation of the purchase order.
See:
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. The following information applies when entering purchase orders for consigned goods:

- **Purchase Order Type**
  
  Orders for consigned material are created as standard purchase orders. Blanket Purchase Agreements must be defined on the Approved Supplier List (ASL) for the item purchased on consignment.

- **Supplier**
  
  This supplier and supplier site for the item purchased on consignment must be defined on the Approved Supplier List, otherwise the goods are not received on consignment.

- **Item**
  
  This item must be defined as consigned and linked to a supplier on the Approved Supplier List.

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

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**Note:** Do not enter values in the Amount Agreed, Minimum Quantity Release, and Total Quantity fields on the blanket agreement. These settings limit your ability to consume material that exceeds these values.
See
Entering Purchase Order Headers, Oracle Purchasing User’s Guide
Creating Approved Suppliers on page B-9

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 consigned goods liability is deferred until ownership is transferred to your organization
- Consigned checkbox is enabled
- Status value is Closed for Invoicing

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

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

Oracle iSupplier Portal
Your suppliers can use Internet Supplier Portal (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. iSupplier Portal provides the ability to initiate the invoicing process and 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.

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.

Inquiries

iSupplier Portal provides the following inquiries for consigned inventory:

- Consigned On-Hand
- Consigned Shipments
- Consumption Advice
- Consigned Receipts
- Consigned Returns
- Material Transactions
This chapter describes transactions and processes that occur when consigned inventory is consumed in manufacturing. The following topics are included:

- Overview of Consuming Material on page 3-2
- Transferring Ownership of Consigned Inventory on page 3-3
- Consumption Transactions on page 3-3
- Generating the Consumption Advice on page 3-4
- Overview of Billing on page 3-6
- Querying Material Status on page 3-7
Overview of Consuming Material

Consigned inventory items remain the property of the consignor, unlike regular inventory—even though the goods are at your site. Ownership changes from the supplier (consignor) to the customer (consignee) when it is used by the production organization—this is called consumption. Consumption involves the change of ownership from supplier owned stock to internally owned stock. For example, when consigned stock is consumed in an average costing organization, the appropriate materials and AP accrual accounts are used to post the accounting transaction, and the materials consumed are factored into average cost calculations.

Oracle Inventory performs transactions to record the consumption of consigned materials. This transaction is initiated either from the Consigned Transactions window, or automatically when executing specific inventory transactions. Examples of automatic execution are inter-organization transfers, and miscellaneous issues where some or all of the materials are owned by an outside party. In order to perform these transactions, supplier owned materials used for completions must be consumed.

When performing inventory transactions, material quantities are selected on first in, first out basis—regardless of the consigned status of the stock. The system automatically generates an additional Transfer to regular consumption transactions when the owning party is a supplier, rather than an internal organization.

The system accesses the relevant 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 process Generate Consumption Advice. The creation and matching of the invoice against the consumption advice generates the corresponding inventory accounts payable accrual reversal. This performs in the same way as standard functionality.

Once 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. Consumption transactions, for material not yet included in a consumption advice, are corrected through the Consigned Transactions window by using the Transfer to consigned transaction.

Once materials are consumed and the consumption advice is generated, you can use any supported method for paying your supplier.
See Also:
Defining Consumption Transaction Rules on page B-11
Transferring Ownership of Consigned Inventory on page 3-3

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, planning
party, and quantity information.

---

**Note:** If a Planning Party or Owning Party value is associated
with the item you are transferring, the Lot/Serial button is disabled
on this window.

---

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

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

Sourcing rules are used to identify the appropriate purchasing agreement at the
time of consumption to create cost transactions. For information on purchase order
sourcing, see: Setting Up Automatic Sourcing, *Oracle Purchasing User Guide*. There
may be differences in currency and unit of measure values in the source agreement
and agreement organizations. Therefore, the following conversion calculations
occur when pricing the consumed materials and creating the consumption advice:

- When the purchasing agreement is in a currency different from the functional
  currency of the consuming organization:

  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.

- If the Purchasing unit of measure is different from the primary unit of measure—the system converts the unit of measure value to the Purchasing unit of measure. For example:
  - The source blanket agreement for an item is $12 per dozen
  - The purchase order quantity is 12 each
  - The price is converted based on the unit of measure: 12 each divided by $12.00—to $1.00 each

**Generating the Consumption Advice**

The consumption advice document is used for invoicing purposes. It is a document used to communicate what you have consumed in your warehouse so your supplier can provide you with an invoice.

The Create Consumption Advice concurrent program is used to summarize consumption records, separates the records to be processed into batches, and generates consumption advice. Consumption transactions are grouped at the end of the billing cycle by running the concurrent program. The consumption records are updated with the purchase order number and any appropriate blanket release, accrual account, and purchase order price calculated at the time of consumption:

- Over the length of a billing cycle, the consumption records can accumulate to a large number. The Billing Cycle value is defined in days and set on the Supplier-Item Attributes window in Oracle Purchasing. See: Using Automatic Document Creation Workflow on page 2-4. For example, if the value is 0 days, a consumption advice is created every time consigned material is consumed.
- The Last Billing Cycle Date field is updated each time the program runs.
- Price information is generated based on the source document. The profile option in Oracle Purchasing, PO: Automatic Document Sourcing, must be set to Yes. This will enable automatic defaulting of pricing information from the most recently created blanket or global agreement.
- The processed records are grouped and summarized, and a single consumption advice is created. 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.
If the purchasing source documents are not available, for example—the agreement no longer valid, closed, or cancelled—the transaction is not processed.

When the source document is a global agreement, the consumption advice is created in the primary unit of measure of the consuming organization.

When the source document is a blanket agreement release, the consumption advice is created in the unit measure stipulated in the blanket agreement.

When the consumption advice is created, the Last Billing Cycle field on the Supplier-Item Attributes window is updated.

The Create Consumption Advice concurrent program is submitted from the Transaction Records window in Oracle Inventory.

In this program you enter parameter values for batch size, maximum workers, supplier, item number, and organization name. When you submit your request, eligible unprocessed records in MTL_CONSUMPTION_TRANSACTIONS table are grouped by blanket order number, item, organization, price, operating unit, tax code, accrual account, charge account, and variance account.

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 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 iSupplier Portal. Pay On Use enables you to automatically register invoices on behalf of your supplier. This decreases cycle time between material consumption and payment to your supplier. Pay On Use is a self billing technique automating accounts payable invoice creation. Suppliers accept payment for goods after consumption and monitor the consignment status of material in your warehouse.
Querying Material Status

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

The Material Workbench 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 Owning Party region is used to choose the search criteria and can be limited to All Owning Parties, All Consigned Stock, or you can Select Owning Party.

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

The results of your search display on the Material Workbench.
This chapter describes costing and accounting transactions in Oracle Consigned Inventory from Supplier and includes the following topics:

- Overview of Costing and Accounting in Consigned Inventory on page 4-2
- Accounting and Costing Events in Consigned Inventory on page 4-3
- Return to Vendor Transactions (RTV) on page 4-5
Overview of Costing and Accounting in Consigned Inventory

Consignment 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 the consigned stock to the 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 Events in Consigned Inventory

The following table depicts the accounting transactions that take place for both regular stock and consigned stock.

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Regular Stock Accounts</th>
<th>Consigned Stock Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO Receipt</td>
<td>Debit: Receiving Inspection at PO price</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Credit: AP Accrual at PO price</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Credit: PPV at variance</td>
<td></td>
</tr>
<tr>
<td>Delivery to Asset Subinventory</td>
<td>Debit: Inventory at standard cost</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Credit: Receiving Inspection at PO price</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Credit: PPV at variance</td>
<td></td>
</tr>
<tr>
<td>Delivery to Expense Subinventory</td>
<td>Debit: Expense at standard cost</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Credit: Receiving Inspection at PO price</td>
<td></td>
</tr>
<tr>
<td>Consumption in Asset Subinventory</td>
<td>N/A</td>
<td>Debit: Inventory at standard cost</td>
</tr>
<tr>
<td>(Transfer to regular stock)</td>
<td></td>
<td>Credit: AP Accrual at PO price</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Credit: PPV at variance</td>
</tr>
<tr>
<td>Consumption in Expense Subinventory</td>
<td>N/A</td>
<td>Debit: Expense at PO price</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Credit: AP Accrual at PO price</td>
</tr>
<tr>
<td>Consumption Advise creation</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Invoice matched with consumption advise</td>
<td>N/A</td>
<td>Debit: AP Accrual at PO price</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Credit: Liability at invoice price</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Debit: Invoice Price Variance</td>
</tr>
<tr>
<td>Return to Vendor (RTV)</td>
<td>Debit: AP Accrual at PO price</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Credit: Inventory at standard cost</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Debit/Credit: PPV at variance</td>
<td></td>
</tr>
<tr>
<td>Transaction</td>
<td>Regular Stock Accounts</td>
<td>Consigned Stock Accounts</td>
</tr>
<tr>
<td>-------------</td>
<td>------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Transfer to consigned in Asset Subinventory</td>
<td>Debit: AP Accrual at PO price Credit: Inventory at standard cost Debit/Credit: PPV at cost variance</td>
<td>N/A</td>
</tr>
<tr>
<td>Transfer to consigned in Expense Subinventory</td>
<td>Debit: AP Accrual at PO price Credit: Expense at standard cost</td>
<td>N/A</td>
</tr>
<tr>
<td>Miscellaneous receipt into regular stock</td>
<td>Debit: Inventory at standard cost Credit: Miscellaneous Receipt at Miscellaneous cost Debit/Credit: PPV at variance</td>
<td>N/A</td>
</tr>
<tr>
<td>Miscellaneous receipt into consigned stock</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Miscellaneous issue from regular stock</td>
<td>Debit: Miscellaneous issue at Miscellaneous cost Credit: Inventory at standard cost Debit/Credit: PPV at variance</td>
<td>N/A</td>
</tr>
<tr>
<td>Miscellaneous issue from consigned stock (Transfer from consigned to regular stock, the issue from regular stock)</td>
<td>N/A</td>
<td>Debit: Inventory at standard cost Credit: AP Accrual at PO price Credit: Inventory at standard cost Debit/Credit: PPV at variance</td>
</tr>
</tbody>
</table>
The following table depicts the accounting transactions in an average costing inventory organization for both regular stock and consigned stock.

**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, but 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, you cannot perform a Transfer to consigned transaction. 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.
This appendix shows the default navigator paths for windows used in Oracle Consigned Inventory and Vendor Managed Inventory.
Windows and Navigator Paths

For windows described in other manuals:

<table>
<thead>
<tr>
<th>Application</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>INV</td>
<td><em>Oracle Inventory</em></td>
</tr>
<tr>
<td>iSP</td>
<td><em>Oracle iSupplier Portal</em></td>
</tr>
<tr>
<td>PO</td>
<td><em>Oracle Purchasing</em></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Window Name</th>
<th>Navigation Path</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved Supplier List</td>
<td>PO &gt; Supply Base &gt; Planning Approved Supplier List</td>
</tr>
<tr>
<td>Consigned Inventory</td>
<td>iSP &gt; Home page &gt; Consigned Items or INV &gt; Consigned Inventory &gt; Search - Consigned Items</td>
</tr>
<tr>
<td>Consigned Transactions</td>
<td>INV &gt; Transactions &gt; Consigned Transactions</td>
</tr>
<tr>
<td>Consumption Setup</td>
<td>INV &gt; Setup &gt; Transactions &gt; Consigned/VMI Consumption</td>
</tr>
<tr>
<td>Material Workbench</td>
<td>INV &gt; On-hand Availability &gt; Material Workbench &gt; Query Material &gt; Consigned/VMI tab &gt; Find</td>
</tr>
<tr>
<td>Create Consumption Advice</td>
<td>INV &gt; Reports &gt; Transactions &gt; Create Consumption Advice (Name)</td>
</tr>
<tr>
<td>Purchase Orders</td>
<td>PO &gt; Purchase Orders &gt; Purchase Orders</td>
</tr>
<tr>
<td>Shipments</td>
<td>PO &gt; Purchase Orders &gt; Shipments button</td>
</tr>
<tr>
<td>Supplier-Item Attributes</td>
<td>PO &gt; Supply Base &gt; Approved Supplier List &gt; Attributes button</td>
</tr>
</tbody>
</table>
This chapter provides information about setting up Consigned Inventory from Supplier and includes the following topics:

- Overview of Setting Up on page B-2
- Setup Flowchart and Checklist on page B-4
- Creating Approved Suppliers on page B-9
- Defining Consumption Transaction Rules on page B-11
- Setting Up Self Billings on page B-13
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
Overview of Setting Up

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
- Set up blanket purchase agreements

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.

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.

<table>
<thead>
<tr>
<th>Step No.</th>
<th>Step</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Set Up Organizations</td>
</tr>
<tr>
<td>Step 2</td>
<td>Set Up Oracle Inventory Items</td>
</tr>
<tr>
<td>Step 3</td>
<td>Set Up Oracle Approved Supplier List and Supplier Sites</td>
</tr>
<tr>
<td>Step 4</td>
<td>Set Up Profile Options</td>
</tr>
<tr>
<td>Step 5</td>
<td>Numbering Options</td>
</tr>
<tr>
<td>Step 6</td>
<td>Set Up Oracle Purchasing Blanket Purchase Agreement</td>
</tr>
<tr>
<td>Step 7</td>
<td>Define Consumption Rules</td>
</tr>
<tr>
<td>Step 8</td>
<td>Set Up Pay Options in Oracle Payables</td>
</tr>
<tr>
<td>Step 7</td>
<td>Set Up Oracle Workflows</td>
</tr>
</tbody>
</table>
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 organization lookups
- Define business groups
- Define organizations
- Define legal entities organizations
- Define organization hierarchies
- Assign business groups and operating units to responsibilities

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 Management or Enterprise Asset Management inventory organizations.
Step 2: Set Up Inventory Items
You may 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 stock locators
- Define WIP supply types

See: Defining Items, Oracle Inventory User’s Guide.

Consined Inventory items are defined in the Master Item window with attribute Transactabl.:  

---

**Note:** Consined Inventory from Supplier does not use Outside Processing, Capable To Order, or Available To Order inventory items.

---

Step 3: Set Up Approved Suppliers and Supplier Sites (Required)
Define approved suppliers specifying the supplier site and item combinations for the consigned goods.

See: Creating Approved Suppliers on page B-9

Step 4: Set Up Profile Options (Required)
You need to define values for the profile options used in Oracle Consined 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 on page B-9

**Step 7: Define Consumption Rules (Required)**
The Consumption Setup window is used to determine when to consume consigned stock. The consumption record is based on the transaction type used.

See: Defining Consumption Transaction Rules on page B-11

**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 8: 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
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.

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

### Local and Global suppliers

Your approved supplier can be either local or global. A local supplier is used only in the organization in which it was defined. A global ASL may be used in the 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 document for consigned inventory. The blanket purchase agreement may be either local or global, but it must be a standard agreement.

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 and set Billing Cycle Days. 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 0 days. If you keep the value at 0 days, a consumption advice being 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 on page 3-2
Defining Consumption Transaction Rules

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

To define consumption rules:

1. Navigate to the Consumption Setup window.
2. Select a value in the Transaction Type field, such as issue or transfer type.

4. If the organization selected is using subinventory or locator control, select values in the applicable fields for From Subinventory, From Locator, To Subinventory, To Locator.

5. Optionally, you can enter a value in the Item field.

6. Check the Consume Consigned box if a consumption advice record is to be created for consigned inventory for this transaction type.

7. 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.

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.
Setting Up Self Billings

- **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.
An accounts payable invoice is created as soon as the material is transferred out of consigned stock and consumed. 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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