



Sales Orders Guide

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1 Introduction

What do sales orders do for you?

Sales orders provide the demand that drives MRP generation and job and shipment priority and the details that drive shipping and invoicing. Sales orders include the following features and benefits:

- Line item quantities and required dates provide the demand that drives MRP generation and job and shipment priority.
- Required dates for made to order items are calculated based on item MRP settings and provide target shipping dates that can be furnished to customers.
- Quotes are used to generate one-off items and BOMs for customization followed by conversion to sales orders for custom job generation.
- The Late Supply screen lists sales order lines dependent on late supply from jobs or purchase orders and enables direct updating of estimated ship dates.
- The Picking Manager screen lists sales orders that are fully or partially ready to be picked for shipment based on stock allocation in earliest required date order.
- Pricing options include base prices, price levels, contract prices, and discount codes.
- Taxation accommodates USA or international VAT/GST requirements, along with Canadian tax itemization on invoice footers.

Our design is optimized for small business

We've designed our sales orders so that it can be successfully used by companies of any size, especially small businesses, for these reasons:

- Sales orders and MRP are closely coordinated so that reliable shipping dates can be furnished to customers for items made to order.
- Sales order invoices are converted into single-line voucher style invoices that get transferred to your financial accounting system for receivables tracking and payment processing.

Who is this guide for?

This guide is for the benefit of managers, salespeople, order entry personnel, production planners, accounting personnel, and anyone who wants to learn how manufacturing-based sales orders work or is considering using DBA as a manufacturing solution.

2 Why You Need Sales Orders

The ultimate purpose of a manufacturing system is to fulfill customer orders quickly and reliably using the least amount of inventory and WIP possible.

Sales orders drive the production system

Sales orders provide the demand that drives the production system. This includes demand for standard or custom items made to order or standard items shipped from stock. Therefore, sales order must incorporate line item required dates in order to manage production and shipping priorities.

Sales orders interact directly with inventory

Sales orders interact directly with inventory. Stock gets deducted when sales orders are picked for shipment, which may involve lot and serial number tracking at the shipment level.

Sales orders must accommodate one-off custom items

Sales orders also must accommodate one-off custom items that require customized BOM details and pricing in a quote format prior to becoming a firm order for custom job generation.

Sales orders are a manufacturing system function

Because sales orders are so directly intertwined with production, inventory, and customization, they are a manufacturing system function. This keeps all demand and supply details within a single closed loop system. A single system eliminates the inefficient part number and inventory synchronization required with hybrid systems.

DBA sales orders are optimized for manufacturing

DBA sales orders are optimized for manufacturing with reliable target shipping dates for made to order items, one-off item and BOM generation for custom items, and direct interaction with inventory, including lot and serial number tracking.

AR vouchers are transferred to your accounting system

Order entry, shipping, and invoicing are all manufacturing system processes. Invoices are converted into single-line voucher style invoices that are transferred to your financial accounting system for receivables tracking and payment processing.

3 Sales Orders Overview

Sales orders provide the demand that drives MRP generation and job and shipment priority and the details that drive shipping and invoicing.

 [Video - Sales Orders](#)

 [Video - Selling in a Foreign Currency](#)

Customer orders are entered in the Sales Orders screen

Customer orders are entered in the *Sales Orders* screen. After the customer PO number is entered all the header information is populated automatically from the customer record, including the billing address, default delivery address (which can be changed if desired), tax code, payment terms, price level, discount code, commission code, and contacts.

Line item entry establishes prices and target shipping dates

As each line item gets entered, the program establishes the price, discount, tax amount, required date, and estimated ship date. The required date is established by the item's planned *Time to Shipment* (from the *MRP Settings* screen) and is an internal target date that drives MRP generation and determines job and picking priority. The estimated ship date is an external date used for customer communications. It is initially the same as the required date, but can be updated when the *Late Supply* screen indicates that the line item is likely to be shipped late.

An order acknowledgment can optionally be sent

After the sales order is entered, you can optionally send the customer an order acknowledgment that confirms the order details, including estimated ship dates. .

Quote entry is used for one-off custom items

Quotes, which are entered in the identical fashion as sales orders, are used to generate one-off items and BOMs for custom manufactured items. After one-off BOM customization is completed, the quote is converted into a sales order and is given updated required dates for custom job generation. This process is covered in complete detail in the *Custom Manufacturing Guide*.

MRP generates jobs and POs as required

MRP is run on a daily basis so that it can generate jobs and POs as needed to fulfill customer orders. Jobs are generated directly from sales order lines for custom to order items and in response to total net demand for standard items made to order or for stocking. POs are generated as needed to supply jobs with raw materials and components.

Sales orders are picked using the Picking Manager

The *Picking Manager* screen is used to manage sales order picking by means of stock allocation. Each time the screen is launched a batch process allocates stock on hand to sales order lines for all items with sales demand. Color coded icons indicate which sales orders can be fully or partially picked for shipment. Sales orders can be selected one-by-one for picking via a link to the *Order Picking* screen.

Shipments are generated automatically from picked quantities

Shipments are generated automatically from picked quantities in the *Shipping* tab within the *Sales Orders* screen. Against each shipment you can enter shipping charges and print a packing list and shipping labels. Like all DBA forms, the packing list and shipping label can be customized as needed.

Invoices are generated from shipments

After shipments are created, invoices are generated automatically in the *Invoicing* tab within the *Sales Orders* screen and can be Emailed directly to the customer. Like all DBA forms, the invoice can be customized as needed.

Each sales order can accommodate multiple shipment and invoices

Multiple shipments and invoices can be generated from a single sales order to accommodate partial shipments and backorder situations. Sales orders are automatically closed when all line item quantities are fully invoiced.

AR voucher invoices are transferred to your financial accounting system

Invoices are converted to single-line voucher style invoices in the *AR Voucher Transfer* screen and are exported to your financial accounting system for receivables tracking and payment processing.

4 Sales Setup

Sales setup includes the following elements:

Customers

Customers are defined with multiple delivery addresses, customer type, tax code, currency code, payment terms, price level, discount code, ship method, custom forms, linked documents, and multiple contacts.

Taxation

Taxation is based on tax codes that are applied to the sales order header and line items. The tax rate within each tax code can be comprised of multiple tax rates, each associated with a tax authority for tax reporting. Tax codes accommodate USA or international style VAT/GST taxation.

- If you use USA style taxation, taxation is governed by the customer's locality. Each customer is automatically assigned to the system default sales tax code, unless a tax code exception is specified. A tax code exception can also be specified against each delivery address.
- If you use international VAT/GST style taxation, taxation is governed by the item. Each item is automatically assigned to the sales order header tax code, which is typically the system default sales tax code set to the standard VAT/GST code, unless a tax code exception is specified.
- If you use Canadian taxation, a hybrid between the two systems is used. Tax codes are assigned to customers and are a blend of provincial and GST taxes. Tax amounts are itemized in invoice footers by tax authority.

Pricing and Discounts

The following pricing and discount options are available:

- Each item can be assigned to a base price with optional quantity price breaks.
- Customers can be assigned to price levels. Prices within each price level are a fixed percentage of each item's base price, with an option for rounding up to a specified decimal increment.
- Contract prices with expiration dates can be assigned by item to specific customers or customer types, which can accommodate price exceptions or special promotions.
- Customers can be assigned to discount codes. Each discount code can be defined with percentage discounts, including quantity discounts, that are applied to specific item categories or items.

Credit Manager

Customers can be given allowable credit limits with options for sales order warnings when the credit limit is exceeded and the ability to block order entry or order picking.

Customer Types

You can create a table of customer type codes, each with an optional default price level and default discount code. Each customer is assigned to a customer type.

Customer Terms

You can create a table of customer payment terms with number of days due, discount days, discount %, and an option for aging by end of month.

Ship Methods

You can create a table of ship methods. Each customer can optionally be assigned a default ship method.

Sales Reps and Commission Codes

Sales reps can be created and assigned to commission code. Each commission code can be comprised of one or more sales reps to accommodate shared commissions. Commission codes are provided as a filter in selected data views and reports.

5 Order Entry

Customer orders are entered in the *Sales Orders* screen.

 [Video - Managing SO Dates](#)

The sales order header is populated automatically

After the customer PO number is entered all the header information is populated automatically from the customer record, including the billing address, default delivery address (which can be changed if desired), tax code, payment terms, price level, discount code, commission code, and contacts.

Do not mix multiple shipping addresses in a single sales order

When a customer order includes multiple shipping destinations where various lines are to be shipped to different addresses, split the customer order into a separate sales order for each shipping address. This is the only way to properly manage the shipping process, to print the correct shipping address on invoices, and to avoid potential errors with sales tax codes and invoice reversals.

Line item entry establishes prices and target dates

As each line item gets entered, the program establishes the price, discount, tax amount, required date, and estimated ship date. The *Required Date* is established by the item's planned *Time to Shipment* (from the *MRP Settings* screen) and is an internal target date that drives MRP generation and determines job and picking priority. The *Estimated Ship* date is an external date used for customer communications. It is initially the same as the required date, but can be updated when the *Late Supply* screen indicates that the line item is likely to be shipped late.

Always leave the Required Date as is except for blanket orders

Always leave the calculated *Required Date* as is, with one exception. If the customer places a blanket order with a set of future shipments, enter a line for each shipment and override the calculated *Required Date* with the requested ship date. DBA is ideally suited for blanket sales orders because MRP only responds to current demand within each item's planning period and ignores demand from future scheduled dates. Over time each scheduled required date will eventually fall into the planning period and then MRP will take appropriate action.

The Expected Ship date reflects the likely ship date

The *Required Date* is a target date that reflects your company's planning strategy. In most cases it is a reliable indicator as to when the order will ship. In some cases, however, the target date cannot be met, which is when the *Expected Ship* date is used. The *Expected Ship* date is initially the same as the *Required Date*, but when

it becomes apparent in the *Late Supply* screen that the order will not meet its target date, the *Expected Ship* date can be changed to reflect when the line item is likely to ship. The *Expected Ship* date prints on the order acknowledgment and is the customer communication date. The *Estimated Ship* date can be freely changed because it has no effect on MRP generation or job or picking priority.

An order acknowledgment can optionally be sent

After the sales order is entered, you can optionally send the customer an order acknowledgment that confirms the order details, including expected ship dates. Like all DBA forms, the acknowledgment can be customized as needed using the *Forms Edit* utility.

Exception layouts by customer

If you need custom layouts for specific customers, you can create additional layouts using the *Forms Edit* utility. Exception layouts for the acknowledgment, quote, packing list, and invoice can be specified on the *Forms* sub-tab within the *Customers* screen.

Quote entry is used for one-off custom items

Quotes, which are entered in the identical fashion as sales orders, are used to generate one-off items and BOMs for custom manufactured items. After one-off BOM customization is completed, the quote is converted into a sales order and is given updated required dates for custom job generation. This process is covered in complete detail in the *Custom Manufacturing Guide*.

Never maintain standing sales orders that never get closed

Never maintain standing sales orders that never get closed to which lines are added as new orders are received. Standing sales orders get increasingly cluttered and unmanageable over time with accumulated lines that greatly complicate forms printing, order picking, and order tracking and reporting. Instead, always enter each new order on its own sales order that gets closed when the order is fully shipped and invoiced.

Never use sales orders as pseudo-jobs

Never use sales orders as pseudo-jobs because the sales order lacks the planning, costing, prioritization, and tracking capabilities that can only be achieved with an actual job. In particular, do not use sales kits as a substitute for bills of manufacturing.

6 Late Supply

The *Late Supply* screen is used to track sales order line items that are dependent on late supply from jobs and purchase orders. The screen enables direct updating of line item *Expected Ship* dates to reflect likely ship dates based on feedback from production, purchasing, and MRP.

 [Video - Managing SO Dates](#)

Provides feedback from production

The production department maintains the *Job Finish* date against released jobs in the *Job Schedule* screen, which reflects an assessment of when the job is likely to be finished. When a job has dependent sales order line items (where the *Job Finish* date is past the line item *Required Date*), those sales order line items are listed in the *Late Supply* screen on the *Jobs* tab.

Provides feedback from purchasing

The purchasing department maintains the *Expected Receipt* date against PO lines in the *PO Schedule* screen, which reflects when the purchased item is likely to be received. When a PO line has dependent sales order line items (where the *Expected Receipt* date is past the line item *Required Date*), those sales order line items are listed in the *Late Supply* screen on the *POs* tab.

Provides stocking item feedback from MRP

After each MRP session the *Late Supply* screen can be filtered for *Newstatus* jobs that supply *Stocking* order policy line items. Any such sales order line items are not fully covered by stock on hand and will be shipped late.

Enables direct updating of Expected Ship dates

The *Late Supply* screen enables direct updating of sales order line item *Expected Ship* dates to reflect feedback from production, purchasing, and MRP and to provide communication dates for customers.

NOTE: Unlike the line item *Required Date*, which is an internal target date that remains fixed because of its effect on MRP and job and picking priority, the line item *Expected Ship* date is an external date for customer communications and can be freely changed as needed.

SO lines not listed are supplied on time

The *Late Supply* screen is an exception screen that only lists sales order lines that are dependent on late supply from jobs or purchase orders. All other sales order lines are supplied on time and their *Expected Ship* dates can be left as is.

7 Order Picking

Stock is picked for shipment in the *Order Picking* screen.

Use the Picking Manager to manage the picking process

The *Picking Manager* screen is used to manage sales order picking through stock allocation. Each time the screen is launched a batch process is run against all items with sales demand that allocates stock on hand to sales order lines in ascending required date order. Color coded icons indicate which sales orders can be fully or partially picked for shipment. Sales orders can be selected one-by-one for picking via a link to the *Order Picking* screen.

Actual picking is done in the Order Picking screen

The *Picking Manager* serves as a front-end to the *Order Picking* screen, which can also be accessed directly from the *Sales* menu.

Use the pick list or dispatch list

Within the *Order Picking* screen You can pick orders using the pick list or dispatch list method.

Pick List Method

The pick list is printed by clicking the *Pick List* button above the grid in the *Order Picking* screen. The pick list includes stock quantities by location and by lot and serial number. You print the pick list, pick the items, and then you return to the *Order Picking* screen to make your entries.

Dispatch List Method

The dispatch list method works in the opposite manner. You pick the items on the screen first, then you go to the *Batch History* tab and click the *Dispatch* button to print the dispatch list. The dispatch list provides a listing of the items, locations, and lot and serial values that were picked.

Using the Pre-Fill button

The *Pre-Fill* button can be clicked to pre-fill the *Picked Qty* with the *Allocated* stock quantity against all line items where stock is stored in a single location and a single lot or serial number.

Picking items with lot or serial numbers

When multiple lot numbers exist, a pick quantity must be manually entered against each applicable lot number. When multiple serial numbers exist, serial numbers must be selected, one-by-one.

8 Shipping

After each sales order is picked, a shipment is generated in the *Shipping* tab of the *Sales Orders* screen.

What is a shipment?

A shipment gets assigned a number that represents a set of picked sales order line items that comprise an actual shipment made to the customer.

How is a shipment generated?

A shipment is generated by clicking the *New Shipment* button. Each line item has fields for the total picked quantity to date and total shipped quantity to date. Each shipment automatically includes all line items where the total picked quantity is greater than the total shipped quantity and uses the difference as the ship quantity.

Shipments also include descriptors

Shipments also include descriptor line items that were picked for invoicing purposes. Descriptors are used for credit memos and miscellaneous charges. Descriptor line items are not included on the packing list because they are not physical items.

Do not mix multiple shipping addresses in a single sales order

When a customer order includes multiple shipping destinations where various lines are to be shipped to different addresses, split the customer order into a separate sales order for each shipping address. This is the only way to properly manage the shipping process, to print the correct shipping address on invoices, and to avoid potential errors with sales tax codes and invoice reversals.

Enter shipping charges and shipping details

Against each shipment you can enter shipping charges, which flow through to the invoice, and you can specify the ship method, number of packs, total weight, total volume, and shipment notes.

NOTE: The number of packs, total weight, and total volume are calculated based on item *Shipping* settings in the *Stock Items* screen. Be very careful about accepting these calculations without verification because they require 100% accuracy against all your items to have meaningful value.

Print a packing list and shipping labels

Click the *Print* button to print a packing list and shipping labels. Like all DBA forms, these can be customized as needed using the Forms Edit utility.

Exception layouts by customer

If you need custom layouts for specific customers, you can create additional layouts using the *Forms Edit* utility. Exception layouts for the acknowledgment, quote, packing list, and invoice can be specified on the *Forms* sub-tab within the *Customers* screen.

9 Invoicing

After each shipment is finalized, an invoice is generated in the *Invoicing* tab of the *Sales Orders* screen.

How is an invoice generated?

An invoice is generated by clicking the Invoicing tab and answering yes to the *Do you wish to create an Invoice?* prompt. Each line item has fields for the total shipped quantity to date and total invoiced quantity to date. Each invoice automatically includes all line items where the total shipped quantity is greater than the total invoiced quantity and uses the difference as the invoice quantity.

NOTE: Be aware that each invoice is a blend of the shipments that have accumulated since the previous invoice. So if you create multiple shipments from a single sales order and you wish to generate a separate invoice that corresponds to each shipment, you must generate an invoice immediately after each shipment before you create the next shipment.

An invoice is not posted until flagged as printed

When an invoice is first generated, it is in preview mode so that it can be reviewed and changes can be made to the sales order, if needed, prior to posting. When the invoice gets printed or Emailed, its *Status* changes to 'Printed' and the invoice is posted to the general ledger.

Exception layouts by customer

If you need custom layouts for specific customers, you can create additional layouts using the *Forms Edit* utility. Exception layouts for the acknowledgment, quote, packing list, and invoice can be specified on the *Forms* sub-tab within the *Customers* screen.

Never reverse a customer invoice to adjust costs

Never reverse and repost a customer invoice for the purpose of adjusting line item costs. From a costing standpoint, inventory transaction costs in DBA are never corrected after the fact because items get immediately issued and incorporated into other items. From an accounting standpoint, once an invoice is sent to a customer, it cannot be tampered with unless the customer receives an explanatory credit memo and corrected invoice.

10 Credit Memos

A credit memo is an invoice with a negative total amount.

Financial credit memos are entered in your accounting system

If you issue a financial credit memo to a customer, you can enter it directly in your financial accounting system. A financial credit memo is one that does not include any inventory items. An example of a financial credit memo is one used to adjust a customer account balance for an over or under-payment.

Inventory credit memos are generated in DBA

When a credit memo includes an inventory item, such as a returned item, the credit memo must be generated in DBA. The returned item is entered with a negative order quantity, which results in a negative price and enables the item to be returned to stock. The order is picked, shipped, and invoiced in the normal fashion to generate the credit memo.

How are credit memos created?

When you print an invoice with a negative total amount, the printed title on the invoice changes from the *Your Invoice Name* to the *Your Credit Name* specified in the *Main Setup* screen.

11 Quotes

A quote is identical to a sales order, but is ignored by MRP and cannot be used for picking, shipping, or invoicing. A quote enables you to prepare an order in advance and confirm order details with the customer before the quote gets converted into a live sales order.

Quotes are used for custom manufacturing

Custom manufacturing enables you to rapidly customize existing products or create custom products from scratch. This provides MRP with the specifications needed for job and PO generation within a coordinated master schedule. Custom manufacturing is performed with the following sequence of events.

Link:



Custom Manufacturing Guide

Custom Manufacturing Workflow

The following is an overview of the custom manufacturing process workflow.

Generate a one-off BOM within a quote

“One-off” items and BOMs are used for custom manufacturing. The one-off item is generated within a quote, using the *One-Off Item Generator*. A one-off item can be created by copying a “model” BOM, in which the one-off BOM inherits all the BOM specifications of the model item, or the one-off item can be created from scratch.

One-off items are used for custom manufacturing because the one-off BOM is unique for each customer order. Each one-off BOM has its own details, costing, and price. One-off items are originated in quotes because a quote is “pre-MRP” in the sense that it is not subject to MRP generation until the quote is converted into a sales order.

Customize the one-off BOM

After the one-off BOM has been generated, it is customized as needed for the particular customer order.

If the one-off BOM originated from a model BOM, the model specifications are modified by adding or deleting components and routing sequences as needed.

If the one-off BOM is being created from scratch, the routing generator is used to rapidly create the routing, which are the labor and subcontract processes to be performed, and speed entry can be used to rapidly generate a list of components. BOM components can also be imported from a CAD program.

Establish the one-off item’s Job Days allocation

After the one-off BOM details are finalized, the *Job Days Inquiry* can be run to calculate the estimated *Job Days* allocation, which is the number of shop days allocated by MRP for making the item.

Run a cost rollup and establish the price

The next step is to run a cost rollup to establish an estimated cost. A margin can then be applied to the estimated cost to arrive at a selling price. The selling price is added to the quote. If needed, the quote can be Emailed to the customer for order confirmation. Like all DBA forms, the quote can be customized using the *Forms Edit* utility.

Convert the quote to a sales order

After the price has been established and the order is confirmed by the customer, the quote is converted into a live sales order. When the quote is converted, the line item required date is forward scheduled from the current date to reflect the one-off item's lead days and job days allocations. This establishes a realistic required date in the master schedule and serves as a target shipping date.

Use MRP to generate a CTO Job

The next step is to run MRP, which will generate a CTO (custom to order) job directly from the sales order line. MRP will also generate jobs for any subassemblies that may be needed and POs for raw materials and components.

12 RMA Processing

RMA (returned merchandise authorization) processing is a common requirement with manufacturing companies. RMA processing can include the following functions:

- Entering an RMA for items expected to be returned by customer
- Furnishing an RMA number to customers for reference on return shipments
- Printing an RMA for customer notification and receiving purposes
- Tracking open RMAs
- Returning undamaged items to stock
- Remanufacturing used items for resale
- Repairing items for return to customers
- Invoicing items at zero value for warranty repair
- Issuing credit memos for returned item credit

RMA Sequence of Events

A typical RMA undergoes the following sequence of events.

It starts with an RMA request

An RMA gets initiated when a customer requests an RMA in order to return an item. A return can be requested for a variety of reasons. You may have a return policy within so many days of shipment, which is often required with web orders. The product may be defective and is being returned for replacement under warranty or to be repaired. You may remanufacture used versions of your products for resale and you pay customers to return used “cores.”

An RMA number is sent to the customer

The next step is to create an RMA and furnish the customer the RMA number. The customer references this number with the item that gets shipped back to you.

Returned items are received and assessed

When the returned item is received, the RMA is used to identify the customer and the item being received, along with any notes stating the reason for the RMA. The item is then assessed to determine what needs to be done to process and resolve the RMA.

The RMA is resolved as needed

The RMA is then resolved as needed. You may need to return the item to stock as a new or used version of the item. You may need to repair the item and return it to the customer. You may need to issue the customer a credit memo for compensation or issue a customer refund check.

Recommended Workflow

Use an RMA SO Type

We recommend that you create an *SO Type* that is used exclusively for RMAs. This way your RMAs can be isolated from standard sales orders on screens and reports.

Initiate each RMA as a quote

Initiate each RMA as a quote. Quote quantities are ignored by MRP and enable RMAs waiting to be received to be tracked separately from live sales orders.

Assess the item, then convert the RMA to a sales order

Once the RMA item is received, assess the item, decide what further processing is required, and adjust the quote details accordingly. You then convert the quote to a sales order and then proceed with final processing, which can involve issuing the customer a credit memo, returning the item to stock, repairing the item and returning it to the customer, scrapping the item, or refurbishing it for resale as a used item.

RMA Setup

Create an 'RMA' SO Type

Go to the *SO Types* screen and create an RMA SO type. We suggest you give it an SO type ID of 'RMA', a description such as 'Returned Merchandize Authorization', and a prefix such as 'R', 'RM', or 'RMA'.

Create an RMA print layout

You can create a modified version of the quote form to be used as an RMA form. Go to the *Forms Edit – Quote* screen and save the quote layout to a new name such as 'RMA.rtm', then edit the layout. Change the main title to "RMA". You may wish to hide the *Price* and *Amount* fields.

Add the layout to the RMA SO Type

Go to the *SO Types* screen and in the *Quote Layout* field against the RMA SO type, add the RMA quote layout. Whenever you print a quote against this SO type, the RMA quote layout will be used.

Use alternate item IDs as needed

When processing an RMA, in many cases you must use an alternate ID to represent the returned version of the item.

Use the standard ID when the product is undamaged

If the returned item is completely undamaged and can be returned to stock for resale as is, you can use the item's standard item ID in the RMA.

Create a used version when needed

If the returned item is functional, but has been used by the customer, and you wish to resell it, you cannot use the item's standard item ID because the used version is technically a different item with a different inventory cost and selling price. In this case, you must create an alternate item ID to represent the "used" version.

Apply a prefix or suffix to the standard Item ID

One way to create a "used" item ID is to add a prefix or suffix to the standard item ID. The letter 'U' for example, for used, could be appended on the end of the standard item ID, perhaps preceded by a dash.

The used version is a P item

The used version should be designated as a 'P' (purchased) item rather than a manufactured item because it has no bill of material and is technically purchased from customers.

Give the used item an estimated cost if purchased for remanufacturing

If you pay customers for used products for remanufacturing purposes, enter an estimated cost against the used version that represents the typical price you pay for the used item. If you don't pay customers for used items, leave the estimated cost at zero.

Give remanufactured products their own item ID

Some returned items are cleaned up, repaired, given new components. Repainted, and sold as a "remanufactured" version. In this case, the remanufactured version must be given its own item ID. A remanufactured item is an 'M' (manufactured) item and is given its own bill of material that contains the replacement components and secondary outputs that might be yielded during the refurbishment process.

You may wish to use different item categories

When you create different versions of the same item, give some thought to your item categories. You may wish used or remanufactured versions to be in separate categories so that their sales and cost of goods sold can be listed separately on the income statement from your regular item sales.

RMA Workflow Details

Enter a quote to initiate an RMA

When a customer requests an RMA, initiate the RMA by entering a quote. You may also want to enter header notes to describe the purpose of the return for the benefit of your receiving department. You have the option of entering line item detail, or you can wait until the items are received and enter the details later. If you know exactly what is to be received and there is an established price, enter line item detail as needed.

Furnish the customer with the RMA number

Furnish the customer with the RMA number and instruct the customer to label the returned items with that number verbally or by Emailing the RMA quote. This way the receiving department knows what to do with the items when they are physically received.

Returning an undamaged item to stock

In this scenario, the returned item is fully undamaged and has never been used and can therefore be returned to stock for resale as a new item.

Go into your RMA quote. If a line item already exists for the returned item, change the quantity to a negative quantity. If you don't have a line item, create one using the item's standard item ID and enter a negative quantity. After the RMA is converted to a sales order and gets picked, the negative quantity causes the item to be received back to stock.

Enter the price that will be credited to the customer when the RMA gets invoiced. This price may be the original amount paid or it may be less if you charge a restocking fee.

Returning a used item to stock

In this scenario, the returned item is in good condition but has been used by the customer. It cannot be returned to stock as a new item, but it can be received to stock as a "used" item for resale.

Go into your RMA quote. If a line item exists for the item's standard item ID, delete the line. Enter a new line for the "used" version of the item, which has an alternate item ID. Enter a negative quantity. After the RMA is converted to a sales order and gets picked, the negative quantity causes the used item to be received to stock.

Enter the appropriate price that is credited to the customer for used products.

Sending a replacement item

In this scenario you have assessed that the returned item is defective and the customer is to receive a replacement item at no charge.

Go into your RMA quote. The first thing to do is to make sure you have a line item for the replacement shipment. If the returned item already has a line item, make sure it has a positive Qty. If the line item does not exist, create one and enter a positive quantity.

When the RMA quote gets converted to a sales order and the line item gets picked, the positive quantity is what creates a shipment to the customer for the replacement item.

The second thing to do is to resolve what to do with the actual returned item. If it is unusable and is to be scrapped, do nothing further. If it can be received to a stock as a used version, create a second line item for the “used” version, which has an alternate item ID of its own. Make sure this second line item has a negative quantity so that it gets received to stock.

Scrapping a returned item

In this scenario you assess the returned item and determine it is damaged beyond any use as a used version or remanufactured version. Therefore, it should be scrapped.

Go into the RMA quote. If the line item already exists, delete it. This means that no further processing will be done against the item. Physically scrap the returned item.

If the customer is to receive credit for the returned item, a credit memo can be sent from your financial accounting system because no inventory items are involved.

Converting the RMA to a sales order

Once the returned item has been assessed and the quote RMA has been modified for any of the scenarios listed above, the next step is to convert the RMA from a quote to a live sales order. Once the RMA has been converted into a sales order, it can be picked, shipped, and invoiced in the normal fashion.

Issuing a credit memo

Issuing credit memos against the customer account for returned items is common with RMA processing. Any invoice with a negative total amount is automatically converted into a credit memo at time of invoice creation.

Stock items are given a negative quantity

If the line item is a standard or used version of an item to be returned to stock, it is given a negative quantity. The negative quantity is multiplied by the price, which results in a negative total price.

Descriptors are given a negative price

Descriptors are used for giving credit when there is nothing physically to be returned to stock. In this case, the quantity is a positive amount and the price is negative amount. The quantity is multiplied by the negative price, which results in a negative total price.

Generating a zero value invoice

Zero-value invoices are common with RMA processing and are generated on occasions where you need to replace returned items at no charge. The invoice generates a cost of

goods sold for the replacement item and provides you and the customer a record of the no charge shipment.

13 Sales Order Guidelines

This chapter lists seven basic guidelines that should be followed for sales orders to work properly and provide good results.

1. Never maintain standing sales orders that never get closed

Never maintain standing sales orders that never get closed to which lines are added as new orders are received. Standing sales orders get increasingly cluttered and unmanageable over time with accumulated lines that greatly complicate forms printing, order picking, and order tracking and reporting. Instead, always enter each new order on its own sales order that gets closed when the order is fully shipped and invoiced.

2. Do not mix multiple shipping addresses in a single sales order

When a customer order includes multiple shipping destinations where various lines are to be shipped to different addresses, split the customer order into a separate sales order for each shipping address. This is the only way to properly manage the shipping process, to print the correct shipping address on invoices, and to avoid potential errors with sales tax codes and invoice reversals.

3. Do not change line item required dates except for blanket orders

Always leave the calculated line item *Required Date* as is because it is an internal target date that drives MRP generation and reflects your company's *Time to Shipment* strategy. The *Required Date* also determines job and picking priority. The only exception is when the customer places a blanket order with a set of future shipments, in which case you will enter a line for each shipment and override the calculated *Required Date* with the requested ship date.

4. Use the Late Supply screen to update expected ship dates

Use the *Late Supply* screen to update line item *Estimated Ship* dates for sales order line items that will not meet their *Required Date* due to late supply from jobs or purchase orders of insufficient stock on hand. The *Expected Ship* date is for customer communications and can be freely updated as needed without affecting job or picking priority.

5. Use the Picking Manager to manage the order picking process

Use the *Picking Manager* screen as a front-end to *Order Picking* because it manages the picking process by allocating stock on hand to sales orders in earliest required date order. Color coding indicates which orders can be fully or partially picked for shipment.

6. Never reverse a customer invoice to adjust costs

Never reverse and repost a customer invoice for the purpose of adjusting line item costs. From a costing standpoint, inventory transaction costs in DBA are never corrected after the fact because items get immediately issued and incorporated into other items. From an accounting standpoint, once an invoice is sent to a customer, it cannot be tampered with unless the customer receives an explanatory credit memo and corrected invoice.

7. Never use sales orders as pseudo-jobs

Never use sales orders as pseudo-jobs because the sales order lacks the planning, costing, prioritization, and tracking capabilities that can only be achieved with an actual job. In particular, do not use sales kits as a substitute for bills of manufacturing.