SETTING UP CONSIGNED GOODS

It is quite common for you to have merchandise that is paid for in full by the customer up front, then received into and shipped from your warehouse. In Lakeshore, these items are called **consigned goods**.

Consigned goods are considered a special case of inventory. In most ways, they are handled exactly like other inventory items.   However, there are some differences, as noted below.

Item Set Up

Customer-owned items should be set up on the inventory item file as a **consigned goods** type of item.

The various cost and pricing fields have some special set up as well.   This is dependent on whether or not you are going to have a charge associated with the item when you ship it .

Consigned goods are often shipped with no selling price except possibly shipping and handling.

In some cases, however, the merchandise may carry a nonzero charge when shipped. For example, the main office may pay a base price for the goods when they are initially received. The merchandise is then shipped and billed at the same or higher price.

- If item is shipped out at no cost, set up pricing on the item file as follows:

List price	Price customer pays for merchandise when initially purchased for inventory
Reference cost	Zero
Current cost	Zero
Cost when received into inventory	Zero
Selling price	Zero
Cost (vendor data)	Cost you pay when purchasing merchandise for C/G inventory

- If item is shipped out with a charge for the merchandise, set up on the item file as follows:

List price	Price customer pays for merchandise when initially purchased for inventory
Reference cost	Price customer pays for merchandise
Current cost	Price customer pays for merchandise
Cost when received into inventory	Price customer pays for merchandise
Selling price	Resale price
Cost (vendor data)	Cost you pay when purchasing merchandise for C/G inventory

There may be other variations but these are the most common scenarios.

Placing the initial order for the merchandise

When the customer places the initial order for the merchandise, you will need to bill the customer for the merchandise like you would a drop ship order **AND** you will need to receive it into inventory like you would an order for stock.   There is a special type of order that lets you do both functions from a single order.

When placing an order **for** consigned goods, enter it as an **Order for consigned goods**.   The sell price on the order will default to the value you entered as the "List Price".   The cost on the order will be the cost you entered on the item/vendor set up or whatever you enter manually.

When the order is received, complete the order and bill the customer as you would a specialty order. Customer will be billed at "list" price or whatever you have entered as the selling price on the order.

Merchandise should be also be received into inventory in a separate transaction.   A cost will be assigned to the receipt based on the following rules:

- If the current cost on the item is set up as zero, the default cost on the item receipt will be zero.

- If the current cost on the item file is **not** zero, the unit selling price on the order will be the default unit cost on the item receipt.

You may override the unit cost assigned by the system if this cost is not appropriate for your situation.

You may bill or receive in any order (bill first, then receive **or** receive first, then bill).

Entering an order to ship the merchandise

When shipping orders **from** consigned goods, enter as a "ship from inventory" order.   The appropriate selling price will be picked up from the item file.

Sometimes, the merchandise is priced at two different prices, depending on who is buying it.   For example, there is one price if purchased by a corporate buyer and another price if the item is purchased by an employee.   If you need this type of pricing, you will need to set up one set of prices on the item file and the other as a coop price.   Contact Lakeshore if you need help setting up this type of pricing structure.

IMPORTANT!!   You **may** combine regular inventory items and consigned goods items on the same order.

The pick ticket, invoice, etc. for consigned goods items are handled the same as for regular inventory items.

Accounting and Reporting

If the cost and sell price on the customer invoice is zero, there is, of course, no journal entry required.

If you have a nonzero cost assigned, this cost is used for reporting purposes only.   No journal entry is made for the cost of the consigned goods.   This is because the merchandise is owned by the customer and does not affect your inventory assets or your P&L.

Note that the "on hand" quantity is updated regardless of type of cost or price scheme used.

If you have a nonzero selling price, the "sales" are directed to a special account for consigned goods sales.   Normally this is an account in the liability area of your chart of accounts because it is an amount owed to your client.   It is usually titled something like "Due to clients" although you may use any description you wish and put it anywhere on your chart of accounts you wish.   You would normally **not** want to use your regular Sales account since this is not your sale, it is the customer's. Your profit was recognized when you initially sold the item to your client.

Since the consigned goods items do not belong to you and do not contribute to your sales figures, these shipments are **not** posted to sales history.   If you are comparing sales history to an order or invoice history report, be sure to exclude consigned goods items.

Commission is not normally computed for consigned goods shipments.

Handling and shipping charges are handled the same as on other invoices. They are not treated as consigned goods items.

Additional Considerations

- **Using the money collected for your client to fund new inventory**

    If you use the amount collected to fund new consigned goods inventory purchases, you would enter and invoice the new stock as you did the original order.   Then, in Accounts Receivable, instead of entering a check to pay for the merchandise, you would enter an A/R credit using the "Due to clients" account as the G/L account on the transaction.   Apply this credit to the new customer invoice to "pay" for the merchandise.

- **Rebating the funds collected to the client**

    Sometimes, the amount collected from invoices are rebated to the primary customer.   You would generate an Accounts Payable invoice and pay it with an A/P check.   Use the "Due to Clients" G/L account in the account distribution for the vendor invoice.

- **Using more than one "Due to Clients" account**

    If you are running consigned goods programs for multiple clients or programs and want the funds collected in the "Due to Clients" to go to more than one G/L account, you will have to turn on the General Accounting system option to "Ask for G/L accounts on customer invoicing".   This will do two things.

    - ❏ It will cause a field to be displayed on the item file for the "Sales" .   Put the account where you want the funds to be placed.

        This field will also appear for your regular inventory items plus you will also have a prompt for the Cost of Goods Sold account.

        If you leave the accounts blank, the default accounts will be used so you only need to code items that will need a different account to be used.

    - ❏ On the customer invoice, you will also be prompted for one or both of these fields.   If nothing is specified on the item file, the appropriate default account will be used.

    The disadvantage of turning on this option is that erroneous entries can be made.   Please make sure everyone setting up items or doing invoicing understands what data these fields should contain.

The following screen shots show the fields discussed above.

Customer options - This is where you define the default account for C/G sales.

Customer Invoicing System Options

Do you want to flag individual items as taxable/nontaxable?	☑
Method used to mark up freight charges?	○ Add $ ◉ Add %
Percentage to add to freight cost to get freight price:	30 %
Do you want to automatically apply credit card payments in A/R?	☐

This is where you specify the account to be used to record sales of consigned goods.

Standard G/L Accounts used in customer invoicing (first 3 digits):

Income/Sales:	300	SALES
Freight Billed:	302	FREIGHT INCOME
Shipments of consigned goods:	241	DUE TO CLIENTS (C/G) *Leave blank if not used*

Standard G/L Accounts used for credit cards (first 3 digits):

Visa:		*Leave blank if not used*
MasterCard:		*Leave blank if not used*
Discover:		*Leave blank if not used*
American Express:		*Leave blank if not used*
Other credit cards:		*Leave blank if not used*

General Accounting options - This is where you specify that you want to enter the default accounts used for Sales and CGS on the item and customer invoice file.

General Accounting System Options

Fiscal year beginning month?	January
Do you want to enter a budget for G/L Accounts?	☑
Post A/P invoice detail on General Ledger?	☑
Do you have multiple accounting divisions?	☐
Basis for sales on Management Overview:	◉ Orders ○ Invoices
Book Period to use when voiding a check:	○ Original (or oldest open period) ◉ Current
Ask for G/L Accounts on customer invoice?	☑

Check this box if you want to specify "Sales" and/or "CGS" accounts for each line item.

Standard G/L Accounts (first 3 digits):

Liabilities start with #:	200	NOTES PAYABLE
Profit/Loss start with #:	300	SALES
Retained Earnings/Capital:	297	RETAINED EARNINGS
Cash (Default):	101	CASH - ABC BANK
Cash (Valid Range):	100 . 102	
CGS, P & L (Valid Range):	409 . 410	

Item set up - specifying the Sales account to use for a specific item

Price class:		
Taxable?	☑	
Selling restrictions:	Multiple: 1	Minimum: 1
G/L Account:	Sales: 24100	DUE TO CLIENTS (C/G)

Other Information:

Primary Vendor:	600000	NORCROSS GARMENTS
Primary Decorator:		
Customer:		
Program number:		
Inventory Types:	1: 020	
Flags:	Flag #1 Y Flag #2 Y Flag #3 Y	

> Enter "Sales" account to be use to capture C/G sales.
>
> For regular inventory items, use your regular sales account. You will also be prompted for a CGS account.
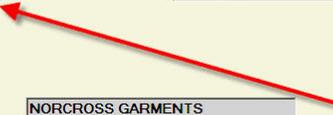
Customer invoicing, line item - specifying the Sales account to use for this line item on the invoice

Item Number:	CG BILL
Description:	*CONSIGNED GOODS BILLED TO END USER
Order Number:	002493 Line 1
Release:	1
Quantity ordered:	*1 Shipped: 1 Remaining:
Pricing unit:	Taxable? ☑

	Unit amount	Extended	
Selling Price:	1.30	1.30	Discount Code: ___ %
Cost:	1.00	1.00	**Inventory cost** Gross profit: $ .30 23.08 %
			Production Cost:

G/L account:	Sales: 24100
Commission:	Quantity: ___ Sales: ___ Cost: ___

> Here's where you can specify the G/L account to use for Sales and, for regular inventory items, for CGS

Required Field

Prev   Exit   Done   Next