ProcessForce User's Guide

Author: Piotr Koszela [CompuTec]
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How to Guide – ProcessForce Subcontracting

Subcontracting is a method of managing "purchase of a service". For example items are sent to the subcontractor to perform a service e.g. painting, heat treatment, annealing.
The service is a part of the production process and there is no change in item code for the parent.

Subcontracting in ProcessForce can be performed using one of the following procedures:

- using Subcontractor type Resource

- creating External type Manufacturing Order

1.1 Subcontractor type Resource

1.1.1 Overview

Subcontracting can be taken into production process by creating subcontractor type Resource, adding to Operation and adding Operation to Routing.

1.1.2   Resources

A resource type may be set as a Subcontractor for a service performed by an external organization.

- Select the resource type Subcontractor. After a selection a number of additional fields are displayed.

- Select the supplier performing the service (Vendor Code and Vendor Name fields)

- Select the item (defined as a non-inventory item and purchased)

- As per resources, define the operation, and add the operation to the route:

1.2 Subcontract Assembly and Free Issue Materials

Overview

To manage the Subcontract Assembly and Free Issue materials process ProcessForce uses the following functions:

- Bill of Material to define the items to be assembled, type External
- Manufacturing Order to manage the inventory issues, receipts and external WIP and WIP Variance journals
- Inventory can be manually picked or backflushed
- Inventory Transfers linked to the Manufacturing Order to move inventory from the main warehouse to subcontractor warehouse
- Purchase Order and Goods Receipt PO for the service based on a Non-Inventory Item, linked to the Manufacturing Order for reference
- Automatic Goods Receipt PO when Subcontract production is booked
- Batch trace items are also managed via manual picking or backflushed based on FIFO, FEFO or FMFO
- Cost analysis planned and actual

Related pages:
- General Ledger Settings
- Master Data Settings
- Process flow

1.2.1 General Ledger Settings

Overview

- Inventory consumed at a subcontractor is accounted for in the same way as production within a manufacturer.

- When inventory is issued and received financial postings occur within an External WIP account, thus providing visibility of the value of production at the subcontractor.

Account Settings

- As per SAP Business One rules, accounts can be set at Warehouse, Item Group and Item level or by using Advanced G/L Account Determination

- At the appropriate level (implementation decision) for the WIP Inventory and Inventory Variance Account, set the account codes for External WIP and WIP Variance

Item Groups - Setup

Item Group Name: SubContracting

Tabs: General | Accounting | ProcessForce

#		Account Code	Account Name
Expense Account - EU	⇨	500005	Raw Materials - Cost of Goods Sold
Revenue Account - Foreign	⇨	410000	Sales Revenue (Foreign) - Product No.1
Expense Account - Foreign	⇨	500005	Raw Materials - Cost of Goods Sold
Exchange Rate Difference	⇨	500200	Materials - Purchase Price Gains
Goods Clearing Account	⇨	130090	Raw Materials Goods Clearing
G/L Decrease Account	⇨	500310	Stock Revaluation Losses
G/L Increase Account	⇨	500300	Stock Revaluation Gain
WIP Stock Account	⇨	131011	External WIP
WIP Stock Variance Account	⇨	131012	External WIP Variance
Expense Clearing Account			
Stock in Transit Account			
Sales Credit Account	⇨	400000	Sales Revenue (Domestic) - Product No.1
Purchase Credit Account	⇨	500005	Raw Materials - Cost of Goods Sold
Sales Credit Account - For	⇨	410000	Sales Revenue (Foreign) - Product No.1
Purchase Credit Account -	⇨	500005	Raw Materials - Cost of Goods Sold
Sales Credit Account - EU	⇨	410000	Sales Revenue (Foreign) - Product No.1
Purchase Credit Account -	⇨	500005	Raw Materials - Cost of Goods Sold

OK | Cancel

- Expense Account has to be set up for Service Items

1.2.2   Master Data Settings

Following settings are required to perform a subcontracting procedure.

Item Master

Subcontract Sub-Assembly Parent
- Create an Item Master for the Subcontract Sub-Assembly parent using the same setting for a normal manufactured item

- Set the default warehouse as the warehouse within the company warehouse

Service to be Purchased
- Create an Item Master for the service.

- Set the Item as follows:

  o Purchase Item

  o Preferred Supplier Code

  o Unit Price or Price List

- On Inventory Data tab set Valuation Method for Standard:

Bill of Material

- Create the Bill of Material for the Sub-Assembly

- Item's can be set as "Manual" and/or "Backflush

- Set the Item's to "Backflush" if you do not want to record the confirmed consumption of inventory from the Subcontractor

- Set the Item's to "Manual" if you want to confirm the consumption of inventory from the Subcontractor, either by the Production Planner confirming the values provided by the Subcontractor or by the Subcontractor entering the values themselves

- Select Type = "External" to indicate this Bill of Material is made externally

- Within the Items Tab, add the Item for the Service to be Purchased

- The Warehouse for the Item, represents the subcontractor warehouse where the inventory is moved to and related inventory transactions performed

- For this Item check the column "Subcontracting Item"

Item Costing

- The Cost of the Subcontracted Sub-Assembly is the total of the Item material costs + the purchase price per unit of the Service to be Purchased

- For the Items which are inventory set the costing records as normal

- For the Item for the Service to be Purchased set the Type to Price List

- Perform the cost roll-up manually or via the cost roll-up function

- Perform the cost roll-over

1.2.3   Process flow

Here you can find a step-by-step guide on how to use subcontracting function by adding Item to Manufacturing Order

On this page
- Create a Manufacturing Order
- Create a Purchase Order for the Service
- Move Inventory Items to Subcontractor Warehouse
- Manually Pick Inventory
- Record Subcontract Production

Create a Manufacturing Order

- Type will default to "External"

- Subcontractor Code (displayed on Others tab) will default from the Item for Purchasing the Service

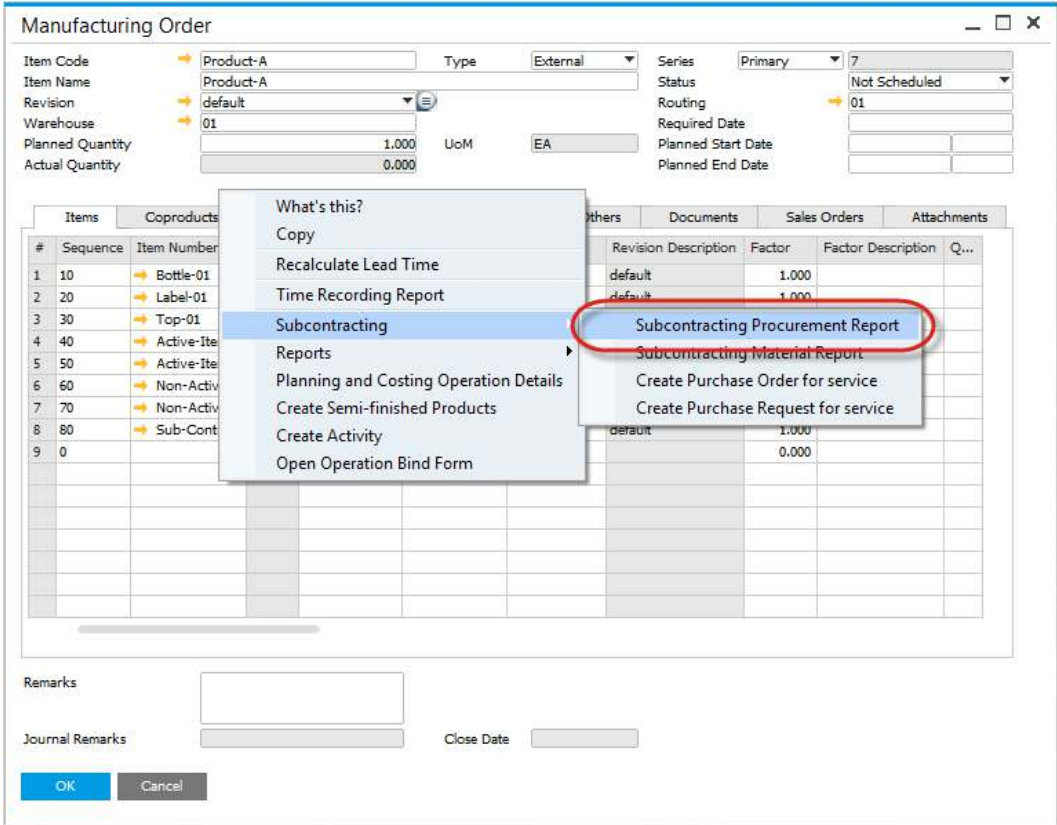## Create a Purchase Order for the Service

Note that you can set automatic generation of Purchase Order or Purchase Order Request for subcontracting after posting Manufacturing Order.

Purchase Order is created
- Supplier Code is defaulted from the Manufacturing Order "Subcontractor Code"

- Manufacturing Order number is copied into the Purchase Order for reference

- Planned Quantity of the Service item is copied into the Purchase Order

- Price of the Item defaults from the SAP Business One Price List

Review related Purchase Orders
- To review related purchase orders select "Subcontracting Procurement Report"

- List of related purchase orders

Move Inventory Items to Subcontractor Warehouse

- Select Transfer All Components to move inventory related to the manufacturing order, and ignore what inventory has already been transferred

- Select Transfer Components to move inventory. If the transaction does not occur this means there is already enough inventory in the subcontractor warehouse to be used for the manufacturing order

Inventory Transfer

- An Inventory Transfer document is created

- Business Partner is defaulted from the Manufacturing Order

- Items and To Warehouse are defaulted from the Manufacturing Order

Batch Number Selection

- If the Item is Batch Traced, have to select the batch to be issued

- If the Item is set to Backflush, ProcessForce will backflush the batches based on the queue definition based on the Item Details i.e. FIFO, FEFO or FMFO

Subcontracting Materials Report

- Select this function to view the Inventory Transfers related to the manufacturing order

Subcontracting Material Report

	Docume...	Doc Date	BP Code	BP Name	Item Code	Source Whs	Destination Whs	Quan...
→	1	25.03.15	→ 00001	ABC Inc	→ Bottle-01	→ 01	→ SubCon	1.000
→	1	25.03.15	→ 00001	ABC Inc	→ Label-01	→ 01	→ SubCon	1.000
→	1	25.03.15	→ 00001	ABC Inc	→ Top-01	→ 01	→ SubCon	1.000
→	1	25.03.15	→ 00001	ABC Inc	→ Active-Ite	→ 01	→ SubCon	0.278
→	1	25.03.15	→ 00001	ABC Inc	→ Active-Ite	→ 01	→ SubCon	0.278
→	1	25.03.15	→ 00001	ABC Inc	→ Non-Acti	→ 01	→ SubCon	0.444
→	1	25.03.15	→ 00001	ABC Inc	→ Non-Acti	→ 01	→ SubCon	0.111

OK

Inventory Data

- The Inventory Transfer will move the inventory from the main warehouse to the subcontractors warehouse

Item Master Data

Item No.	Manual	Active-Item-02		☑ Stock Item
Description		Active-Item-02		☑ Sales Item
Foreign Name				☑ Purchase Item
Item Type		Items ▼		☐ Fixed Asset Indicator
Item Group	→	Items ▼		
UoM Group		Manual ▼	Bar Code	...
Price List		Price List 01 ▼	Unit Price	Primary Curr ▼ GBP 1.00 ...

General	Purchasing Data	Sales Data	Stock Data	Planning Data	Production Data	Properties	Remarks	Attachments

Set G/L Accounts by   Warehouse ▼   ☐ Manage Stock by Warehouse

                                          Stock Level

UoM Name   KG   Required (Purchasing UoM)
Weight   Minimum
                              Maximum

Valuation Method   Standard
Item Cost

#	Whse Code	Whse Name	Locked	In Stock	Committed	Ordered	Available	Item Cost	W
1	→ 01	**General Warehouse**	☐	**994.166**	**14.445**		**979.721**	**3**	
2	→ SubCon	Subcontractor	☐	0.278			.278		
3			☐						
				994.444	14.445		979.999		

Set Default Whse

OK   Cancel

Manually Pick Inventory

Recording Inventory Usage

- To manage the inventory issued by the subcontractor, select the Issues and Receipts menu, Issue to Production

Pick Order

- Enter the amount of inventory consumed

- Business Partner is copied from the Manufacturing Order

- The Warehouse is the source warehouse for the inventory reduction

- The External WIP account code will be used for the journal posting

Batch Number Selection

- If the item is managed by batches select the batch number

Create the Production Issue

- This will create the SAP Goods Issues document and the financial posting

Journal Entry

- The Journal Entry will be posted with the inventory value posted to External WIP

Record Subcontract Production

- Select the Receipt from Production function to record the finished production

Pick Receipt

- Enter the quantity produced by the subcontractor

- Business Partner defaults from the Manufacturing Order

- External WIP account defaults from the SAP Business One settings/configuration

- Production Receipt is created

- SAP Goods Receipt is created and the corresponding financial postings

Purchase Order Goods Receipt

- On completing the Receipt from Production process, a Goods Receipt PO is automatically created for the Subcontract Service Purchase Order

- The Goods Receipt PO document is recorded within the Documents Tab for reference

- A Journal Entry for the Service Item is also created
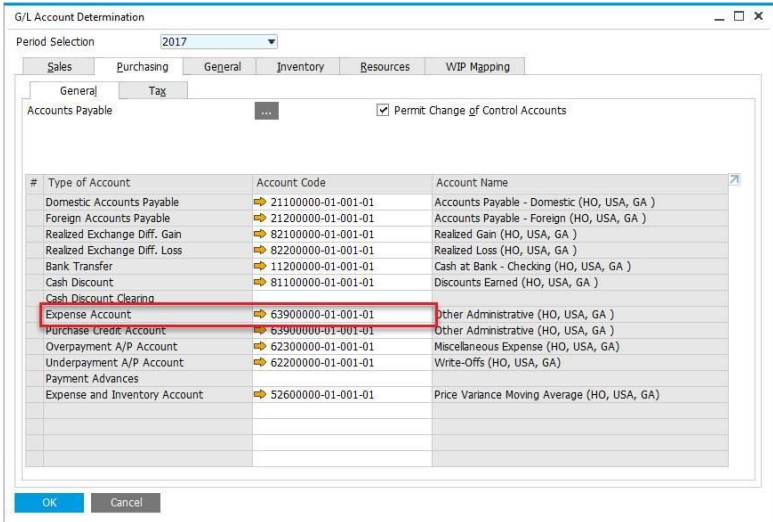
CompuTec S.A.
ul. Sikorskiego 9
66-200 Swiebodzin
Poland

tel. + 48 68 38 188 00
fax + 48 68 38 188 20
www.computec.pl
info@computec.pl

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