Introduction to MS Dynamics NAV VII. **(Drop Shipments)**
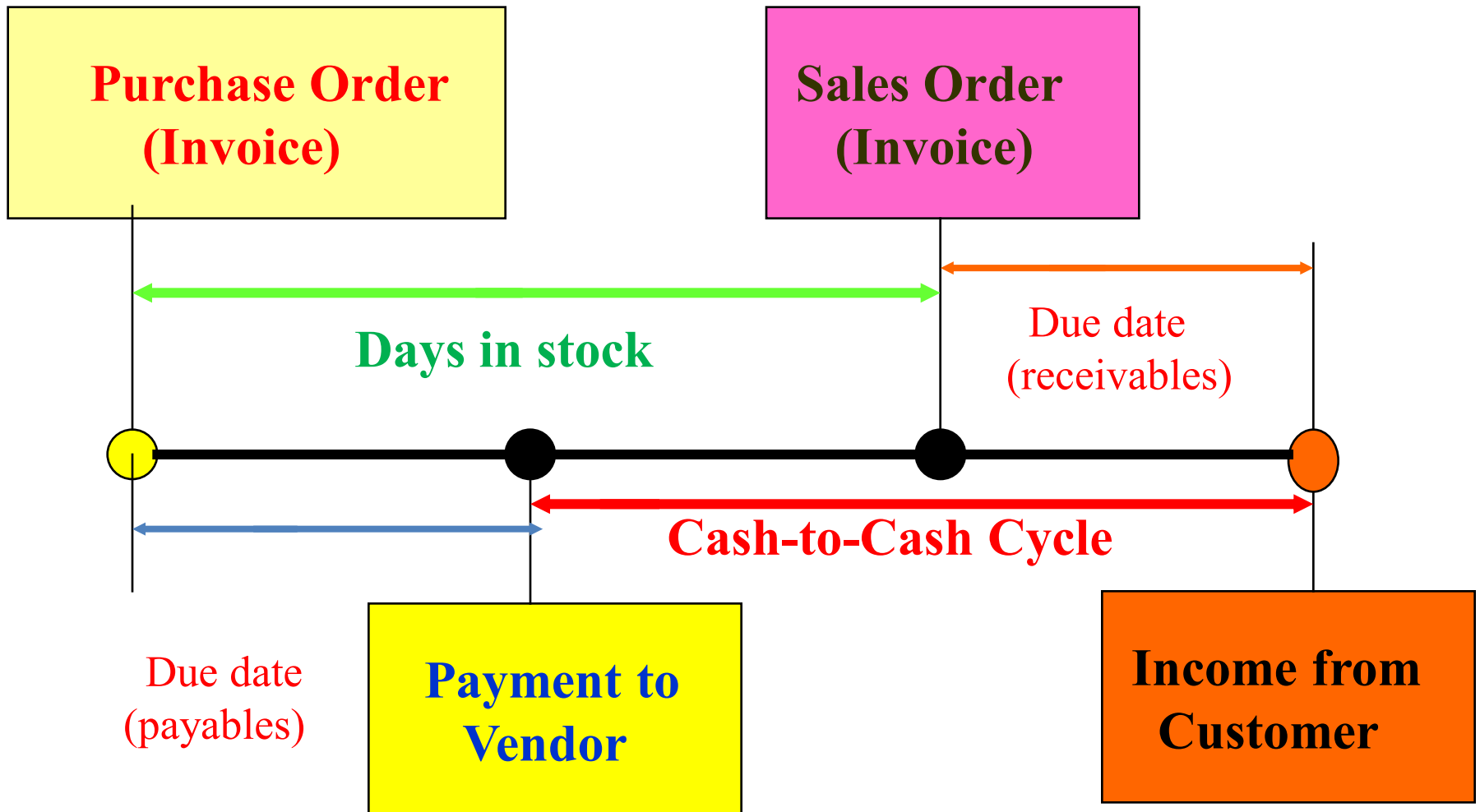
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Drop Shipment

- Reasons- benefits
  - Direct shipment from Vendor to Customer
  - Lower cost of transportation
  - Lower costs of warehousing (zero)
  - Faster reaction to requirements
  - Shorter cash-to-cash cycle (Customer must be invoiced first)->Also Payment condition should be set e.g. like so : PC Vendor >PC Customer (rules) and values :1M>14days

Cash-to-Cash Cycle

Purchase Order (Invoice)

Sales Order (Invoice)

Days in stock

Due date (receivables)

Due date (payables)

Cash-to-Cash Cycle

Payment to Vendor

Income from Customer

Drop Shipment principles I.

- Specifies whether your vendor has to ship the items on the line directly to your customer.

- You use a drop shipment when an item or group of items is shipped directly from your vendor to your customer and is therefore not physically received in inventory or shipped from there. I reality Drop Shipment results in Item Ledger Entry generation (inbound and outbound operation in one moment)
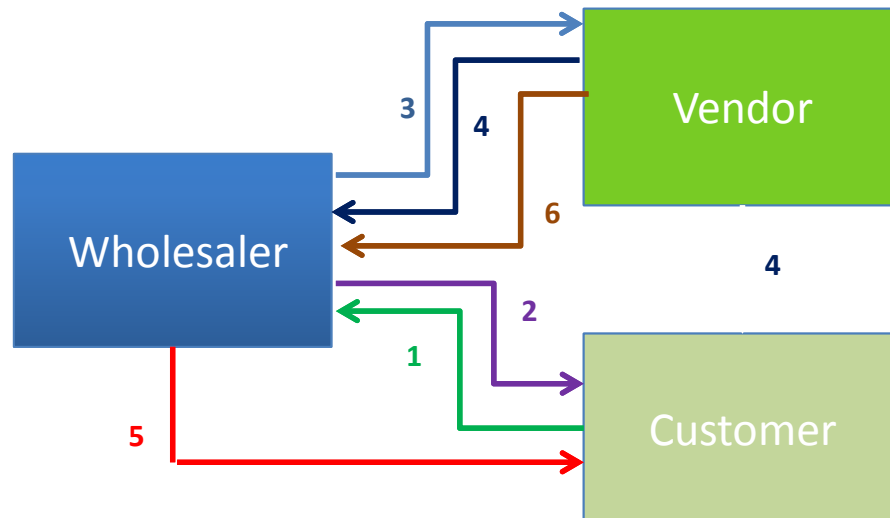
1	Quote
2	Sales Order
3	Purchase Order
4	Delivery list and delivery itself
5	Sales invoice
6	Purchase invoice

Drop Shipment principles –setup

- First place a check mark in the field to indicate that the item on the sales order is a drop shipment and in the Purchase code field you have to choose Drop Shipment code

- Then create a purchase order to order the corresponding items from your vendor. You can create the order directly from the purchase order or indirectly from the Requisition Worksheet. In this model we will use direct method

- When you set up the purchase order, use the function Drop Shipment, Get Sales Order to link to the relevant sales order. The sales order lines will be copied to the newly-created purchase order. We will not use Item tracking in this model and if yes - > see next clause

- You cannot post a drop shipment order that has item tracking unless item tracking is synchronized - serial numbers and lot numbers must be the same between the two orders (our model uses synchronization)

Create new SO and add Drop shipment and Purchase Code

Create new PO

1. CREATE HEADER WITH Vendor=10000
2. Tab Shipping ->Sell-to Customer No. -> 10000
3. Button Order->Drop Shipment->Get Sales order ->see next   slide

Created PO after Sales lines were transferred to PO lines

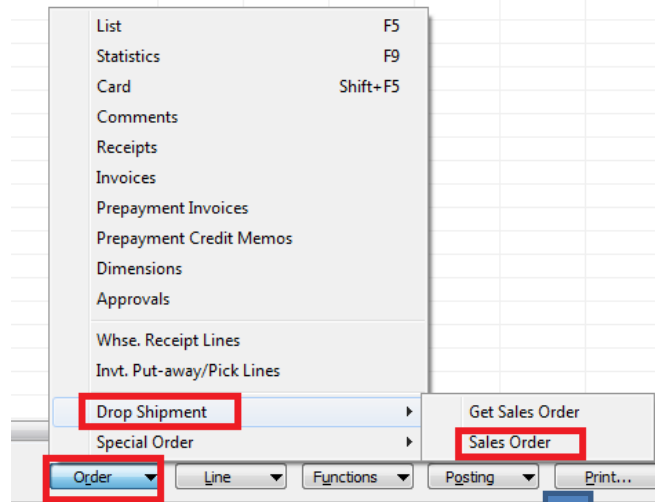# Posting PO (Only Ship)

Purchase line after Shipment

Type	No.	Description	Location Code	Quantity	Reserved Quantity	Unit of Measu...	Unit Price Excl. VAT	Line Amount Excl. VAT	Line Disco...	Qty. to Ship	Quantity Shipped	Qty. to Invoice
▶ Item	1960-S	ROME Guest Chair, green	BLUE	1		PCS	125,10	125,10			1	1

Sales line after Ship
automatically created
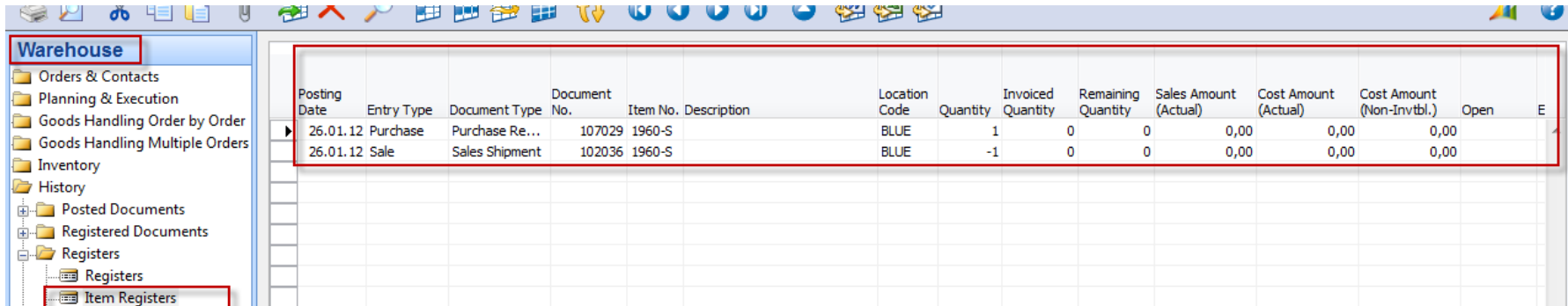Shipment as well as
Item Ledger Entries

Description	Location Code	Quantity	Reserved Quantity	Unit of Measu...	Unit Price Excl. VAT	Line Amount Excl. VAT	Line Disco...	Qty. to Ship	Quantity Shipped	Qty. to Invoice	Quantity Invoiced	Qty. to Assign
▶ ROME Guest Chair, green	BLUE	1		PCS	125,10	125,10			1	1		

Item Ledger Entries

Next step->post Invoice on Sales Order

Post PO – only Invoice

Purchase - Invoice
Page 1

London Postmaster
Mrs. Carol Philips
10 North Lake Avenue
London, N12 5XY
Great Britain

CRONUS, London RC.
Jack S. Richins
Kensington Street, 22
N12 5XY London

Phone No.	+44-999 154642
Fax No.	+44-999 154625
VAT Reg. No.	GB777777777
Giro No.	888-9999
Bank	World Wide Bank
Account No.	99-99-888

Pay-to Vendor No.   10000

26. January 2012

VAT Registration No.	895741963	Invoice No.	108028
Purchaser	Richard Lum	Order No.	106024
		Posting Date	26.01.12
		Due Date	31.01.12
		Prices Including VAT	No

No.	Description	Quantity	Unit of Meas	Direct Unit Cost	Disc. %	Allow Invoice Disc.	VAT Identifier	Amount
1960-S	ROME Guest Chair, green	1	Piece	97,50		Yes	VAT25	97,50

Total GBP Excl. VAT	**97,50**
25% VAT	24,38
Total GBP Incl. VAT	**121,88**

VAT Amount Specification

VAT Identifier	VAT %	Line Amount	Inv. Disc. Base Amount	Invoice Discount Amount	VAT Base	VAT Amount
VAT25	25	97,50	97,50	0,00	97,50	24,38
Total		97,50	97,50	0,00	97,50	24,38

Payment Terms	Current Month
Shipment Method	Ex Warehouse

Ship-to Address
The Cannon Group PLC
Mr. Andy Teal
192 Market Square
Birmingham, B27 4KT
Great Britain

Entries

General Ledger Entries

26.01.12 I...	103025	6110	Order 1008	S.. N.. R..	-125,10	G..
26.01.12 I...	103025	5610	Order 1008		-31,28	G..
26.01.12 I...	103025	2310	Order 1008		156,38	G..
26.01.12 I...	108028	7110	Order 106024	P.. N.. R..	97,50	G..
26.01.12 I...	108028	5630	Order 106024		24,38	G..
26.01.12 I...	108028	5410	Order 106024		-121,88	G..

Item Ledger Entries

Posting Date	Entry Type	Document Type	Document No.	Item No.	Description	Location Code	Quantity	Invoiced Quantity	Remaining Quantity	Sales Amount (Actual)	Cost Amount (Actual)	Cost Amount (Non-Invtbl.)	Open
31.12.11	Positive A...		START	1960-S		BLUE	136	136	130	0,00	12 597,00	0,00	✔
31.12.11	Positive A...		START	1960-S		RED	32	32	24	0,00	2 964,00	0,00	✔
31.12.11	Positive A...		START	1960-S		BLUE	17	17	17	0,00	1 574,62	0,00	✔
09.01.12	Sale	Sales Shipment	102004	1960-S		RED	-3	-3	0	375,30	-292,50	0,00	
12.01.12	Sale	Sales Shipment	102006	1960-S		RED	-2	-2	0	250,20	-195,00	0,00	
15.01.12	Sale	Sales Shipment	102011	1960-S		RED	-2	-2	0	250,20	-195,00	0,00	
23.01.12	Sale	Sales Shipment	102023	1960-S		RED	-1	-1	0	118,85	-97,50	0,00	
26.01.12	Sale	Sales Shipment	102033	1960-S		BLUE	-1	-1	0	125,10	-92,62	0,00	
26.01.12	Sale	Sales Shipment	102034	1960-S		BLUE	-1	-1	0	125,10	-92,62	0,00	
26.01.12	Sale	Sales Shipment	102035	1960-S		BLUE	-3	-3	0	375,30	-277,87	0,00	
26.01.12	Sale	Sales Shipment	102035	1960-S		BLUE	-1	-1	0	125,10	-92,62	0,00	
26.01.12	Purchase	Purchase Receipt	107029	1960-S		BLUE	1	1	0	0,00	97,50	0,00	
26.01.12	Sale	Sales Shipment	102036	1960-S		BLUE	-1	-1	0	125,10	-97,50	0,00	

Indirect drop shipment using Requisition worksheet
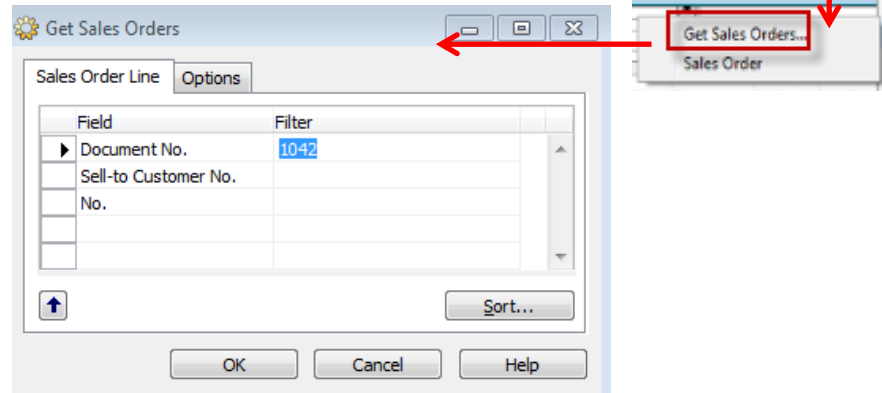

Sales order where two new columns are shown (Purchase Code and Drop Shipment)

Requisition worksheet (Sešit požadavků- for Czech students)
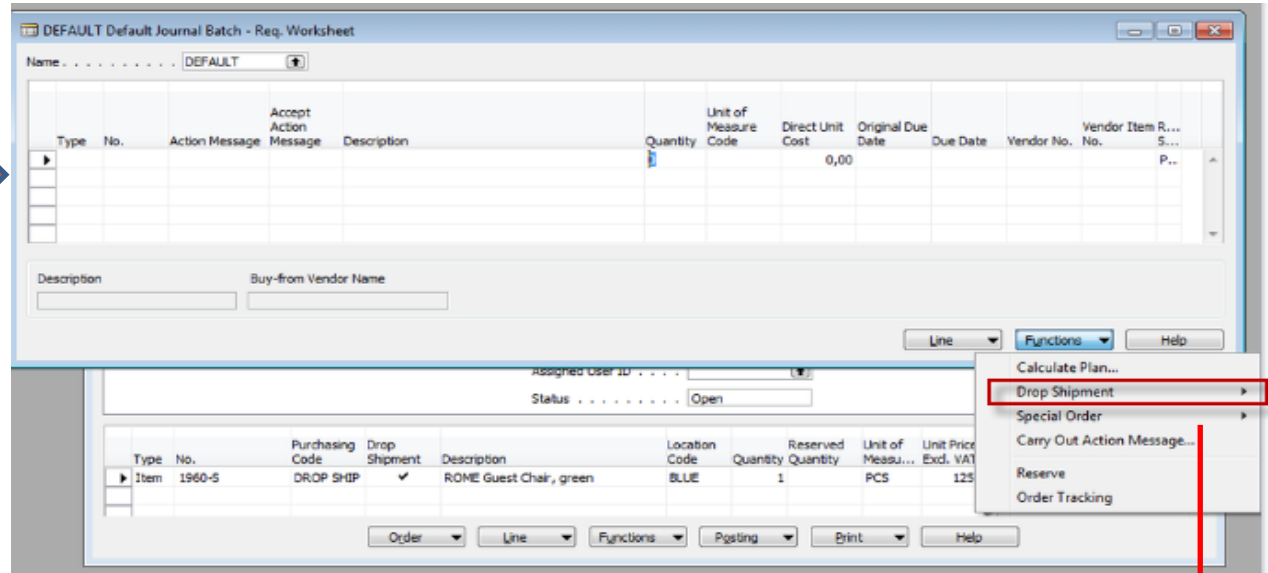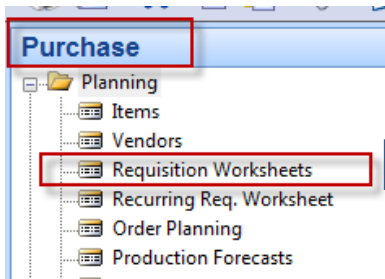
You have to enter number of sales order in question

Requisition worksheet (Sešit požadavků- for Czech students)

Created Purchase order

Delivery from Purchase order (PO)

Purchase order line

Type	No.	Description	Location Code	Quantity	Reserved Quantity	Unit of Measure...	Direct Unit Cost Excl. ...	Line Amount Excl. VAT	Line Disco...	Quantity Received	Qty. to Receive
Item	1960-S	ROME Guest Chair, green	BLUE	1		PCS	97,50	97,50			1

Sales order line : can be accessed directly from **PO- button ->Drop Shipment->Sales order**

Type	No.	Cross-Ref... No.	Description	Location Code	Quantity	Reserved Quantity	Unit of Measu...	Unit Price Excl. VAT	Line Amount Excl. VAT	Quantity Shipped	Line Disc
Item	1960-S		ROME Guest Chair, green	BLUE	1		PCS	125,10	125,10	1	

As you can see, SO lines was automatically updated

Creation of sales invoice from Sales order (SO)

Purchase order

End of the section VII.