InventoryControl: How do the Order Units on the Manage Suppliers tab work?

Jason - 2017-04-10 - Version 7

When setting up your item, the General tab should reflect the units that you normally deal with, and the cost and price fields reflecting that unit. I.e., if you sell boxes of nails, you would want a quantity of 1 to be 1 box, not 1 nail, and the cost should be $1.29 per box, not $0.00645 per nail. When you enter transactions, the Quantity and Cost calculations will be made against that information from the General tab.

The Manage Suppliers tab allows you to enter information that will be used for creating purchase orders from your vendors, since items are frequently ordered in larger amounts than they are used. So, keeping to the above example, when ordering your nails, you may order them by the crate. You would then create an entry on the Manage Suppliers tab which would specify the supplier, the suppliers SKU for the item in case it doesn't match your item number, and then the order unit settings available from that supplier. After selecting the supplier, it will automatically add an Order Unit Code of Each, with a Count of 1 and a Cost matching what was selected on the General tab. To add the order unit for Crate, click the empty row below Each and enter Crate for the Order Unit Code. If a crate contains 30 boxes, enter 30 for the Count / Order Unit. If you pay the full cost when ordering the crate, the Cost / Order Unit would be 30 * $1.29, so you would enter 38.70. Some vendors offer a discount for ordering larger units, so you would enter the correct cost here based on the vendor's pricing. The inventory cost will be tracked accordingly. If the same supplier offers more than one size for you to order, enter the additional sizes the same way, clicking the next blank row for each order unit. So you would have a list of Each, Crate, Pallet, etc. Once all of the units have been entered, click Move To List. If you order the same item from multiple suppliers, you can add the additional suppliers by clicking New and entering their info the same way.

When creating purchase orders, you specify the supplier for the order, then as you enter the items, you pick which order unit you are ordering. When receiving the purchase order, the quantity and cost will be broken out accordingly. Still keeping to our above boxes of nails, if you order 5 crates of nails at a cost of $35/crate, the total cost on the order will be $175. When you receive that purchase order, it will update the item to show that you received a quantity of 150 boxes of nails, and the average cost would be updated to reflect the 1.1667 cost per box from the order, averaging that with the cost of the existing inventory.

Another example to consider is cans of soda. If you only deal with the cans in singles, or only in 6 or 12 packs, then this will be straightforward and treated the same way as the nails in the prior example. If you deal with single cans and with 12 packs, but you order and track them separately, then you would create them as two different items with their own costs and supplier information, and again it will be treated as the nails. The confusion that may come in is if you sometimes break up your own 12 pack to sell individually. If you do that, you would need to enter a Remove transaction for the 12 pack item, and an Add transaction to Add the 12 (or 24, 36, etc) quantity to the single can item. If you are tracking the cost, and the cost for the 12 pack is not an even multiplication of 12 times the normal cost of a single can, then you would need to divide the cost from the removed 12 pack by 12 to get the cost per can to enter into the Add transaction for the cans.

A third case would be for items that are ordered in different units than they are tracked by, like lengths of metal rod that are sold by the foot, but purchased by the pound. In that case, a quantity of 1 on the General tab would represent 1 foot. To figure out the Count / Order Unit, you will need to know the weight of each pound of metal, and then divide the number of pounds you order by that amount. If your metal is 0.25 pounds per foot, and you order 100 pounds at a time, that should give 400 feet per order unit. This is actually still a stragithforward case, like the nails, but if the numbers are not as nice as this example, you may end up with decimal quantities, which can appear messy. The number of displayed decimal places will be determined by the number entered in Tools > Options > Decimal Places (of Numeric Numbers).