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How do I balance my Drop Ship Merchandise Account?

Angie K - 2022-07-26 - in Products

General Ledger Control Account Reconcile

Provides reporting analysis of general ledger control accounts and the subsidiary account transactions affecting the general ledger.

Control Account Reconcile can be used to verify that the amount in the DS Merchandise account is correct and that your Cost of Sales account has been posted with the amount your vendor charged you.

Drop Ship Merchandise

Best practices to maximize the usefulness of this list for reviewing the amounts in the Drop Ship Merchandise account:

- When applying vendor invoices, apply the invoice to each line on the order.
- If you do not perform line-item distribution during bill apply, make sure to apply the vendor invoice to the order level distribution. This will ensure that the list will include these transactions and group them within an order and if the net result is 0.00 for the open cost, the order will not appear.
- Do not apply any values directly to the ledger for Drop Ship Merchandise using the Non Order option during Bill Apply. This will cause the entry to appear on the list and since there is no offsetting action that will naturally remove this amount, it will always remain on the list as an open cost.
- Minimize use of Journal Entries to correct issues. If the problem relates to a Bill Apply or Order Invoiced transaction, adjusting the initial transaction to correct the issue and reprocess would be the better way of addressing input errors. If a journal entry is done to correct issues, make sure to reference the order number in the journal entry. Grouping will ensure the Journal Entry is part of the order group and if the net is zero will remove the order from the list.

Balancing the Drop Ship Merchandise Account.

When a vendor bill is "bill applied" to the Drop Ship Merchandise account, the customer invoice needs to have the same cost on the lines so the "bill applied" amount is moved to the cost of sales account.

Control Account Reconcile can be used to verify that the amount in the DS Merchandise account is correct and that your Cost of Sales account has been

posted with the amount your vendor charged.

Under the Accounting tab, in the General Ledger Group, open the Control Account Reconcile.
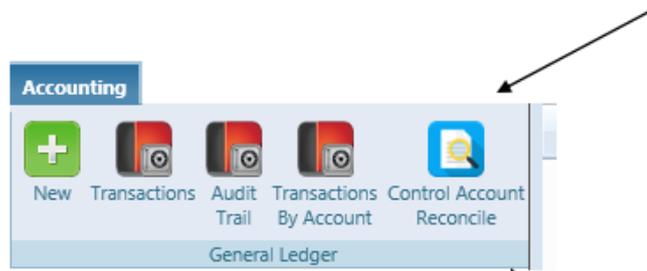
Leave the date selection on This Fiscal Year and click Search. Under the column header for Open, click the dollar amount for the Drop Ship Merchandise line.

Number	Description	Type	Status	General Ledger	Open	Difference
116	Accounts Receivable	Accounts Receivable	Active	$260,710.88	$260,710.88	$0.00
117	Unallocated Receipts	Accounts Receivable	Active	($6,148.23)	($6,148.23)	$0.00
124	Finance Charge Receivable	Accounts Receivable	Active	$239.38	$239.38	$0.00
132	Advance on Purchases	Other Current Asset	Active	$510.00	$510.00	$0.00
134	Unpaid Pending Advances	Other Current Asset	Active	($1,500.00)	($1,500.00)	$0.00
135	Drop Ship Merchandise	Inventory	Active	($92,529.97)	($92,529.97)	$0.00

When the list opens, right click in the header and under Add/Remove Columns.
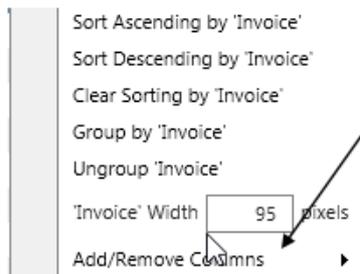
Add the Converted record flag (ProfitMaker Conversion Source) and Costing (Costing) columns and apply changes.

Apply Changes

☑ Bill Applied (Sum of all vendors invoice quantity for this product line)
☑ Bill Applied Total Cost (Sum of all vendors invoices applied to this product line)
☑ Converted record flag (ProfitMaker Conversion Source)
☑ Costing (Costing)
☐ Customer Code (Customer code)
☐ Customer Name (Customer name)
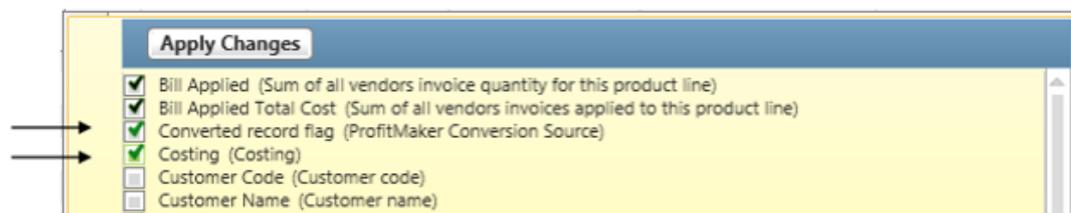
Click the filter on the Converted record flag column and enter No for "Is equal to" and apply filter.

Show records where value:

| Is equal to ▼ | No | aA |

| And ▼ |

| Is equal to ▼ | | aA |

Apply Filter   **Clear Filter**

Under the wrench, check grouping.

Lists | Reconcile Merchandise ▼ 🔧

View Options
☐ Grouping
☐ Footer

Group the list by order number.

Grouped by: Order

Order	Order	Invoice	Invoice	Product C	Ordered	Bill Applied	Invoiced	Order Total Cost	Bill Applied Total Cost	Invoice Total Cost	Open Cost
217	11/16/2010	10112	12/11/2010	67684	1500	50	1500	$42,075.00	$1,742.50	($42,075.00)	($40,332.50)
350	11/16/2010	10242	12/09/2010	P7645	720	288	720	$3,506.40	$1,402.56	($3,506.40)	($2,103.84)
350	11/16/2010	10242	12/09/2010	Imprint	720	288	720	$324.00	$129.60	($324.00)	($194.40)
350	11/16/2010	10242	12/09/2010	NoteBook	720	288	720	$2,628.00	$1,051.20	($2,628.00)	($1,576.80)
350	11/16/2010	10242	12/09/2010	Imprint	720	288	720	$252.00	$100.80	($252.00)	($151.20)
350	11/16/2010	10242	12/09/2010	V-Folder	720	288	720	$6,444.00	$2,577.60	($6,444.00)	($3,866.40)

Order – Order number. In some cases, such as journal entries or bill apply without an order number, there will be no order number showing.

Order (date) – Is the order date or in the cases of ledger or bill applied ledger entries, it is the date that the transaction was created.

Invoice – Invoice number.

Invoice (date) – Is the invoice date.

Product Code – Is the product code assigned to the order/invoice line record. In some cases the value is based on description of where the ledger impact originated such as Bill Applied – Ledger or Ledger Entries.

Ordered – Quantity ordered. For matrix items this will be the total quantity ordered.

Bill Applied – Supplier invoice quantity applied to the line item during bill apply. If the User does not apply to the line-item level during Bill Apply, this quantity will be 0.

Invoiced – Quantity invoiced. For matrix items this will be the total quantity invoiced.

Order Total Cost – Total order cost of this product line. Bill Applied Total Cost – Total bill apply cost that has been applied to the line item.

Invoice Total Cost - Total invoice cost of this product line.

Open Cost – When there is an order number and/or invoice number assigned to the line item. The Open Cost is determined by taking the Bill Applied Total Cost less Invoice Total Cost. If the amount is a positive this represents a debit value for this specific order/invoice. If the amount is a negative value this represents a credit value for this specific order/invoice.

For those transactions not directly associated to an order or invoice. The open cost represents the transaction value that this record impacted Drop Ship Merchandise.

The costing column that was added will show the vendors that are on the order and the amount of the vendors bill applied vs the invoice cost.

Vendor	Reference	Date	Release Products	Bill Products	Bill Freight	Bill Amount
Office Paper	350	11/30/2010		$103.00	$0.00	$103.00
Office Paper	350	11/30/2010		$1,152.00	$0.00	$1,152.00
Total			$0.00	$1,255.00	$0.00	$1,255.00

Normally, the general ledger control account and subsidiary are expected to be in balance and show a 0.00 value for difference. When a difference is found a review of this account and its transactions is recommended.

When the cost on the invoice does not match the cost from the vendor, the drop ship merchandise account has been posted with the wrong amount and the commission not calculated correctly. Example: Vendor charged $10.00 each for 20 mugs that your customer ordered. You enter the vendors invoice for $200.00 and apply to the drop ship merchandise account. The order shows $9.00 cost per piece. When the invoice is created for the customer, due to the $9.00 cost on the line only $180 would move to cost of sales instead of the

$200.00 the vendor charged you. The calculation for commission was based on the 9.00 cost instead of the $10.00 cost.

Steps to resolve order/invoices which have open costs.

Adjust when you can:
Adjust incorrect handling of bill applied if that is where the issue lies
Adjust invoices if the cost is incorrect on the product line.
Do a journal referencing the order number.

What kind of items are you seeing? Do you see charges that you normally would not receive a supplier invoice, but they are showing on the list? To address the value, this is one time where it is recommended to add a journal entry to adjust drop ship merchandise with the offset to what would generally be a cost of sales type account.

Tips for first time analysis

When selecting to view the 'Open' list for drop ship merchandise for the first time. There will likely be many older records where based on past processes, conversions and other factors will show many transactions where there remains an open cost for those order transactions. This is normal and the following recommendation will help you to establish a base starting point to allow you to monitor your open orders and/or to identify orders that have been invoiced where the cost does not match what was applied from the supplier invoice. If you do this monthly, then it is easier to correct any input errors in the same month they occur by adjusting the transaction that is correct.

Questions you should research and determine answers for are:

- What is the maximum life of an order process? From the time you start the order, until you receive the supplier and invoice the customer?
- Going back to last year or prior and analyze why an order or invoice remain showing on this list can take a lot of time and effort and may not be the best use of time.
- Going back far enough to analyze orders/invoices based on the typical life cycle of your orders is more manageable. Perhaps you may go back 2, maybe 3 months and review these orders and correct the issues which is causing the order to remain on this list.

Common reasons

- Bill Apply and not applying to the line item or order.
- Cost on the invoice was not changed prior to invoicing.
- Costs placed on the order for internal costing purposes.