

Oracle Inventory

Consigned Inventory from Supplier Process Guide

Release 11*i*

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Oracle Inventory, Consigned Inventory from Supplier Process Guide, Release 11i

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Oracle Corporation welcomes your comments and suggestions on the quality and usefulness of this publication. Your input is an important part of the information used for revision.

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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.

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- The appendices provide you with complete navigation paths to windows used in Oracle Consigned Inventory from Supplier. And describe how to set up functionality.

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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/>.

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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 11*i* 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 11*i*. 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 11*i*, 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 Oracle8*i* 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 11*i*. 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 11*i*. You cannot upgrade to Release 11*i* 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.

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1

Overview

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 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*.

Purchasing Material

This chapter describes the transactions when consigned material is procured. It 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
- [Receiving Consigned Inventory](#) on page 2-6
- [Returning Consigned Inventory to Vendors](#) on page 2-7
- [Purchasing Intelligence and Consigned Inventory](#) on page 2-7

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.

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.

See:

[Using Vendor Managed Inventory with Consigned Inventory](#), *Oracle Inventory: Consigned Inventory From Supplier Process Guide*

[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.

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. 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](#) limits your ability to consume material above agreed levels.

See

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

[Creating Approved Suppliers](#) on page B-8

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*

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](#)

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.

Consuming Material

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
- [Oracle iSupplier Portal](#) on page 3-8

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](#), 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.

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, 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*

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 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. 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.

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 with the following fields and options:

- Organization: **M1** (Seattle Manufacturing)
- Subinventory: **ConsignVen**
- Locator: (empty)
- View By: **Location**
- Item, Lot, Serial, LPN, Project, **Consigned/VMI** (selected tab)
- Owning Party** section:
 - All Owning Parties
 - All Consigned Stock
 - Select Owning Party (text input)
- Planning Party** section:
 - All Planning Parties
 - All VMI Stock
 - Select Planning Party (text input)
- Buttons: **Clear** and **Fjnd**

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

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.

Search - Consigned Items

Please enter your search criteria and hit the "Go" button. You may note that the search is case insensitive. Advanced Search

Supplier Item:

Item:

Item Description:

Supplier:

Supplier Site:

Consigned Inventory

Supplier	Supplier Site	Supplier Item / Item	Item Description	Consigned On-Hand	Consigned Shipments	Consumption Advices	Consigned Receipts	Consigned Returns	Material Transactions
MGDCI-ANDevices3	DALLAS		CONSTEM Consigned Item D1						
MKS-Advanced Network Devices	DALLAS		CONSTEM Consigned Item D1						
Supplier - Advanced Network	DALLAS		CONSTEM Consigned Item D1						
Supplier - Advanced Network	DALLAS		CONSTEM Consigned Item D1						

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.

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iSupplier Portal

Search - [Consigned Items](#) > On-Hand Items

On-Hand Items

Organization Name	Item	Item Description	UOM	Quantity	Revision	Subinventory
MKS-S Organisation	CONSITEM	Consigned Item 01	Ea	100	Revision	Subinventory
Cons Inve-Standard Org12	CONSITEM	Consigned Item 01	Ea	28	Revision	Subinventory

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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

Search - Consigned Items > Consigned Shipments

Consigned Shipments

PO Number ▾	Line	Shipment	Supplier Item	UOM	Quantity Ordered	Quantity Received	Ship-To Location	Status	VMI	Attachment
4393	1	1		Each	120		113 Cl-Loc2	Closed	<input type="checkbox"/>	
4395	1	1		Each	120		120 Cl-Loc2	Closed	<input type="checkbox"/>	





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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

Search - Consigned Items > Consigned Shipments > Consumption Advices

Consumption Advices

PO Number ▾	Rev	Document Type	Description	Order Date ▾	Buyer	Currency	Amount	Status	Attachments	Consumption
4392-3	0	Blanket Release		24-Jul-2003	Stock_Ms_Pat	USD	72.00	Open		
4392-2	0	Blanket Release		24-Jul-2003	Stock_Ms_Pat	USD	408.00	Open		
4392-1	0	Blanket Release		24-Jul-2003	Stock_Ms_Pat	USD	1,032.00	Open		

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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.

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iSupplier Portal

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Search - Consigned Items > Consigned Shipments > Consumption Advice > Material Transactions

Material Transactions

Organization Name	Location	Transaction Date	Transaction Type	Supplier Item	Item Description	UOM	Inbound Quantity	Outbound Quantity	Document Type	Document Source
MKS-S Organisation	New York City	24-Jul-2003	Miscellaneous receipt		CONSITEM Consigned Item 01	Ea	100			
Cons Inve-Standard Org12	CH-Loc2	24-Jul-2003	Transfer to Regular		CONSITEM Consigned Item 01	Ea		50	Blanket Release	4390-1
Cons Inve-Standard Org12	CH-Loc2	24-Jul-2003	Transfer to Regular		CONSITEM Consigned Item 01	Ea		35	Blanket Release	4390-1
MKS-S Organisation	New York City	24-Jul-2003	Purchase order receipt		CONSITEM Consigned Item 01	Ea	120			
Cons Inve-Standard Org12	CH-Loc2	24-Jul-2003	Purchase order receipt		CONSITEM Consigned Item 01	Ea	120			
Cons Inve-Standard Org12	CH-Loc2	24-Jul-2003	Return to Vendor		CONSITEM Consigned Item 01	Ea		7		

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Note: All supply intelligence reports exclude consigned inventory.

Costing and Accounting

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 Transactions for Consigned Inventory](#) on page 4-3
- [Return to Vendor Transactions \(RTV\)](#) on page 4-6

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

Transaction	Regular Stock Accounts	Consigned Stock Accounts
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
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

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.

Transaction	Regular Stock Accounts	Consigned Stock Accounts
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
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

Transaction	Regular Stock Accounts	Consigned Stock Accounts
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

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.

A

Windows and Navigator Paths

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:

Application	Description
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:

Window Name	Navigation Path
Approved Supplier List	PO > Supply Base > Planning Approved Supplier List
Consigned Inventory	iSP > Home page > Consigned Items or INV > Consigned Inventory > Search - Consigned Items
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

B

Setting Up

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-8
- [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

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.

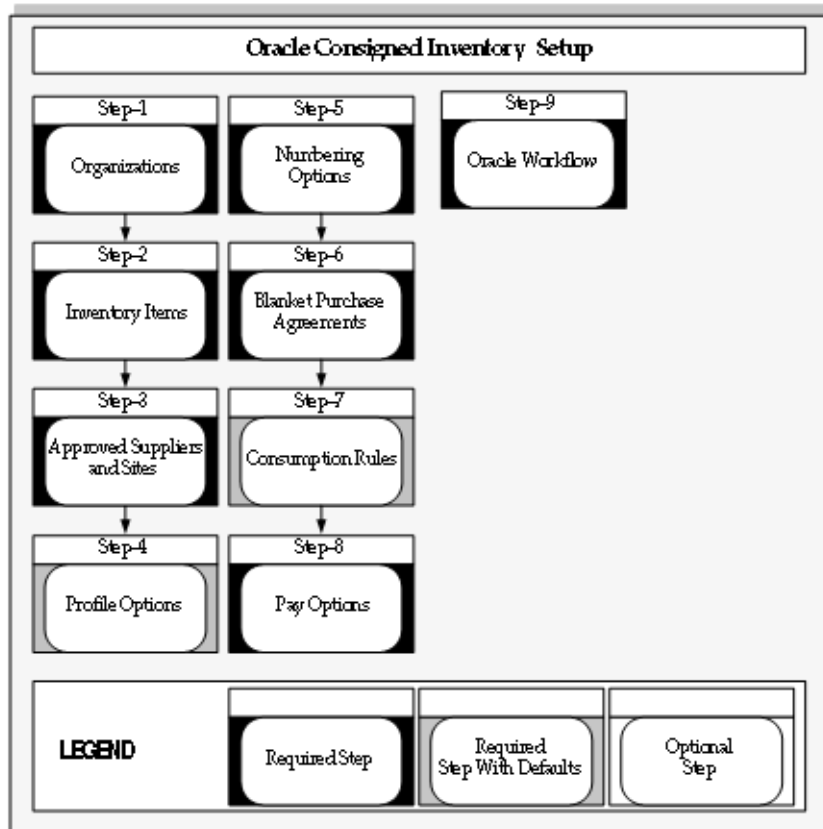
See: Setting Up Oracle Workflow, *Oracle Workflow Guide*. and Choosing Workflow Options, *Oracle Purchasing User's Guide*

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](#) on page B-8

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](#) on page B-8

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.

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 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 this are input fields for 'Item' (AS54888), 'Commodity', 'Supplier' (Advanced Network), and 'Site' (SANTA CLARA). To the right, there are fields for 'Purchasing UOM' (Each), 'Release Method' (Release Using AutoCr), 'Price Update Tolerance' (with a percentage sign), and 'Country of Origin' (with empty brackets). Below these fields are four tabs: 'Source Documents', 'Supplier Scheduling', 'Planning Constraints', and 'Inventory'. The 'Source Documents' tab is active, showing a table with columns: Seq, Type, Number, Line, Global, Owning Org, Status, and From. The table contains one row with the following data: Seq: 1, Type: Blanket, Number: 8680, Line: 1, Global: , Owning Org: Vision Operations, Status: Approved, From: (empty). The table is titled '— Effective —'.

- 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 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 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 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](#) on page 3-2

The screenshot displays the 'Supplier-Item Attributes (M1)' window with the 'Inventory' tab selected. The form contains the following fields and options:

- Global/Local:** Radio buttons for 'Global' (selected) and 'Local'. A 'Create Local' button is present.
- Item:** Text field containing 'AS54888'.
- Commodity:** Empty text field.
- Supplier:** Text field containing 'Advanced Network'.
- Site:** Text field containing 'SANTA CLARA'.
- Purchasing UOM:** Text field containing 'Each'.
- Release Method:** Text field containing 'Release Using AutoCr'.
- Price Update Tolerance:** Text field with a '%' symbol.
- Country of Origin:** Empty text field.

The 'Inventory' tab contains the following sections:

- VMI Enabled:** A checkbox labeled 'VMI Enabled' is unchecked. Below it are fields for 'UOM', 'Minimum', and 'Maximum'.
- Replenishment Method:** A section containing a checkbox for 'Automatic Allowed' (unchecked) and an 'Approval' dropdown menu.
- Consigned from Supplier:** A checkbox labeled 'Consigned from Supplier' is unchecked. Below it are fields for 'Billing Cycle (Days)' and 'Last Billing Date' (containing '11-NOV-2002').

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:

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.

VMI	Consigned	Transaction Type	Weight	Organization	Planning Party	Owning Party	From S
<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"/>						

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 Oracle Payables 'Supplier Sites' window for 'Consolidated Supplies, 1014'. The 'Purchasing' tab is selected. The form contains the following fields and values:

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

The 'Payment On Receipt' section is expanded, showing the following configuration:

- Ship-To Location: Vancouver Office
- Bill-To Location: Redwood Shores
- Ship Via: (empty)
- FOB: Origin
- Freight Terms: Paid
- Country of Origin: (empty)
- Pay On: Receipt
- Alternate Pay Site: (empty)
- Invoice Summary Level: (empty)
- Create Debit Memo from RTS Transaction

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*.

Additional Information

This appendix contains additional information about the purchasing windows and the miscellaneous transactions window. It contains the following topics:

[Purchase Order Information](#) on page C-2

[Transaction Information](#) on page C-4

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 yo select VMI, consigned, or both, the results window is limited to shipments or distributions.

Find Purchase Orders (Vision Operations)

Number Release Supplier Ship-To Org Bill-To Ship-To Line Shipment

Type Currency Site Show External Locations

Line Type Buyer

View Releases 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

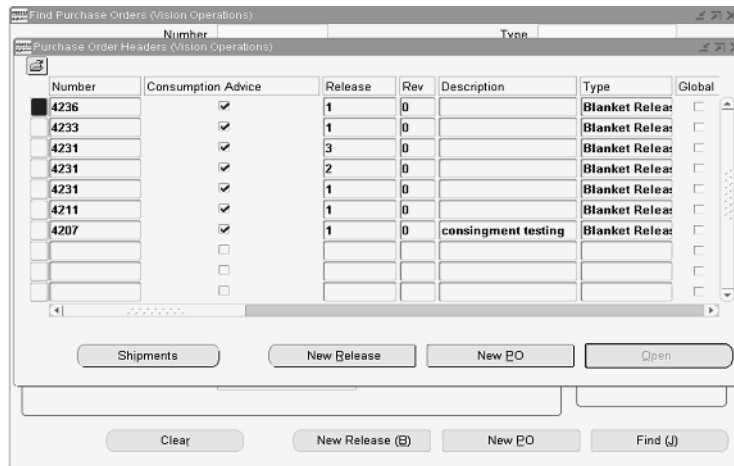
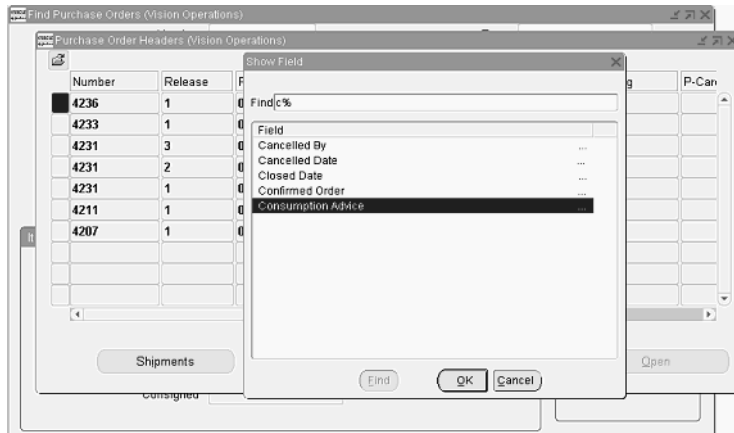
Headers Lines Shipments Distributions

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



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: **LCD Display**

Available: **0**

On-hand: **0**

Lot / Serial

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