

# MODULE 1: SALES ORDER MANAGEMENT

## Module Overview

For companies to survive, they must keep customers satisfied. Therefore, a quick and accurate response to inquiries, such as the price of a product or the expected delivery date of a shipment, is important to the sales process. So, too, is the capacity to reserve inventory for a customer.

Handling special customer requests for shipping arrangements and invoicing preferences also contributes to good relationships with customers. Typical examples of these requests include the following:

- Partial shipments or shipments to different addresses
- Shipping items directly from vendors to customers (drop shipments)
- Receipt of orders before they are invoiced
- Combine several shipments into one invoice

When aspects of a future sales agreement are negotiated and agreed upon in advance, it is helpful for the salesperson to record relevant agreement details one time, in a blanket sales order. This information can then be reused to create actual sales orders at a later date. If credit is an issue, it might be important to collect payments from customers before their orders are shipped.

Companies must also make sure that they register all sales transaction information. For example, the item inventory and customer's account receivable balance must always be updated when a sale is processed. Additionally, companies may want to record the salesperson involved in the sale.

Microsoft Dynamics® NAV addresses all these needs through the following features:

- Full visibility of all pricing, availability, and delivery information
- Smooth transitions from sales quotes and blanket sales orders to sales orders
- A robust inventory reservation system
- Flexible prepayment, shipping, and invoicing options, including drop shipments
- Automatic registration of all transaction information, with high levels of data integration between sales and the supply chain

Before starting the lessons in this module, set your work date to January 23, 2014.

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**Note:** All procedures, demonstrations, and labs in this training material should be completed in sequence for modules one to six, and for modules seven to ten (the database is reset for module seven).

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## Objectives

The objectives are:

- Review the setup of Sales Order Management. This includes customers, shipping options, reservation rules, customer posting groups, and salespeople.
- Explain and process sales quotes and blanket sales orders, and review sales order information.
- Describe how to reserve items on a sales order.
- Explain how to post a sales order shipment.
- Describe and show how to combine shipments into one invoice.
- Explain and demonstrate the drop shipment process.
- Show how to process prepayments on a sales order.

# Set Up Sales Order Management

This lesson describes the setup options for Sales Order Management. It focuses on the physical aspects of the sales transactions instead of the financial aspects.

Financial setup issues are addressed in more detail in the *Finance Essentials in Microsoft Dynamics NAV 2013* course.

Setup options that support additional sales practices and tasks (for example, sales and invoice discounts and returns management) are discussed in separate modules in this training material.

Sales Order Management setup consists of the following elements:

### ***Sales & Receivables Setup***

Based on their established practices, companies must specify how they want the program to support their management of sales transactions. These are general setup options that apply to all sales transactions, regardless of the item or customer.

### ***Customer Setup***

Multiple addresses, shipping options, and reservation rules are all defined on the customer card. These settings help companies make sure that they meet the delivery expectations of their customers.

### ***Customer Posting Groups***

The setup of customer posting groups defines the connection between customers and accounts in the general ledger. To achieve this, you create customer posting groups, link them to balance sheet and income statement accounts, and then assign these posting groups to individual customers.

### ***Salesperson Setup***

Companies can set up codes to identify and describe salespeople. These codes can then be linked to customers and sales transaction documents to measure sales performance.

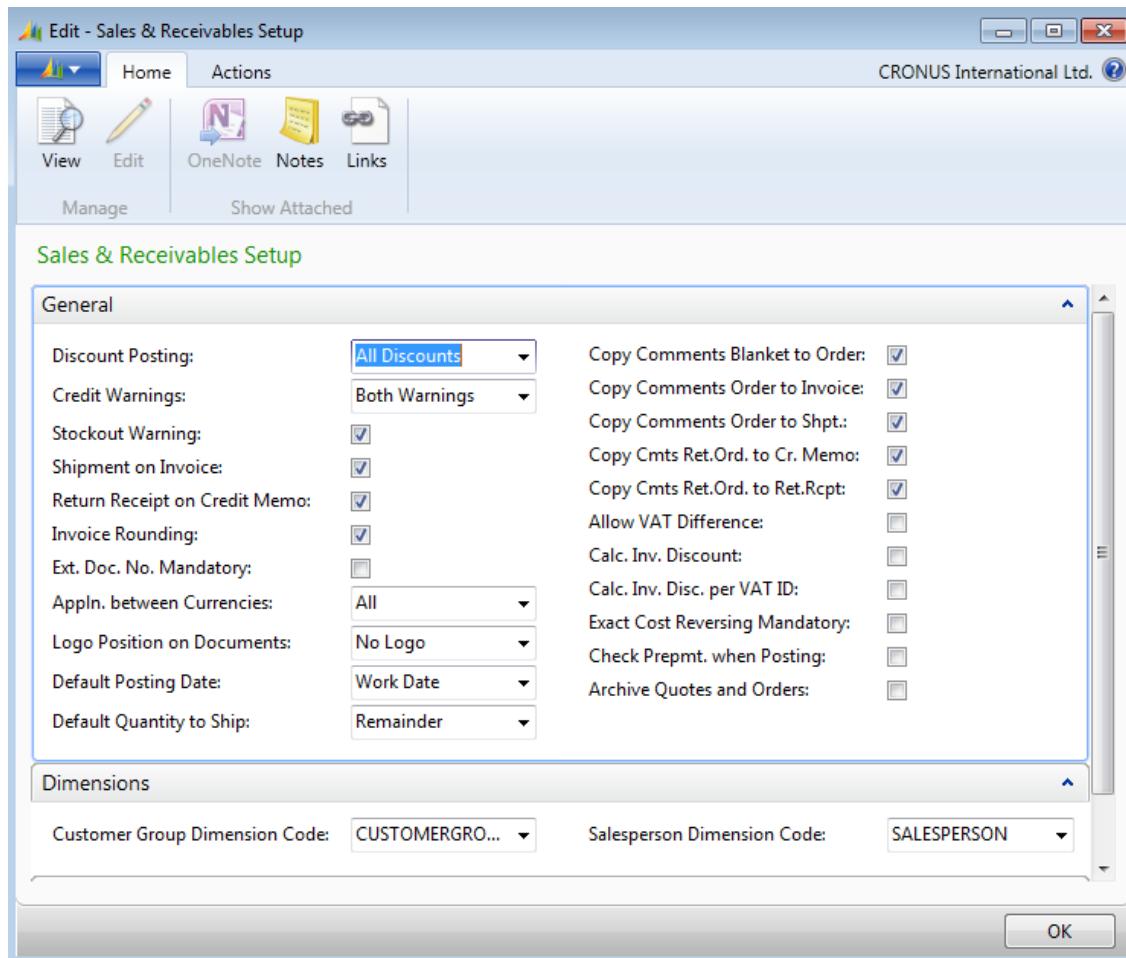
## **Review Sales & Receivables Setup**

**Scenario:** At CRONUS International Ltd., management wants to notify the order processor about a customer's credit and balance every time that the customer places an order. Because management wants to make sure that orders are delivered on time, they also want feedback on item availability when a sales order is entered.

## Trade in Microsoft Dynamics® NAV 2013

For shipping, CRONUS wants the **Qty. to Ship** field on a sales order line to populate automatically with the remaining, unshipped quantity, and requires the creation of shipment and return receipt documents when you posts invoices, credit memos, or both.

To open the **Sales & Receivables Setup** page for CRONUS, enter "sales & receivables setup" in the **Search** box, and then select the related link.



**FIGURE 1.1: SALES & RECEIVABLES SETUP**

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The fields on the **General** FastTab of the **Sales & Receivables Setup** page that are relevant to Sales Order Management are described in the following table.

Field	Description
<b>Credit Warnings</b>	Specifies whether the program warns you about the customer's credit standing when you create a sales order or invoice. When it is required, the warning can be triggered by an overdue balance, exceeded credit limit, or both.
<b>Stockout Warning</b>	Determines whether the program warns you when a sale will result in negative inventory for an item. The warning is based on a calculation that includes all posted item entries plus sales order lines that are not yet posted.
<b>Shipment on Invoice</b>	Specifies whether the program automatically creates a posted shipment document when a sales invoice is posted. If this check box is clear, the program does not create the additional document.
<b>Return Receipt on Credit Memo</b>	Specifies whether the program automatically creates a return receipt document when a sales credit memo is posted. If this check box is clear, the program does not create the additional document.

Field	Description
<b>Default Quantity to Ship</b>	Sets the default value that is entered in the <b>Qty. to Ship</b> field in the sales order lines and in the <b>Return Qty. to Receive</b> field in the sales return order lines. The options are <b>Remainder</b> and <b>Blank</b> . The default applies both when a new order is created and after an existing order is partially posted. The <b>Blank</b> option is used when a company wants to force employees to explicitly input the actual quantity to ship instead of providing a default quantity that the employee might accept without verification.
<b>Check Prepm. when Posting</b>	Determines whether you can ship and invoice an order that has an unpaid prepayment amount.
<b>Archive Quotes and Orders Field</b>	Specifies whether to automatically archive sales quotes and sales orders when a sales quote/order is deleted.

Use the fields on the **Dimensions** FastTab to group customers and salespeople for budgeting and sales analysis purposes. For more information, refer to "Analysis and Reporting" in this training material.

The definition and setup options of all other fields on the **General** and **Numbering** FastTabs of the **Sales & Receivables Setup** page are available in online Help. Fields that determine the invoice discount setup and the cost reversal options are described in "Sales Prices and Discounts" and "Returns Management" in this training material.

## Customer Ship-to Addresses and Shipping Options

The customer card and the types of information that can be recorded on it are explained in other courses and are not repeated here. This topic explains additional setup options for customer address information, shipping processes, and item reservation rules.

Customers frequently have alternative shipping addresses in addition to a main business address. For example, a subcontractor might require deliveries to several construction sites, or a manufacturing company might have different warehouse and production locations.

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The alternative ship-to functionality accommodates customers with more than one address. These additional locations can be defined as ship-to addresses and selected by the order processor when he or she creates an order/invoice.

Customers can also have shipping preferences, such as the following:

- Shipping advice (whether the customer accepts partial orders)
- Shipment method (next-day delivery, customer pick up, and so on)
- Shipping agents (FedEx, UPS, and so on)
- Whether shipments can be combined

These options are set in the **Shipping** FastTab of the customer card.

Companies might have to record additional shipping-related information about customers. This information can consist of the default location that will be used to ship the customer's orders, and whether inventory should be reserved on behalf of the customer. These settings are also on the **Shipping** FastTab of the customer card.

### Procedure: Review Ship-to Addresses

To review the ship-to addresses set up for customer 10000, follow these steps.

1. In the **Search** box, enter "customers", and then select the related link.
2. Open the customer card for customer 10000.
3. On the **Home** tab, click **Ship-to Addresses**.
4. Double-click any line to review the address details.

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 **Note:** When the code for a ship-to address is selected in the **Ship-to Code** field on orders, invoices, or credit memos, the associated ship-to information appears on document printouts. Ship-to codes are also available on purchase orders that are drop-shipped to a customer.

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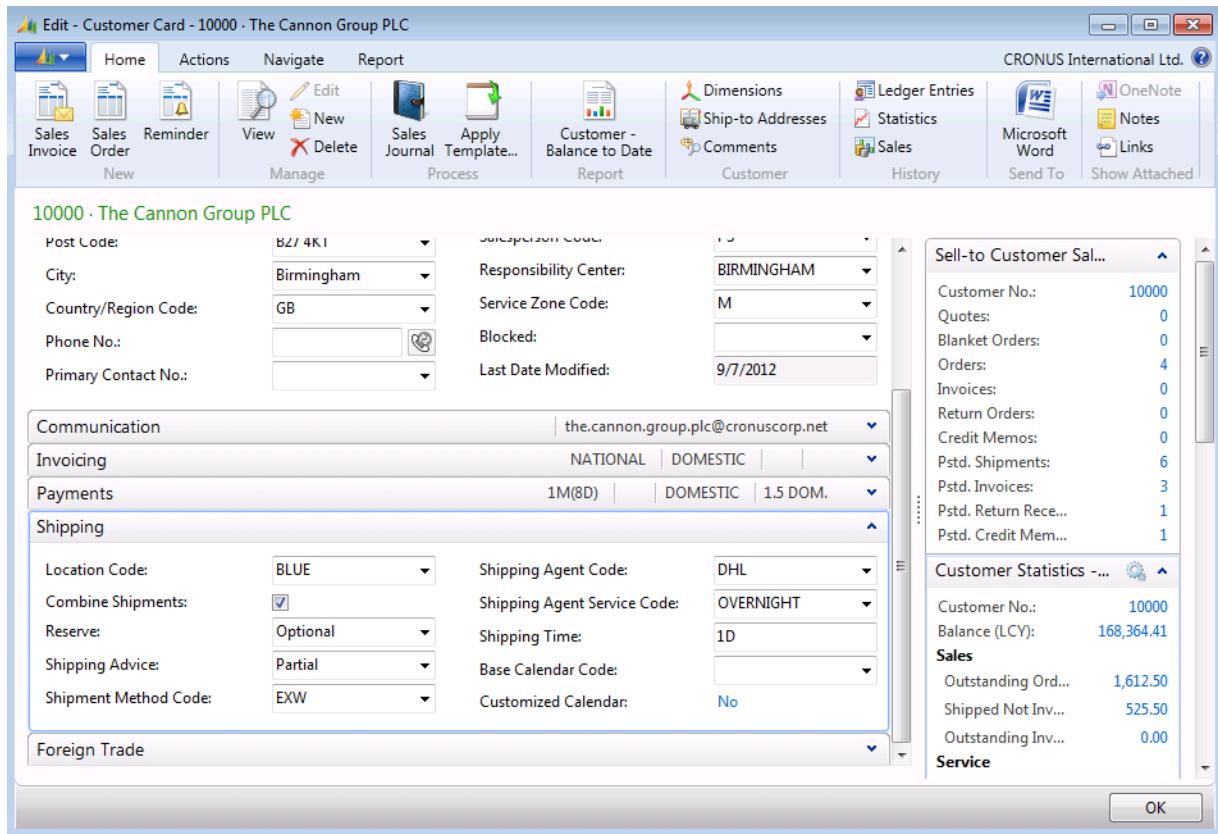
All other shipping setup options are located on the **Shipping** FastTab of the customer card.

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## Procedure: Review Shipping Fields

This is a continuation of the "Review Ship-to Addresses" procedure.

On the customer card for customer 10000, expand the **Shipping** FastTab.



**FIGURE 1.2: CUSTOMER CARD FOR CUSTOMER 10000 THAT HAS THE EXPANDED SHIPPING FASTTAB**

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The fields in this FastTab that are relevant to Sales Order Management are described in the following table.

Field	Description
<b>Location Code</b>	Links a customer to a default location for shipping. Companies can use a decentralized distribution strategy to make sure that orders are delivered quickly to their customers. Such a strategy can require customer orders to ship from specific warehouses instead of from a central location.
<b>Combine Shipments</b>	Determines whether multiple shipments or return receipts can be combined on one invoice or credit memo. By default, if you select it on the customer card, then the check box is selected in the order header, but you can change it as needed.  The <b>Combine Shipments</b> batch job combines posted, uninvoiced shipments into one or multiple invoices. It does this only for shipments with Combine Shipments selected in the shipment header (a setting inherited from the order header that inherits the setting from the customer card). The <b>Combine Return Receipts</b> batch job performs a similar function by combining uninvoiced return receipts into one or multiple credit memos, and is also dependent on the Combine Shipments setting.

Field	Description
<b>Reserve</b>	<p>Determines whether item reservations can be made on a customer's behalf. The choices are as follows:</p> <ul style="list-style-type: none"> <li>• Never</li> <li>• Optional (user can manually reserve on each specific transaction)</li> <li>• Always (items are reserved automatically on every order for this customer)</li> </ul> <p>The selected option copies to the <b>Reserve</b> field on the header of a sales document created for the customer. Then, in combination with the setting of the <b>Reserve</b> field on the item card, it determines the reservation option for individual sales lines in the document (generally, the setting on the item card takes precedence).</p>
<b>Shipping Advice</b>	<p>Indicates whether the customer accepts partial order shipments or wants only complete shipments. If it is set to Complete, the program will not allow for the posting of a sales order unless the <b>Qty. to Ship</b> field is equal to the total sales order quantity.</p>
<b>Shipping Method Code</b>	<p>Depending on their profile, business practices, and location, customers can have different preferences as to who (a customer or a supplier) picks up the shipment, how orders must be shipped, and so on. The program can record all the shipment methods that can be associated with each customer, typically based on standard international trade definitions.</p> <ol style="list-style-type: none"> <li>1. In the <b>Shipment Method Code</b> field, click the drop-down arrow and then click <b>Advanced</b> to view the available list of shipment methods. When assigned to a customer, the shipment method code copies to sales documents for that customer.</li> <li>2. Close the <b>Shipment Methods</b> page.</li> </ol>

The shipping setup options in the **Shipping Agent Code**, **Shipping Agent Service Code**, and **Shipping Time** fields, and the two calendar fields on the **Shipping** FastTab of the customer card, calculate shipment and delivery dates for sales documents. These setup options are described in "Order Promising" in this training material.

Refer to the online Help for more information about the fields on the **Shipping** FastTab.

### Customer Posting Groups

The financial value of a sales transaction must post to designated accounts in the general ledger. When companies do not want to establish accounts for each customer, they can put several customers into one posting group and specify accounts for the group.

After the company decides how customers are grouped, it must set up the groups in the **Customer Posting Group** page.

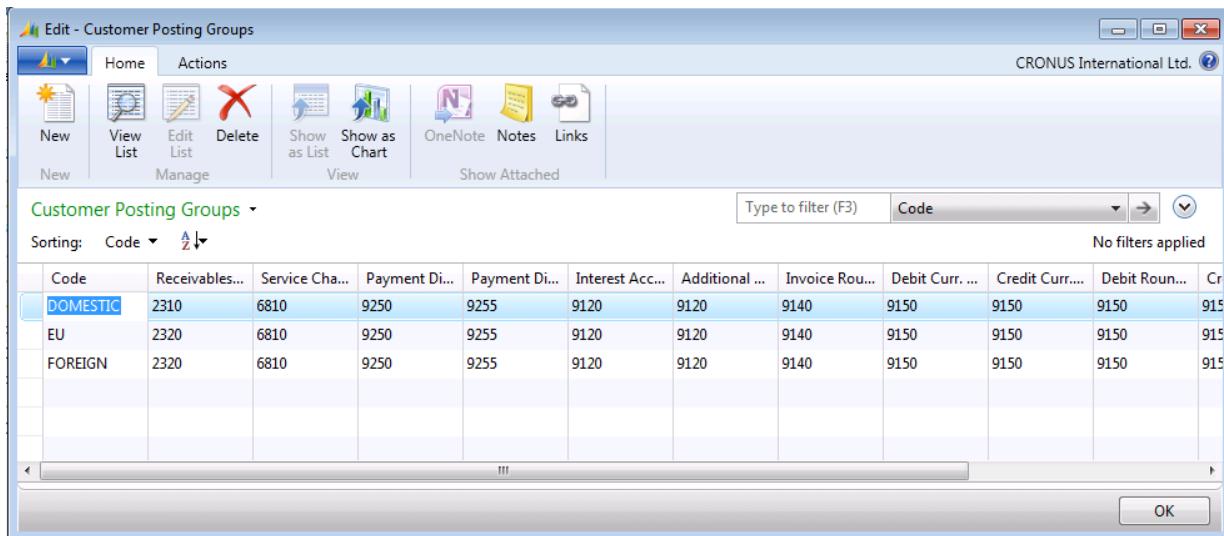
In this page, you can assign a code to each posting group and specify general ledger accounts for different categories, such as the following:

- Receivables
- Service charges
- Payment discount amounts
- Interest
- Additional fees

## Procedure: Review Customer Posting Groups

To review the customer posting group set up for customer 10000, follow these steps.

1. In the **Search** box, enter “customer posting groups”, and then select the related link.



**FIGURE 1.3: CUSTOMER POSTING GROUPS**

2. Notice the three customer posting groups (DOMESTIC, EU, FOREIGN) and the accounts set up for each.
3. Close the **Customer Posting Groups** page.
4. In the **Search** box, enter “customers”, and then select the related link.
5. Open the customer card for customer 10000, and then expand the **Invoicing** FastTab.
6. Confirm that DOMESTIC is selected in the **Customer Posting Group** field.

Each customer can only be assigned one customer posting group. The general ledger accounts associated with this posting group are used when you post a sales transaction (order, invoice, or credit memo) involving the customer.

In the demonstration company, CRONUS, the three customer posting groups use the same general ledger accounts, but, in practice, the accounts can vary. An advantage of having the same accounts associated with different posting groups is that it gives accountants the flexibility to group customers for reporting and analysis. For example, you can present and analyze a total receivables amount with two customer posting groups, one that represents domestic customers, and another that represents foreign customers.

 **Note:** You must also assign a general business posting group to each customer. Use the general business posting group in combination with a general product posting group in the general posting setup to specify the general ledger accounts to which certain transactions post. You can also assign the value-added tax (VAT) business posting group code. It is used in combination with a VAT product posting group to find the VAT percentage, VAT calculation type, and VAT general ledger accounts to which the program posts VAT amounts. For more information about general setup rules, refer to the Application Setup in Microsoft Dynamics NAV 2013 course.

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### Procedure: Set Up Salespeople

When companies want to monitor sales performance, they can link salespeople to customers and to sales transaction data to produce the required statistics.

To set up salespeople, follow these steps.

1. In the **Search** box, enter "salespeople", and then select the related link.
  2. Click **New** to create a new salesperson.
  3. Enter a code, name, and other details such as job title, commission percent, and dimensions.
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 **Note:** Other than the two default dimensions (department and project) found on the **Invoicing** FastTab of the salesperson/purchaser card, companies can also assign additional default dimensions to salespeople. You can do this for a single salesperson or the whole group. This setup option can be accessed either on the **Salespeople** page or the salesperson/purchaser card by selecting the **Navigate** tab, and then clicking **Dimensions**.

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Selecting a salesperson code on the customer card or directly in the sales documents makes sure that sales statistics are created at the salesperson level. These statistics can then be used to analyze salesperson performance. The salesperson code can also be used as a filter in reports.

## Manage Sales Transactions

This lesson describes how to perform common sales transaction tasks. These tasks include the following:

- Create a sales quote for a customer
- Register a blanket sales order with a customer
- Convert the sales quote or blanket sales order into a sales order
- Create a sales order directly

In some environments, items sold to a customer are delivered directly from the vendor and they bypass the company's inventory. To manage this, the program offers drop-shipment functionality. Additionally, you can create special orders that link purchases to sales. For more information about special orders, refer to "Customer Service Features" this training material. For more information about drop shipments, how to reserve goods for a sales order line, and how to post sales orders, refer to some of the other lessons in this module.

### Sales Quotes

Contacts, potential customers, or existing customers can request a sales quote before agreeing to a sales order. This can be caused by the nature of the product, because they have not traded with the company before, or because they want to negotiate a better price.

A sales quote can be used as a preliminary draft of an order that specifies item descriptions, the price, and other terms of the sale. The sales quote document in Microsoft Dynamics NAV is a flexible tool. It does not require existing customer information and it can be converted into a sales order or archived for future transactions.

### Demonstration: Create and Convert a Sales Quote

**Scenario:** A representative from customer 10000 calls Susan, the order processor at CRONUS, for a quote for 100 units each of items 70010 and 70011.

#### Demonstration Steps

To create the sales quote for customer 10000, follow these steps.

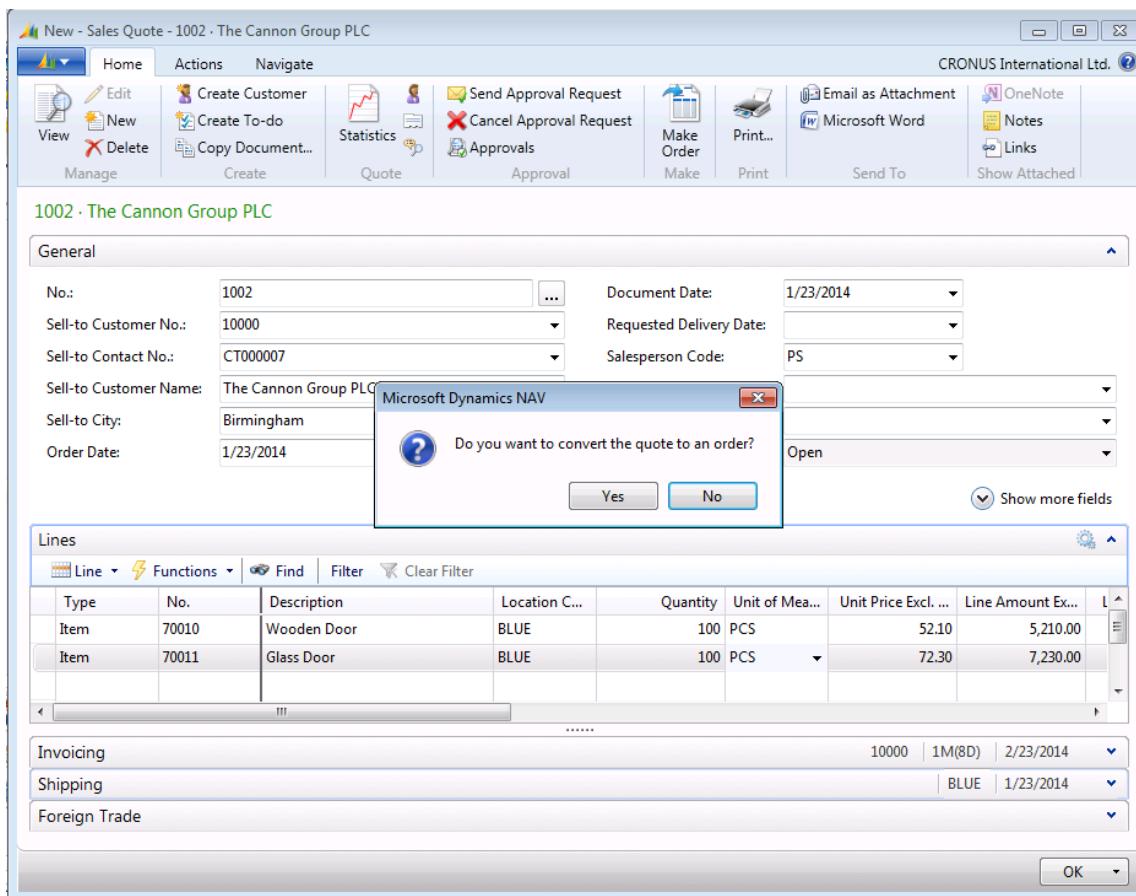
1. In the **Search** box, enter "sales quotes", and then select the related link.
2. On the **Home** tab, click **New** and then press **Enter** to assign a number.

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3. On the **General** FastTab, in the **Sell-to Customer No.** field, enter "10000". Many fields will populate in the quote header. The **Salesperson Code** field contains the default code for the salesperson assigned to customer 10000. This code and the other customer details are retrieved from the customer card.
4. On the **Lines** FastTab, in the **Type** field, select Item.
5. In the **No.** field, enter "70010".
6. In the **Quantity** field, type "100".
7. On the next line, in the **No.** field, enter "70011".
8. In the **Quantity** field, type "100".

To convert the quote to a sales order, follow these steps.

1. On the **Home** tab, click **Make Order**.



**FIGURE 1.4: SALES QUOTE FOR CUSTOMER 10000**

2. Click **Yes** to convert the quote to an order.
3. Click **OK** to close the message that states that the quote is changed to an order.



**Note:** When a quote is converted to an order, the quote is deleted. The quote number is copied to the **Quote No.** field of the sales order, and the quote document is then removed from the database.

## Procedure: Archive a Sales Quote

If a sales quote does not result in an order, or if you want to keep quote history, you can archive it. To archive the quote instead of converting it to an order, follow these steps.

1. Repeat the first set of steps (steps 1 through 8) in the "Create and Convert a Sales Quote" demonstration.
2. On the **Actions** tab, click **Archive Document**.
3. Click **Yes** to archive the quote.
4. Click **OK** to close the message confirming that the quote is archived.

An archived quote can be quickly restored if the customer returns to make the purchase.

## Blanket Sales Orders

A blanket sales order represents a framework for a sales agreement between the company and a customer. Typically, it involves one item with multiple shipments at predetermined quantities, price(s), and delivery dates.

The order processor creates a blanket sales order when the customer commits to purchase one item in a large quantity that will be delivered in several shipments over time. Each shipment can be set up as an order line. This can then be converted to a sales order at the time of shipping.

Quantities on a blanket sales order do not affect item availability, but can be used as part of the forecasting and planning process.

## Demonstration: Create a Blanket Sales Order

**Scenario:** Customer 10000 has informed Susan, the order processor at CRONUS, that they require 1000 units of item 70040, in February, 2014. The customer has requested that the 1000 units be divided into four shipments of 250 units each. The first shipment will be delivered on February 01, 2014, and the remaining shipments delivered at one week intervals afterward.

Susan immediately recognizes this as a blanket sales order.

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### Demonstration Steps

To create the blanket sales order for customer 10000, follow these steps.

1. In the **Search** box, enter "blanket sales orders" and then select the related link.
2. On the **Home** tab, click **New** and then press **Enter**.
3. On the **General** FastTab, in the **Sell-to Customer No.** field, enter "10000".
4. Leave the **Order Date** field blank. When sales orders are generated from a blanket sales order, their order date is set to equal the program's work date.
5. On the **Lines** FastTab, in the **Type** field, select Item.
6. In the **No.** field, enter "70040".
7. In the **Quantity** field, type "250".
8. Set the **Shipment Date** field to February 01, 2014.
9. Repeat steps 5 through 8 to create three more order lines, but increment the shipment date by one week for each additional line (that results in the following dates: February 08, February 15, and February 22, 2014).
10. Notice that the **Qty. to Ship** field fills in automatically on each line. It is this quantity that will be assigned to a sales order generated from the blanket sales order.

To generate a sales order from the first line on the blanket sales order, follow these steps.

1. Remove the quantity in the **Qty. to Ship** field for lines 2 through 4. Leave the **Qty. to Ship** field unchanged at 250 for the first line.
2. On the **Home** tab, click **Make Order**.
3. Click **Yes** to make the order.
4. Click **OK** to close the message that states that an order is created from the blanket order. Notice that the blanket sales order is not deleted.

The program keeps the link between the blanket sales order and the sales order. You can use this link to view unposted and posted sales order (invoice) lines.

To open the sales order, follow these steps.

1. On the **Lines** FastTab of the blanket sales order, make sure that the first line is still selected.
2. Point to **Line**, then to **Unposted Lines**, and then click **Orders**.
3. On the **Home** tab of the **Sales Lines** page, click **Show Document**.

The following details apply to a sales order generated from a blanket sales order:

- The sales order line quantity must not exceed the quantity of the associated blanket sales order line. Otherwise, posting of the sales order will not be allowed.
- When the sales order posts as shipped and, or invoiced, the program updates the **Quantity Shipped** and **Quantity Invoiced** fields on the related blanket sales order.
- The program records the blanket sales order number and line number as properties of the sales order line(s) when the sales order is generated from a blanket sales order.
- When a sales order is not created directly from the blanket sales order but still relates to it, you can establish a link between a sales order and a blanket sales order by entering the associated blanket sales order number in the **Blanket Order No.** field on the sales order line.
- After a sales order(s) is created for the total quantity of a blanket sales order line, the program makes sure that no additional sales orders are generated for the same line by preventing users from entering a quantity in the blanket order line's **Qty. to Ship** field. However, if additional quantities must be added to a blanket sales order, the value in the **Quantity** field can be increased and additional orders can then be created.
- Even after all the sales orders that are generated from a blanket sales order are invoiced, the blanket sales order remains in the system until it is deleted (either by deleting it manually or by running the **Delete Invd Blnkt Sales Orders** batch job).

## Sales Orders

You can manually create sales orders or, as previously demonstrated, they can be generated from sales quotes and blanket sale orders. When you manually create a sales order, it resembles how you create a quote or blanket sales order, except that the **Make Order** function is not necessary.

This topic provides an overview of the relevant fields on the **General**, **Shipping**, and **Lines** FastTabs on the sales order. Refer to the online Help for more information about these or other sales order fields. This topic also includes information about item tracking and warehousing.

### **General FastTab**

The values for some fields on the **General** FastTab, such as all the sell-to customer and address fields, are copied from the customer card. Additional trade-related fields on this FastTab are described in the following table.

Field	Description
<b>Posting Date</b>	Date the order will post to G/L, customer, and item ledger entries.
<b>Document Date</b>	Date the order is created. This date is used to calculate the customer's payment due date and finance charges.
<b>Order Date, Requested Delivery Date, and Promised Delivery Date</b>	Shipping-related dates. Refer to "Order Promising" in this training material for more information.

Field	Description
<b>Status</b>	<p>Indicates whether the order is still open, released, pending approval, or pending prepayment:</p> <ul style="list-style-type: none"> <li>• <b>Open:</b> Implies that it might still change and it is not released to the next stage of processing, such as warehouse tasks. Batch posting can be set up to post only released orders, and this separates the order entry and the posting tasks.</li> <li>• <b>Released:</b> Indicates that the order is ready for the next stage of processing. Information (price, currency, quantity, and so on) in the released order cannot be changed without reopening the order.</li> </ul> <p>An order can be released in two ways:</p> <ul style="list-style-type: none"> <li>○ Automatically, when a shipment is posted for the order.</li> <li>○ Manually, by using the release function.</li> </ul> <p>Typically, manually releasing an order is used by companies that have a separate warehousing environment.</p> <ul style="list-style-type: none"> <li>• <b>Pending Approval:</b> The order is waiting to be approved.</li> <li>• <b>Pending Prepayment:</b> A prepayment invoice is posted for the document. This invoice must be paid before the order can ship.</li> </ul> <p> <b>Note:</b> The order document status is not connected to the availability calculations for the item on the order. Although an order is not yet released, it is still included in availability calculations.</p>

### **Lines FastTab**

The **Lines** FastTab contains the details about what is being sold and, or charged, to the customer. The trade-related fields on this FastTab are described in the following table.

Field	Description
<b>Type</b>	<p>The type of transaction, which is defined by one of the following options:</p> <ul style="list-style-type: none"><li>• G/L Account</li><li>• Item</li><li>• Resource</li><li>• Fixed Asset</li><li>• Charge (Item)</li></ul> <p>The line type Item represents a sale of physical goods. Sales defined by G/L Account, Resource, and Fixed Asset type are addressed in the <i>Finance Essentials in Microsoft Dynamics NAV 2013</i> course. Transactions of a Charge (Item) type are explained in "Item Charges" in this training material.</p>
<b>No.</b>	Identifies the specific instance of the type that is involved in a transaction (for the G/L Account type, a general ledger account number; for the Item type, and item number; and so on).
<b>Location Code</b>	Indicates which of the company's locations will be used to ship the order line. Inventory warnings and item availability are both affected by this selection.

Field	Description
<b>Quantity</b>	<p>The order line quantity. Also the quantity used by the program to check for sufficient inventory to fulfill the sales order from the selected location. If there is insufficient inventory, the program gives a stockout warning if the <b>Stockout Warning</b> check box is selected in the <b>Sales &amp; Receivables Setup</b> page. The program's method of calculating item availability is explained in the <i>Inventory Management in Microsoft Dynamics NAV 2013 (HOL)</i> course.</p> <hr/> <p> <b>Note:</b> <i>The program supports the practice of creating sales lines with a negative quantity. A negative sales line implies a reverse transaction to the sales document. A negative line on a sales order means a sales return.</i></p> <hr/>
<b>Unit of Measure Code</b>	<p>The unit of measure defined for the <b>Quantity</b> field (pieces, boxes, and so on). The program automatically populates <b>the Unit of Measure Code</b> field based on the <b>Sales Unit of Measure</b> field on the item card. You can use the unit of measure to check item availability, determine the unit price amount, and to validate if any alternative prices, line discounts, or both, exist for the order line based on the unit of measure.</p>

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Field	Description
<b>Unit Price</b>	<p>The price that is applied to each item that is being sold on the order line (in the unit of measure specified by the <b>Unit of Measure Code</b> field).</p> <p>The program automatically populates the unit price from the <b>Unit Price</b> field of the item card, or from the alternative sales price that applies to a combination of item and customer. The setup options and the alternative sale prices functionality are addressed in "Sales Prices and Discounts" in this training material.</p> <p>When companies sell to retail consumers, they might want the sales document prices to include VAT information when they are printed. For this option to be available, the <b>Prices Including VAT</b> check box must be selected on the <b>Invoicing</b> FastTab on the sales document. If the check box is clear, both the unit price and the line amount exclude VAT amounts, and the field names reflect this choice.</p> <p>Refer to the <i>Finance Essentials in Microsoft Dynamics NAV 2013</i> course for more information about VAT functionality.</p>

## **Shipping FastTab**

The fields on the **Shipping** FastTab provide detailed shipping information. The values in these fields are copied from the customer card.

The trade-related fields on the **Shipping** FastTab are described in the following table.

Field	Description
<b>Ship-to Code (and related ship-to fields)</b>	Alternative ship-to address for the customer.
<b>Location Code</b>	Indicates which of the company's locations will be used to ship the order. If a customer is assigned to a default location, this code will be copied from the customer card. If a customer is not assigned to a default location, the company's default location will be used. In either case, you can change the <b>Location Code</b> field directly, if this is necessary.
<b>Shipping Agent Code, Shipping Agent Service Code, Shipping Time, and Package Tracking No.</b>	The <b>Shipping Agent Code</b> field identifies the external shipping carrier service that will transport the order. The <b>Shipping Agent Service Code</b> field indicates which of the agent's services will be used for order shipments (such as Standard Delivery, Next Day Delivery, and so on). Each of these services can have a shipping time defined for it. If a shipping time is defined, that time value will be copied into the <b>Shipping Time</b> field when the <b>Shipping Agent Service Code</b> field is changed. The <b>Shipping Time</b> field can also be directly changed. When the carrier picks up the shipment, the assigned package tracking number can be entered in the <b>Package Tracking No.</b> field. This tracking number can be used on the agent's Internet site (specified in the shipping agent's <b>Internet Address</b> field) to access its package tracking system, if it is available.

## Module 1: Sales Order Management

Field	Description
<b>Outbound Whse. Handling Time and Late Order Shipping</b>	Shipping-related calculations and notices. Refer to "Order Promising" in this training material for more information.

### ***Item Tracking and Warehousing***

For many companies, registration of a sales order must also include information that is related to inventory management, such as item serial/lot numbers and physical locations in a warehouse (bin codes). These aspects of a sales transaction are more directly related to a company's internal processes than customer interactions. These internal processes are addressed in the *Inventory Management in Microsoft Dynamics NAV 2013 (HOL)* course.

## Lab 1.1: Create and Convert a Blanket Sales Order

### Scenario

You are the order processor at CRONUS. Customer 20000 orders 1200 units of item 70003. The customer requests that 300 units be delivered every week in February, starting on February 01, 2014. The delivery is to be shipped from the BLUE location to the customer's subsidiary in Manchester.

After converting the first blanket sales order line to a sales order, open the sales order and assign FEDEX as the shipping carrier.

### High Level Steps

1. Create the blanket sales order for customer 20000 for 1200 units of item 70003, to be shipped as specified in the scenario.
2. Create the sales order for the first shipment.
3. Update the shipping information on the sales order to indicate another ship-to address and assign FEDEX as the shipping agent.

### Detailed Steps

1. Create the blanket sales order for customer 20000 for 1200 units of item 70003, to be shipped as specified in the scenario.
  - a. In the **Search** box, enter "blanket sales orders", and then select the related link.
  - b. On the **Home** tab, click **New** and then press **Enter**.
  - c. On the **General** FastTab, in the **Sell-to Customer No.** field, enter "20000".
  - d. Leave the **Order Date** field blank.
  - e. Expand the **Shipping** FastTab.
  - f. In the **Ship-to Code** field, select MANCHESTER.
  - g. Enter four sales lines on the **Lines** FastTab by using the following information:
    - i. In the **Type** field, select Item.
    - ii. In the **No.** field, enter "70003".
    - iii. In the **Quantity** field, type "300".
    - iv. Set the **Shipment Date** field to February 01, 2014 for the first line, and then increment the date for each line that follows by one additional week (February 08, 2014, February 15, 2014, and February 22, 2014).

## Module 1: Sales Order Management

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2. Create the sales order for the first shipment.
  - a. In the **Qty. to Ship** field, leave the value of 300 for the first line, and delete the Qty. to Ship values in the other three lines.
  - b. On the **Home** tab, click **Make Order**. Click **Yes** to create the order, and accept any other messages.
  - c. Click **OK** on the confirmation message.
3. Update the shipping information on the sales order to indicate another ship-to address and assign FEDEX as the shipping agent.
  - a. Select the first line in the blanket sales order. On the **Lines** FastTab, point to **Line**, then to **Unposted Lines**, and then click **Orders**.
  - b. On the **Home** tab of the **Sales Lines** page, click **Show Document**.
  - c. Expand the **Shipping** FastTab.
  - d. If the **Shipping Agent Code** field is not visible, use the **Show more fields** function.
  - e. In the **Shipping Agent Code** field, select FEDEX, and then press **Enter** or **Tab**.
  - f. Click **Yes** to update the lines.

## Item Reservation

In some sales situations, especially where the supply of a sales item is constrained, you might have to allocate the existing or future inventory to a specific sales order line. You can use this allocation to prevent the inventory from being used for other purposes, and to make sure that the order can be shipped on the planned shipment date. In Microsoft Dynamics NAV, this allocation is performed through item reservations.

The option to reserve an item depends primarily on the settings of the **Reserve** field on the item card. The options for this field include the following:

- **Never:** You cannot reserve the item.
- **Optional:** The program does not reserve the item automatically. However, you can reserve it manually.
- **Always:** The program always reserves the item.

The same options exist for the customer card.

The setting on the item card is copied to each sales line for that item except in one case—where the item card specifies a reserve option of Optional and the customer card for the customer specifies a reserve option of Always, the reserve option for the sales line will convert to Always.

When you manually reserve an item, you gain full ownership and responsibility for the reserved inventory.



**Note:** Reserved quantities are not included in planning routines.

---

### Demonstration: Reserve Items

This is a continuation of the "Create and Convert a Sales Quote" demonstration.

**Scenario:** The representative for customer 10000 calls Susan, the order processor, and asks to have 75 boxes of item 80100 added to his or her current order.

The representative stresses the importance of receiving the order on February 08, 2014. Because there is a risk of running out of stock, Susan reserves the 75 boxes of item 80100 for this order.

### Demonstration Steps

To reserve items on a sales order, follow these steps.

1. In the **Search** box, enter "sales orders", and then select the related link.
2. Locate and open the order for customer 10000 that was created in the "Create and Convert a Sales Quote" demonstration.
3. On the **Lines** FastTab, click the third line. In the **No.** field, enter "80100".
4. In the **Location Code** field, select GREEN (the location where the item is stocked).
5. In the **Quantity** field, type "75".
6. In the **Unit of Measure** field, select BOX.
7. Set the **Shipment Date** field to February 08, 2014.

The **Sales Line Details** FactBox shows the availability for the item on the selected line. This is the availability for the selected location and the shipment date (in this case, for the GREEN warehouse on February 08, 2014). As soon as you enter a quantity for the item on the selected sales order line, the availability is reduced by that quantity.



**Note:** The Availability total that is shown in the **Sales Line Details** FactBox is expressed in the base unit of measure. This might differ from the sales unit of measure that is shown on the sales order line. To view the base, sales, and purchase units of measure for this item, open the item card by clicking the **Item No.** field in the **Sales Line Details** FactBox. Then, on the **Home** tab of the item card, click the **Units of Measure** function.

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To open the **Reservation** page, follow these steps.

1. Make sure that the line for item 80100 is selected.
  2. On the **Lines** FastTab, point to **Functions**, and then click **Reserve**.

## **FIGURE 1.5: RESERVATION LINES FOR ITEM 80100**

This page shows the quantities for item 80100 that are available to reserve. Items can be reserved from the following:

- Existing stock (represented by the Item Ledger Entry line).
  - Inbound orders, such as purchase, production, or transfer orders (represented by a separate line for each type of inbound order).

## Module 1: Sales Order Management

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Each line summarizes the quantity available to reserve from each source. To view the list of individual entries that make up these total available quantities, follow these steps.

1. Select one of the summary lines. In this case, select the line for purchase orders.
2. On the **Home** tab, click **Available to Reserve**. The **Available - Purchase Lines** page appears. This page contains information about unposted purchase order line quantities and existing reservations made against those quantities. The **Current Reserved Quantity** field contains the quantity currently reserved (you might have to expand the page for this field to be visible).
3. Close the **Available - Purchase Lines** page to return to the **Reservation** page.

The **Quantity to Reserve** field on the **Reservation** page header contains the quantity copied from the **Quantity** field on the sales order line. If this is a partial shipment, the **Quantity to Reserve** field corresponds to the **Outstanding Quantity** field on the sales order line.

To reserve items, on the **Home** tab of the **Reservation** page, three functions exist:

- **Auto Reserve** – This automatically reserves items by using item ledger entries before it reserves items from incoming order lines.
- **Reserve from Current Line** – This reserves the items from the selected reservation line (in this case, either the Item Ledger Entry line or the Purchase Order line).
- **Cancel Reservation from Current Line** – This cancels the reservation of the items from the selected reservation line.

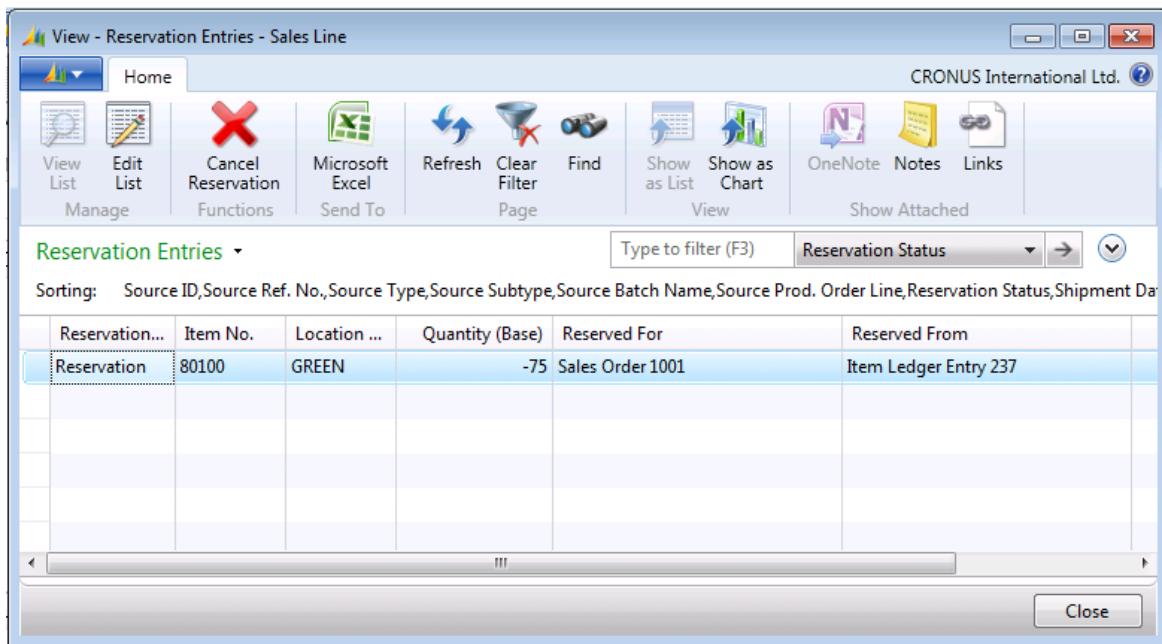
For this order, Susan decides to automatically reserve the items. To reserve the items by using this method, follow these steps.

1. On the **Home** tab, click **Auto Reserve**. The **Available Quantity** field and various reserved fields in the header and lines update to reflect the reservation.
2. Click **OK** to close the **Reservation** page. This returns you to the sales order.

When a reservation is made, a reservation entry is created. On the sales order line, the **Reserved Quantity** field indicates the reservation.

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To view the reservation entries, click the **Reserved Quantity** field on the line for item 80100.



**FIGURE 1.6: RESERVATION ENTRIES FOR ITEM 80100**

The **Reservation Entries** page shows that the quantity is reserved from the specified location.

**Note:** You can also access the **Reservation Entries** page from the sales order **Lines** FastTab by pointing to **Line**, and then clicking **Reservation Entries**.

## Lab 1.2: Reserve an Item on a Sales Order

### Scenario

This is a continuation of the "Create and Convert a Blanket Sales Order" lab.

Before shipping the first delivery of item 70003, the representative from customer 20000 calls and asks to add 10 boxes of item 80100 to the order. This item must be shipped from the GREEN location.

Because of several considerations, you decide to reserve 10 boxes of item 80100 for this sales order.

### High Level Steps

1. Open the sales order for customer 20000 for 300 units of item 70003.
2. Add 10 boxes of item 80100 to the sales order and reserve this item by using the **Auto Reserve** function.

### Detailed Steps

1. Open the sales order for customer 20000 for 300 units of item 70003.
  - a. In the **Search** box, enter "sales orders", and then select the related link.
  - b. Locate and open the order for customer 20000 that is created in the "Create and Convert a Blanket Sales Order" lab.
2. Add 10 boxes of item 80100 to the sales order and reserve this item by using the **Auto Reserve** function.
  - a. On the **Lines** FastTab, enter a new line for item 80100.
  - b. In the **Location Code** field, select GREEN.
  - c. In the **Quantity** field, type "10".
  - d. In the **Unit of Measure** field, select BOX.
  - e. On the **Lines** FastTab, point to **Functions**, and then click **Reserve**.
  - f. On the **Home** tab of the **Reservation** page, click **Auto Reserve**.
  - g. Click **OK** to close the **Reservation** page.

## Posting Orders

When you post an order, you must copy the financial value of a transaction to dedicated accounts in the general ledger. Additionally, you must copy the quantity and financial information about the transaction to the subsidiary ledgers. This includes customer and item entry ledgers (with associated value entries) that calculate various sales and inventory statistics.

Because all sales transactions that sell items to a customer include quantity and value (price and cost) information, the posting function is divided into two parts—shipment (quantity change) and invoice (value change). When you post an invoice, the two parts occur at the same time, without an option to separate them. However, you can post a shipment first, and then post the invoice later. This gives companies the flexibility to accommodate their business processes, and also provides the following additional functionality:

- Undo a quantity record for a posted-but-not-yet-invoiced shipment
- Combine several shipments in one invoice

If you must post several sales documents, you can post them one time by using the **Batch Post Sales Orders** batch job. By using this batch job, you can post them as shipped and, or invoiced.

## Shipping

The **Qty. to Ship** and the **Qty. to Invoice** fields on a sales order represent the posting quantities. The values in these fields are automatically populated when the **Quantity** field is changed on a sales line, unless the location that is specified for the sale requires the posting of shipments from the warehouse.

If it is necessary, the order processor can reduce the quantities in the **Qty. to Ship** and **Qty. to Invoice** fields before posting, and then partially ship and invoice the order. To post a partial shipment (invoicing), the **Shipping Advice** field on the order must contain Partial.

An order can have as many shipments and invoices as is necessary. In partial order posting, the **Quantity Shipped** and **Quantity Invoiced** fields indicate the completed part of the order.

You can post a shipment even if inventory is not available in the warehouse. However, this results in negative inventory. Typically, an order processor will do this only when he or she is confident that the inventory will be available in time for shipment. However, if the inventory is not available in time for the shipment, the shipment posting can be undone, if it is not invoiced. If it is invoiced, the order processor must create a sales credit memo to correct the situation.

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Shipments can also be undone for other reasons, such as last-minute order changes or to correct data entry errors.

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 **Note:** The program will not automatically populate the **Qty. to Ship** and **Qty. to Invoice** fields, if a location for a sales line is set up to use warehouse management functionality, where the **Require Shipment** field is selected on the **Warehouse** FastTab of the location card. This is because the shipping task is set to be performed by warehouse employees, who handle and post an item shipment from a document other than a sales order.

---

### Demonstration: Post a Partial Shipment

This is a continuation of the "Create and Convert a Sales Quote" and "Reserve Items" demonstrations.

**Scenario:** Susan, the order processor, is processing the sales order for 100 units of item 70010, 100 units of item 70011, and 75 boxes of item 80100. The shipment must be delivered to the customer's subsidiary address instead of the main address. The shipping agent is DHL, who provides the option of package tracking.

At the last minute, the representative for the customer calls Susan, and states it only wants half the shipment of item 70010 delivered now.

Susan must now perform a partial shipment of the sales order line for item 70010. The other order lines are shipped as arranged.

When Susan changes the value of the **Qty. to Ship** field for item 70010, she accidentally enters the quantity of five instead of 50, but does not realize the error until after the shipment is posted.

### Demonstration Steps

To update the sales order to use another ship-to location and shipping agent, follow these steps.

1. In the **Search** box, enter "sales orders", and then select the related link.
2. Locate and open the order for customer 10000 that was created in the "Create and Convert a Sales Quote" demonstration.
3. Expand the **Shipping** FastTab.
4. In the **Ship-to Code** field, select DUDLEY and accept any messages.
5. In the **Shipping Agent Code** field, select DHL (click the **Show more fields** function if the field is not already visible), and then press **Enter** or **Tab**. Click **Yes** to update the order lines and accept any messages.

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To update the sales lines for shipping, follow these steps.

1. In the **Qty. to Ship** field for the first line on the **Lines** FastTab, change the quantity from 100 to 5.
2. Do not change the **Qty. to Ship** field on the second line.
3. In the **Qty. to Ship** field for the third line, enter "75" and accept any messages. This quantity must be manually entered to post from the sales order because the GREEN location requires shipping from the warehouse.

To post the sales order as shipped, and not invoiced, follow these steps.

1. On the **Home** tab, click **Post**.
2. Select **Ship** and then click **OK**.

After posting, the sales lines update as follows:

- On the first line:
  - **Qty. to Ship** field shows the unshipped quantity of 95.
  - **Quantity Shipped** field shows the shipped quantity of 5.
  - **Qty. to Invoice** field shows the uninvoiced quantity of 100.
  - **Quantity Invoiced** field is empty because no invoicing occurred.
- On the second and third lines:
  - **Qty. to Ship** fields are empty because all the items are shipped.
  - **Quantity Shipped** fields show the shipped quantities of 100 for the second line and 75 for the third line.
  - **Qty. to Invoice** fields show the uninvoiced quantities of 100 for the second line and 75 for the third line.
  - **Quantity Invoiced** fields are empty because no invoicing occurred.

---

 **Note:** The quantity that appears in the **Qty. to Ship** field after a partial shipment is posted is determined by the selection in the **Default Quantity to Ship** field in the **Sales & Receivables Setup** page.

---

The program also creates a posted shipment document that contains all the shipping details of the sales order.

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To view the posted sales shipment document, follow these steps.

1. On the sales order **Home** tab, click **Shipments**. The **Posted Sales Shipments** page will appear.
2. Select the only shipment listed.
3. On the **Home** tab of the **Posted Sales Shipments** page, click **View**. This opens the **Posted Sales Shipment** page for the shipment.
4. Notice that the **Quantity** fields in the **Lines** FastTab match the shipped quantities and that the **Quantity Invoiced** fields are blank. The **Quantity Invoiced** fields are updated when the order is invoiced.
5. Leave the posted shipment document open.

---

 **Note:** You can also access a list of all posted sales shipments for a customer from the sales order by clicking the **Pstd. Shipments** field in the **Sell-to Customer Sales History** FactBox (you might have to add this FactBox to the **Sales Order** page).

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### Demonstration: Undo and Re-create a Shipment

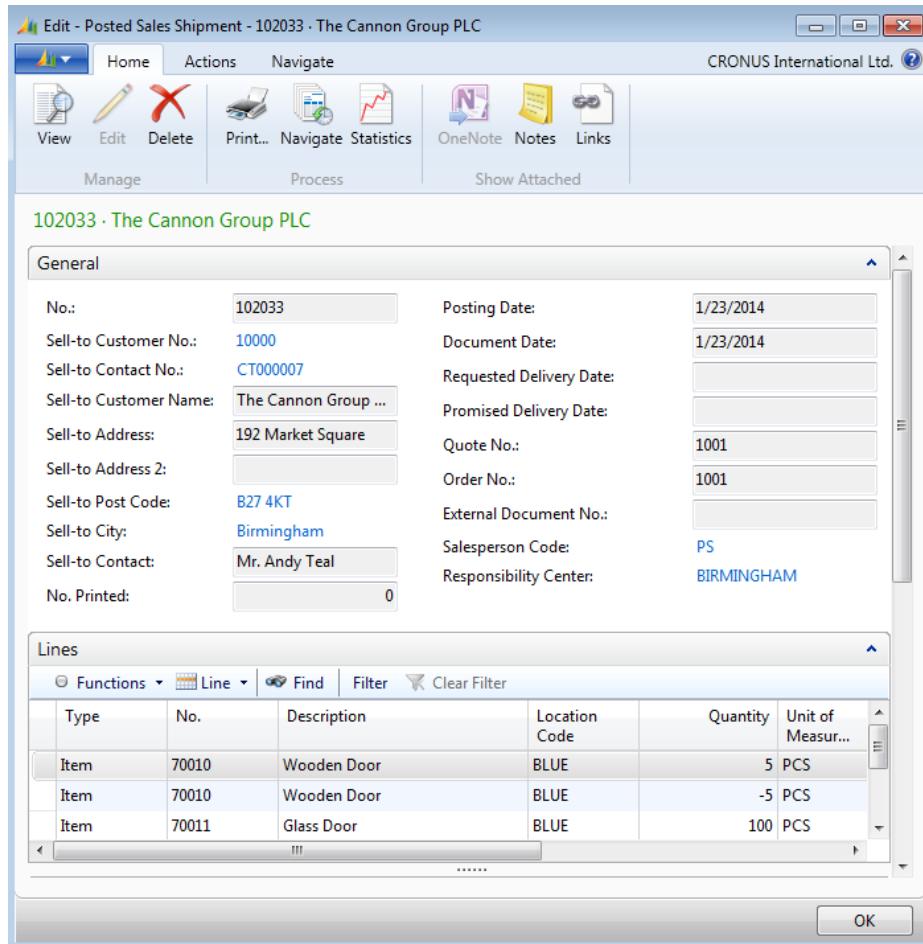
This is a continuation of the "Post a Partial Shipment" demonstration.

**Scenario:** After posting the partial shipment to customer 10000 for item 70010, Susan, the order processor, realizes that she mistakenly posted five units instead of 50. To correct this error, she must undo the posted shipment and re-create it with the correct quantity.

## Demonstration Steps

To undo the incorrect posted shipment line, follow these steps.

1. On the **Posted Sales Shipment** page, select the line for item 70010.
2. On the **Lines** FastTab, point to **Functions**, and then click **Undo Shipment**. Click **Yes** to confirm the action. The shipment lines will update.



**FIGURE 1.7: POSTED SALES SHIPMENT WITH CORRECTIONS**

3. Notice that the program inserts a line in the posted shipment document that has a negative quantity equal to the original shipment, and identifies the line as corrective by using the **Correction** field (use the **Choose Columns** function to add the **Correction** field).
4. Escape back to the sales order.
5. On the **Lines** FastTab, notice that the quantity in the **Quantity Shipped** field on the sales order line for item 70010 is removed, whereas the **Qty. to Ship** field is changed to equal the original value of 100 in the **Quantity** field. This indicates that the shipment posting process for this line can be repeated.

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To re-ship item 70010, follow these steps.

1. On the first line, in the **Qty. to Ship** field, change the quantity from 100 to 50.
2. On the **Home** tab, click **Post**.
3. Select **Ship** and then click **OK**.

The **Quantity Shipped** field for the first line updates to reflect the partial shipment, and the **Qty. to Ship** field updates indicate the remaining, unshipped quantity.

Posting a shipment recognizes that a certain item quantity has left the company's inventory. The financial value of the transaction is not registered until the sales order is posted as invoiced. This means that G/L or customer ledger entries have not yet been created, and the cost and price amounts on the created item ledger entries equal zero.

### Invoicing

Posting orders as invoiced uses the same principles as posting order shipments. An order can be invoiced completely or partially. When posted as invoiced, order information transfers to a separate document that is known as a posted invoice. Additionally, G/L, customer, and VAT entries are created. Several shipments can be combined into one invoice, either for better efficiency or to satisfy a customer requirement.

When the order is completely invoiced (no outstanding quantity to invoice remains on any of the order lines), it is automatically deleted. The only exception is when an order is invoiced through a combined shipment (refer to the "Combine Shipments on an Invoice" demonstration in this lesson).

If you have several invoices to post, you can post them all one time, by using the **Batch Post Sales Orders** batch job and specifying **Invoice**, or you can use the **Batch Post Sales Invoices** batch job.

### Demonstration: Combine Shipments on an Invoice

**Scenario:** Annie, the bookkeeper at CRONUS, wants to invoice all the orders recently shipped to customer 10000 by using only one invoice document.

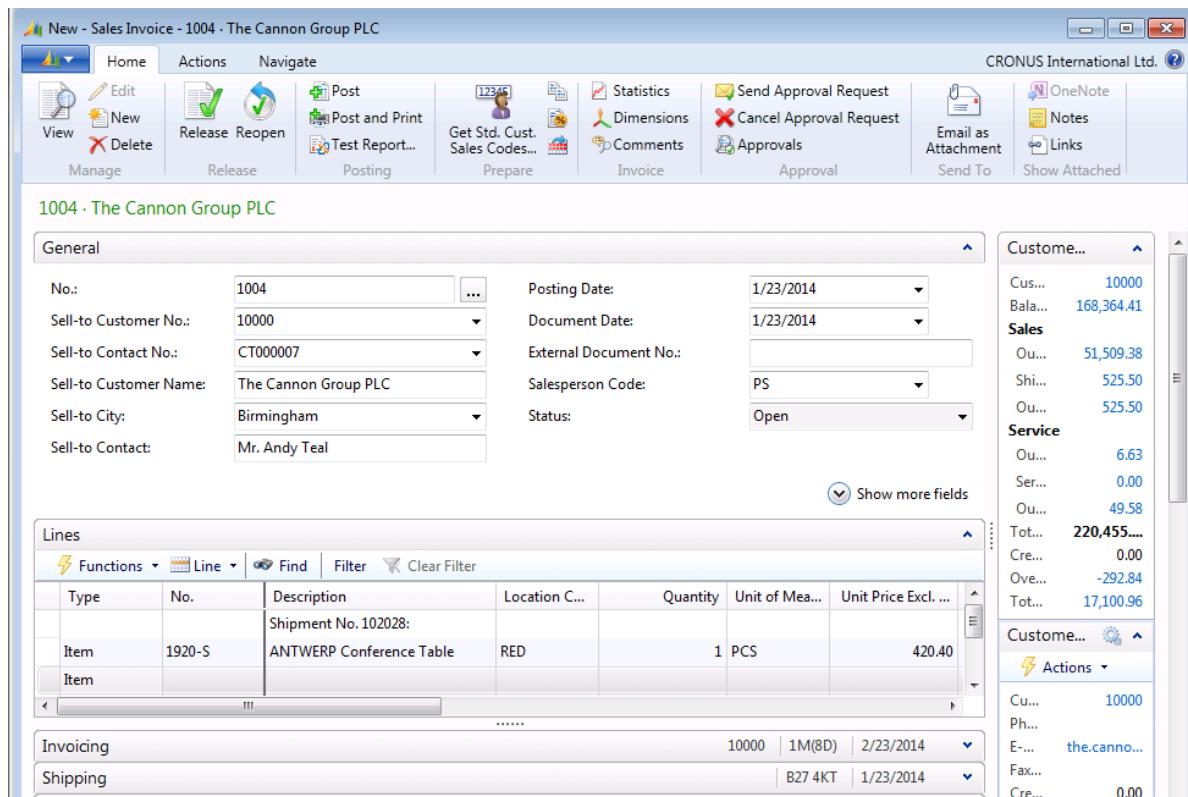
#### Demonstration Steps

To create the combined shipment invoice for customer 10000, follow these steps.

1. In the **Search** box, enter "sales invoices", and then select the related link.
2. On the **Home** tab, click **New** and then press **Enter**.

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3. On the **General** FastTab, in the **Sell-to Customer No.** field, enter "10000".
4. On the **Lines** FastTab, point to **Functions**, and then click **Get Shipment Lines**.
5. Select all the lines and then click **OK**. The program copies the shipment lines to the invoice.



**FIGURE 1.8: SALES INVOICE TO CUSTOMER 10000 WITH COMBINED SHIPMENT LINES**

6. On the **Home** tab, click **Post**.
7. Click **Yes** to post the invoice.

The **Quantity Invoiced** fields on the lines of the related sales orders and posted sales shipments are updated.

When an order is completely invoiced by using a combined shipment function, it is not automatically deleted. You do this manually or with the **Delete Invoiced Sales Orders** batch job.

## Lab 1.3: Ship and Invoice a Sales Order

This is a continuation of the "Reserve an Item on a Sales Order" lab.

After the additional order is made, the representative for customer 20000 informs you that he or she only wants half the ordered quantity of item 70003 to be shipped now, with a full order for item 80100. The representative must also have an invoice for this partial shipment.



**Note:** You do not ship and invoice the remaining quantity in this lab.

---

### High Level Steps

1. Open the sales order and change the **Qty. to Ship** field for both sales lines.
2. Ship and invoice the order.

### Detailed Steps

1. Open the sales order and change the **Qty. to Ship** field for both sales lines.
  - a. In the **Search** box, enter "sales orders", and then select the related link.
  - b. Locate and open the order for customer 20000 that is originally created in the "Create and Convert a Blanket Sales Order" demonstration.
  - c. In the **Qty. to Ship** field for the first sales line (item 70003), enter "150".

In the **Qty. to Ship** field for the second sales line (item 80100), enter "10" and press **Enter** or **Tab**. You will receive a warning message. Click **OK** to accept the warning message. Now, you can post from the order instead of through the warehouse.

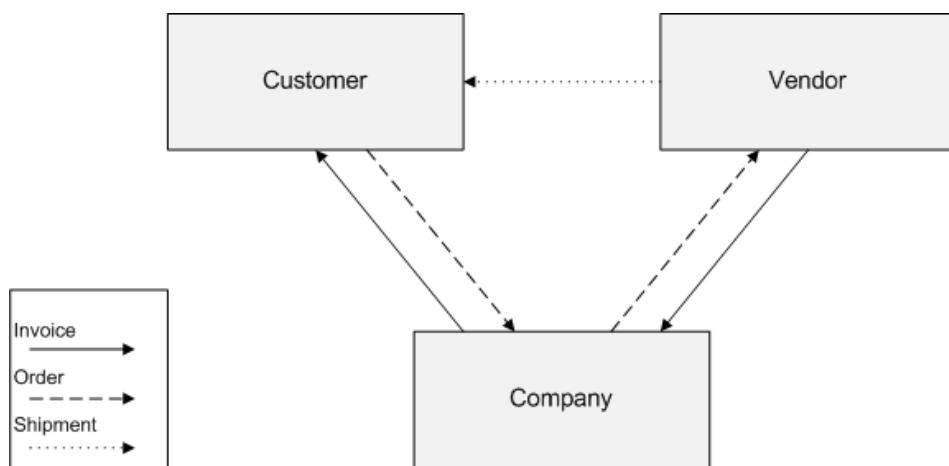
2. Ship and invoice the order.
  - a. On the **Home** tab, click **Post**.
  - b. Click **OK** to ship and invoice the order.

## Drop Shipments

A drop shipment is the shipment of an item, or the consignment of an item, from a company's vendor directly to a customer. Companies use drop shipments when they want to avoid handling the physical goods in an order, such as stocking and delivering. However, typically the companies still want to fulfill the customer's request and include the transaction in the calculation of the cost of goods sold and the cost of goods profit.

Microsoft Dynamics NAV also makes sure that the correct inventory value and the item costs are calculated. Although both the sales and purchase transactions of the drop shipment are registered, the drop-shipped items do not physically enter the company's inventory.

The Drop Shipments Process Flow figure shows how drop shipments are managed.



**FIGURE 1.9: DROP SHIPMENTS PROCESS FLOW**

Drop shipments include the following tasks:

- The customer places a sales order with the company.
- The company places a purchase order with the vendor.
- The vendor delivers the ordered items directly to the customer.
- The vendor invoices the company for the shipment.
- The company invoices the customer.

### Demonstration: Create a Drop Shipment

**Scenario:** Customer 10000 orders 10 units of item 1984-W for immediate delivery.

Susan, the order processor, decides to deliver the order by using a drop shipment because there is no current or planned inventory for the item. The item must be purchased from vendor 30000, who then ships the order directly to customer 10000.

Alicia, the purchasing agent, will handle the purchasing tasks.

Coordination between Susan and Alicia is important to complete a successful transaction.

### Demonstration Steps

To create the sales order, follow these steps.

1. In the **Search** box, enter "sales orders", and then select the related link.
2. Clear any filters.
3. On the **Home** tab, click **New** and then press **Enter**.
4. On the **General** FastTab, in the **Sell-to Customer No.** field, enter "10000".
5. On the **Lines** FastTab, in the **Type** field, select Item.
6. In the **No.** field, enter "1984-W".

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7. In the **Purchasing Code** field, select **DROP SHIP**.
8. In the **Quantity** field, type "10".

The screenshot shows the Microsoft Dynamics NAV 2013 Sales Order window for Sales Order 1003. The General tab is selected, displaying fields like Document Date (1/23/2014), Requested Delivery Date (1/23/2014), and Status (Open). The Lines tab shows a single line for item 1984-W, quantity 10000, planned delivery date 1/23/2014, and a checked Purchasing Code field. The right pane displays the Sell-to Customer Sales summary for customer 10000, showing 7 orders and 6 posted shipments. The Sales Line Details section shows item 1984-W with availability 3 and sales prices 0. A note in the Notes section says "Click here to create a new note".

**FIGURE 1.10: SALES ORDER WITH A DROP SHIPMENT**

9. On the **Home** tab, click **Release**.
10. Click **OK** to close the sales order.

 **Note:** In Microsoft Dynamics NAV, you cannot post a sales order line with a Purchasing Code value of **DROP SHIP** until it is linked to a purchase order.

Alicia, the purchasing agent, is responsible for creating the purchase order for the drop shipment items that CRONUS has sold to customer 10000.

Create purchase orders for drop shipments by using the following methods:

- Directly, by using the standard purchase order functionality.
- Indirectly, as a part of a regular planning activity by using the requisition worksheet. For more information about this method, refer to the topic titled "How to Create Purchase Orders for Drop Shipments Indirectly" in the online Help, or refer to "Requisition Management" in this training material.

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To create the purchase order for the drop shipment directly, follow these steps.

1. In the **Search** box, enter "purchase orders", and then select the related link.
2. On the **Home** tab, click **New** and then press **Enter**.
3. On the **General** FastTab, in the **Buy-from Vendor No.** field, enter "30000".
4. In the **Vendor Invoice No.** field, type "1112". Because of how the program is set up, a **Vendor Invoice No.** is required before you can invoice the purchase order.
5. Expand the **Shipping** FastTab.
6. In the **Sell-to Customer No.** field, enter "10000".
7. On the **Home** tab, point to **Drop Shipment**, and then click **Get Sales Order**. The **Sales List - Order** page appears. The lines display the sales orders created for the customer selected in the **Sell-to Customer No.** field of the **Shipping** FastTab.
8. Select the sales order for 10 units of item 1984-W (click the **Card** function on the **Home** tab to view the details of each order), and then click **OK**. The fields on the purchase line fill in with the information copied from the sales order. Also created is the link between the sales order and the purchase order. With this link, you can view the associated sales order directly from the purchase order and also from the opposite way.
9. On the **Home** tab of the purchase order, click **Post**.
10. Select **Receive** and then click **OK**.
11. Leave the purchase order open.

Posting the purchase order as received means the sales order can now be posted. To post the sales order, follow these steps.

1. On the **Lines** FastTab of the purchase order, select the line for item 1984-W.
2. Point to **Order**, then **Drop Shipment**, and then click **Sales Order**. The sales order appears (to view the purchase order from the sales order, use the same process but click **Purchase Order**). Notice that the **Ship** function has run automatically on the linked sales order line and updated the **Quantity Shipped** field.
3. On the **Home** tab, click **Post**.
4. Click **OK** to invoice the sales order.



**Note:** In this case, you started the posting process by posting the purchase order as received. This causes the program to automatically post the sales order as shipped. You can also post the sales order as shipped. This causes the program to automatically post the purchase order as received.

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Now you must post the purchase order as invoiced.

1. Verify that you are switched back to the purchase order (posting the sales order as invoiced should have deleted the sales order and positioned you back on the purchase order).
2. On the **Home** tab of the purchase order, click **Post**.
3. Click **OK** to invoice the purchase order.

The drop shipment process is now completed.

To make sure that the transactions in a drop shipment do not affect the inventory quantity and value, Microsoft Dynamics NAV creates the item ledger entries that represent the sale and the purchase at the same time. Additionally, it automatically links them by creating a fixed application.

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 **Note:** If serial and, or lot numbers are assigned on the sales order, the **Get Sales Order** function also copies the item tracking lines to the associated purchase order. When a sales order does not have item tracking lines assigned, but the lines are assigned to the associated purchase order, Microsoft Dynamics NAV offers the option of creating and synchronizing the lines on the sales order. More information about item tracking functionality is available in the Inventory Management In Microsoft Dynamics NAV 2013 (HOL) course.

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## Customer Prepayments

Many companies insist that some customers pay a part of the total price of their order that is specified as an amount or a percentage, before the order is shipped.

In Microsoft Dynamics NAV, the functionality that is required to manage these requests and payments is known as Customer Prepayments.

This lesson focuses on the prepayment functionality that is directly used by order processors. For detailed information on prepayments, and on prepayment setup, refer to the *Finance Essentials in Microsoft Dynamics NAV 2013* course.

### Prepayment Process Flows

To process prepayment sales orders, follow these steps.

1. Create a sales order that has a prepayment requirement.
2. Send a prepayment invoice for the prepayment amount to the customer.
3. Receive the prepayment amount from the customer.
4. Apply the prepayment amount to the sales order.
5. Ship the order to the customer.

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6. Create a sales invoice for the total amount of the sales order minus the prepayment amount, and send the invoice to the customer.
7. Receive payment from the customer and post the payment to the sales order.

### Sales Order Prepayment Fields

The fields that are relevant to the sales process are found on each sales line and on the Prepayment FastTab of the sales order.

The screenshot shows the Microsoft Dynamics NAV Sales Order window for item 106024 - CoolWood Technologies. The Prepayment FastTab is expanded, showing fields for Prepayment % (0), Compress Prepayment (checked), Prepm. Payment Terms Co... (CM), and Prepayment Due Date (1/31/2014). Other tabs like Invoicing and Shipping are visible. On the right, a Purchase Line Details panel shows Pstd. Invoices: 2 and Pstd. Credit Memos: 1. A Notes section allows creating new notes.

**FIGURE 1.11: SALES ORDER WITH THE PREPAYMENT FASTTAB EXPANDED AND PREPAYMENT FIELDS ADDED TO THE LINES FASTTAB**

The **Prepayment %** field on the **Prepayment** FastTab of the sales order automatically populates if there is a default prepayment percent on the customer card. The contents of this field and the other fields on this FastTab can be edited as it is needed. For information about the other fields on the **Prepayment** FastTab, refer to the *Finance Essentials in Microsoft Dynamics NAV 2013* course.

The prepayment percent from the customer card only applies to lines that do not have a default prepayment percent set up for the customer-item combination.

You must add the prepayment fields on the **Lines** FastTab by using the **Choose Columns** function. These fields include the following:

- **Prepayment %**
- **Prepm. Line Amount Excl. VAT**
- **Prepm. Amt. Inv. Excl. VAT**

For each sales line, the value of the **Prepayment %** field is determined as follows:

- If a default prepayment percent is set up for the item on the sales line, it is automatically copied into the **Prepayment %** field.
- If no default prepayment percent is set up for the item, the prepayment percent is copied from the customer card.
- The **Prepayment %** field can be entered or manually changed on a line-by-line basis.

The **Prepm. Line Amount Excl. VAT** field contains the prepayment amount for the sales line. The **Prepm. Amt. Inv. Excl. VAT** field displays the prepayment amount that is already invoiced to the customer for this sales line.

Although there can be different prepayment percentages for each order line, a single prepayment percent can be applied to the whole order. You can do this after you complete all the order lines by setting the percentage in the **Prepayment %** field on the **Prepayment** FastTab.

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 **Note:** As soon as a number is entered in the **Prepayment %** field on the **Prepayment** FastTab and the lines are updated, you cannot revert to the individual prepayment percentages that existed for each line. To return to the individual prepayment percentages, either delete and re-enter the lines or manually type the prepayment percent on each line.

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### Demonstration: Set Up a Customer and Item with Prepayment Percentages

**Scenario:** Phyllis, the accounting manager at CRONUS, reviews the credit history of customer 20000, Selangorian Ltd., and decides to set up the following prepayment requirements:

- By default, a 30-percent prepayment is required on all orders.
- A 40-percent prepayment is required for item 1100.

This setup is performed on the customer card and item card.

### Demonstration Steps

To assign the default prepayment percentage to customer 20000 and item 1100, follow these steps.

1. In the **Search** box, enter "customers", and then select the related link.
2. Open the customer card for customer 20000 (Selangorian Ltd.).
3. Expand the **Invoicing** FastTab.
4. In the **Prepayment %** field, type "30".
5. Click **OK** to close the customer card.
6. In the **Search** box, enter "items", and then select the related link.
7. Select the line for item 1100 and open the item card.
8. On the **Navigate** tab, on the Sales group, click **Prepayment Percentages**.
9. On the **Sales Prepayment Percentages page**, leave the **Sales Type** field set to Customer.
10. In the **Sales Code** field, enter "20000".
11. In the **Prepayment %** field, type "40".
12. Click **OK** to close the **Sales Prepayment Percentages page**.

### Demonstration: Create a Sales Order with Prepayments

**Scenario:** Susan, the order processor at CRONUS, creates an order while talking to a representative from customer 20000. Because the customer made some late payments in the past, Susan is instructed to require a fixed amount of 2,000.00 LCY as a prepayment on the order.

The customer requests to pay 35 percent. After checking with her supervisor, Susan agrees to this request and changes the order.

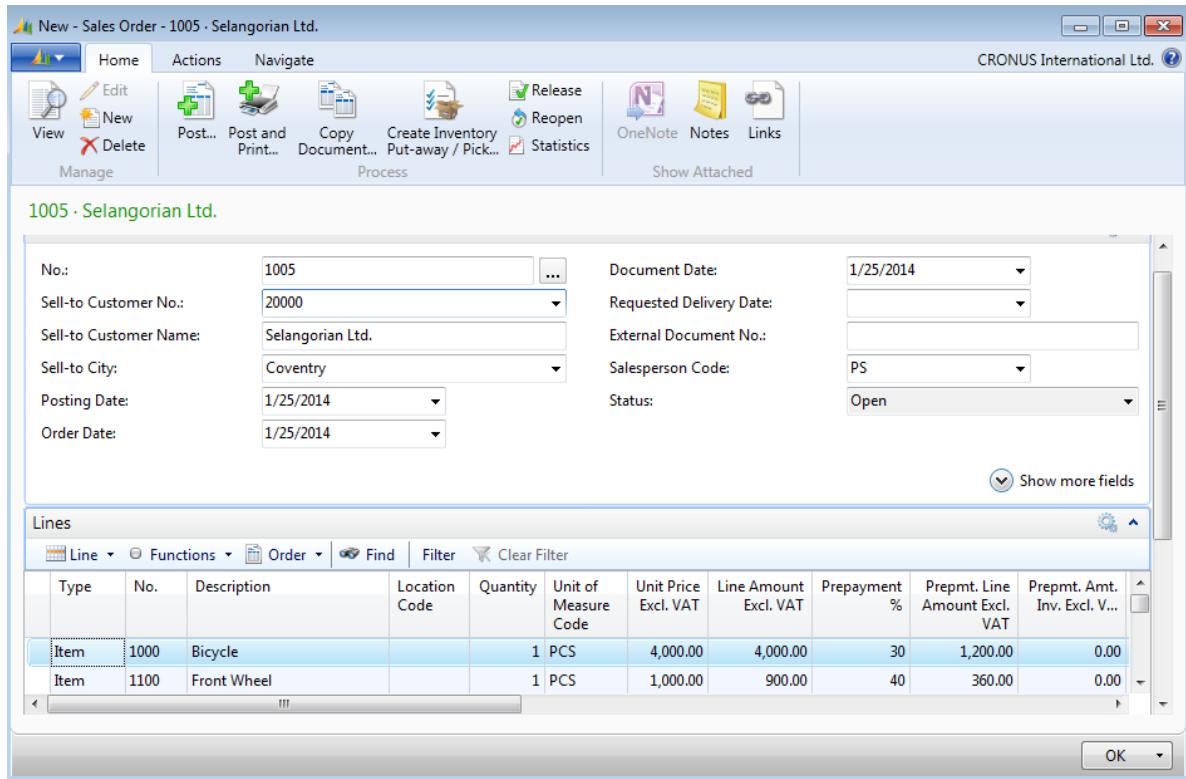
### Demonstration Steps

To create a sales order with a prepayment, follow these steps.

1. In the **Search** box, enter "sales orders", and then select the related link.
2. On the **Home** tab, click **New** and then press **Enter**.
3. On the **General** FastTab, in the **Sell-to Customer No.** field, enter "20000". Click **Yes** to accept the overdue balance warning.
4. On the **Lines** FastTab, in the **Type** field, select Item.
5. In the **No.** field, enter "1000".
6. In the **Quantity** field, type "1".

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7. On the next line, in the **No.** field, enter "1100".
8. In the **Quantity** field, type "1".
9. Add the **Prepayment %** and **Prepm. Line Amount Excl. VAT** fields to the lines by using the **Choose Columns** function.



**FIGURE 1.12: SALES ORDER WITH PREPAYMENT PERCENTAGES FROM THE CUSTOMER AND ITEM**

10. Verify the following prepayment information:
  - a. The **Prepayment %** field on the line with item 1000 contains 30. This default is taken from the sales header that is populated from the customer card.
  - b. The **Prepayment %** field on the line with item 1100 contains 40. This is the percentage entered in the **Sales Prepayment Percentages** page for item 1100 and customer 20000.
11. On the **Home** tab, click **Statistics**.
12. On the **Sales Order Statistics** page, expand the **Prepayment** FastTab.

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The **Prepm. Amount Excl. VAT** field contains 1,560.00 LCY. If a prepayment invoice is created for the order now, this is the amount that will appear on the invoice.

As stated in the scenario, Susan is instructed to suggest a total prepayment of 2,000.00 LCY for the order.

To change the prepayment amount for the whole order, follow these steps.

1. Change the amount in the **Prepm. Amount Excl. VAT** field to 2000.00 LCY. The customer must now pay 2,000.00 LCY, or 2,500.00 LCY including VAT.
2. Click **OK** to close the **Sales Order Statistics** page.

The **Prepayment %** field on the sales lines is recalculated to 40.81625 and 40.81667. The recalculation includes all lines that have a prepayment percentage greater than zero.

The customer asks whether the prepayment percentage can be set to 35 percent and Susan's supervisor approves the change.

To change the prepayment percentage for the whole order, follow these steps.

1. On the sales order, expand the **Prepayment** FastTab.
2. In the **Prepayment %** field, type "35" and press **Enter** or **Tab**. 35 percent will be applied as the payment percentage for the whole order. Click **Yes** to update the lines.
3. On the **Home** tab, click **Statistics**.
4. Expand the **Prepayment** FastTab on the **Statistics** page.

Edit - Sales Order Statistics - 1005 · Selangorian Ltd.

Home Actions CRONUS International Ltd. ?

View Edit Manage

1005 · Selangorian Ltd.

Total Incl. VAT:	6,125.00	Gross Weight:	0
Sales (LCY):	4,900.00	Volume:	0
Original Profit (LCY):	4,419.74	Original Cost (LCY):	480.26
Adjusted Profit (LCY):	4,419.74	Adjusted Cost (LCY):	480.26
Original Profit %:	90.2	Cost Adjmt. Amount (LCY):	0.00
		No. of VAT Lines:	1

Invoicing

Shipping

Prepayment

Prepm. Amount Excl. VAT:	1,715.00	Invoiced % of Prepayment Amt.:	0%
25% VAT:	428.75	Prepm. Amt. Deducted Excl. VAT:	0.00
Prepm. Amount Incl. VAT:	2,143.75	Deducted % of Prepayment Amt. to Ded...	0%
Prepm. Amt. Invoiced Excl. V...	0.00	Prepm. Amt. to Deduct Excl. VAT:	0.00
		No. of VAT Lines:	1

OK

**FIGURE 1.13: SALES ORDER STATISTICS THAT DISPLAY THE AGREED TO PREPAYMENT AMOUNT**

The customer must now pay 1,715.00 LCY, or 2,143.75 LCY including VAT.

# Module Review

### ***Module Review and Takeaways***

The Sales Order Management process involves several steps. It starts by creating a quote or blanket sales order that is used to ship and invoice the sales order. The Sales Order Management process can also reserve inventory that helps make sure that customers receive their orders in a timely manner. Additionally, it can combine shipments so that customers can receive a single invoice for multiple shipments.

The drop shipment functionality is used by companies to ship items directly from vendors to customers. The prepayment functionality lets companies require customers to pay for part of an order before it is shipped. The effective management of the sales order process helps companies to provide a high level of customer service. Additional sales process features are described in "Sales Prices and Discounts" and "Customer Service Features" in this training material.

### **Test Your Knowledge**

Test your knowledge with the following questions.

1. What is the purpose of selecting the Stockout Warning check box in the Sales & Receivables Setup page?

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2. Which of the following functions do you use to change a sales quote or blanket sales order into an order?

- (  ) Generate Order  
(  ) Create Order  
(  ) Convert Order  
(  ) Make Order

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3. What is the purpose of reserving inventory for a sales order?

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4. Which of the following is not an option when you post a sales order?

- ( ) Invoice  
( ) Ship  
( ) Partial Ship  
( ) Ship and Invoice

5. Explain how to apply a single prepayment percentage to a whole sales order.

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## Test Your Knowledge Solutions

### Module Review and Takeaways

1. What is the purpose of selecting the Stockout Warning check box in the Sales & Receivables Setup page?

MODEL ANSWER:

It triggers the program to warn you when there are not enough items in inventory to fulfill a sales order line.

2. Which of the following functions do you use to change a sales quote or blanket sales order into an order?

( ) Generate Order

( ) Create Order

( ) Convert Order

(✓) Make Order

3. What is the purpose of reserving inventory for a sales order?

MODEL ANSWER:

To prevent the reserved inventory items from being used for other purposes so that the sales order is shipped as promised.

4. Which of the following is not an option when you post a sales order?

( ) Invoice

( ) Ship

(✓) Partial Ship

( ) Ship and Invoice

5. Explain how to apply a single prepayment percentage to a whole sales order.

MODEL ANSWER:

After the order lines are complete, click the Prepayment FastTab for the sales order. In the Prepayment % field, type the prepayment percentage for the whole order. When you exit the Prepayment % field, the order lines update by using the value in the Prepayment % field.

