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Manufacturing Work Flow Using NumberCruncher Work Orders
By Ian Benoliel, September 2003

One of the keys in successful inventory and order management, are the policies and procedures developed by a company. The policies and procedures usually follow a work flow. Using NumberCruncher Work Orders implies a certain work-flow. In general there are two types of work flows. One work flow is for ‘make-to-order’ manufacturers and one is for ‘make-to-stock’ manufacturers. A ‘make-to-order’ manufacturer typically does not manufacture the goods until an order is received. Order fulfillment is closely related to their manufacturing activities. Make-to-stock manufacturers on the other hand, do not produce stock for a specific customer. In that sense their order fulfillment is separate from its manufacturing activities.

Exhibits A & B diagram the different work flows. These diagrams depict the skeleton of a more elaborate work flow. The following legend will allow you to better read the exhibits.

Make-to-Order Work Flow:

Make-to-order manufacturers will produce for a specific customer therefore the work order will also double as a sales order. When a work order is completed, NumberCruncher will update the ‘Components Required’ on the Inventory List. If sufficient stock is not available to product the order, then you will need to order parts from your vendors. NumberCruncher provides a number of tools that allow you to quickly identify deficient inventory and a means to create a number of purchase orders at the same time. One such tool is ‘Order Analysis’ [Activities – Run Analysis]. Once the items ordered on a purchase orders are received, a Receiving is prepared and sent to QuickBooks. Receiving will increase inventory in NumberCruncher and create the accounts payable in QuickBooks. Receiving items is a very important step because it increases the quantity of stock ‘Available’ for product and updates the ‘Average Cost’. It also shows up in your accounts payable aging. You should receive items even if you do not have a vendor bill. You can receive based on the vendor packing slip then when the vendor bill is received you can insert the vendor bill # and post it to QuickBooks. Receiving item will update work order status. When the work order status is ready, you can start production. Changing status of a work
order to ‘In Production’ will adjust the Inventory List in NumberCruncher to make the components as unavailable for future production. When the status of a work order is changed to ‘Finished’, NumberCruncher will increase the quantity and value of finished goods and decrease the quantity and value of the components used. The invoice completes the cycle. When you invoice the value and quantity are deducted from inventory. The sales amount is posted as Sales and the cost amount is posted as cost of sales. The invoice will also show in your accounts receivable aging report. Note that purchase order and receiving can also be done in QuickBooks.

**Make-to-Stock Work Flow**

Since make-to-stock manufacturers typically do not produce for a single customer, they would not use a work order to record the customer order, they would instead use a Sales Order. The sales order would update the ‘Required’ in NumberCruncher and the ‘Stock Status’ in QuickBooks. If there is sufficient stock to satisfy the order, shipping doc and invoices are prepared. The items sold are deducted from inventory and accounts receivable is increased. If there is insufficient stock, the items are on ‘back order’ and must be purchased or produced. NumberCruncher provides a number of tools that allow you to quickly identify deficient inventory and a means to create a batch of purchase orders or work orders at the same time. Once the items ordered on a purchase orders are received, a Receiving is prepared and sent to QuickBooks. Receiving will increase inventory and accounts payable. If the items ordered are being produced, a work order would be prepared. When the work order status is ready, you can start production. Changing status of a work order to ‘In Production’ will adjust the Inventory List in NumberCruncher to make the components as unavailable for future production. When the status of a work order is changed to ‘Finished’, NumberCruncher will increase the quantity and value of finished goods and decrease the quantity and value of the components used. Increasing the quantity of finished goods on order will allow them to be shipped. Note that the above assumes the user has QuickBooks Premier or Enterprise.

**Conclusion**

Both workflows have several aspects in common. Most notably is that they both ensure that inventory quantities are up-to-date by recording the following key transactions:

1. Receiving increases the quantity of inventory available for resell or use in production;
2. Finishing work orders increases the quantity of finished goods available for resell or use in production AND decreases the quantity of component used in production; and
3. Invoicing decreases inventory quantities.

When designing your policy and procedures ensure that the above transactions are entered properly and your inventory quantities will be accurate.
Exhibit A
Make-to-Order Work Flow Using NumberCruncher Work Orders
Exhibit B
Make-to-Stock Work Flow Using NumberCruncher Work Orders

Order Entry
- Sales Order
  - Open Sales Orders
  - Inventory List
- Make or Buy?
  - Make
  - Buy
  - Purchase Order
  - Purchase Order List
  - Work Order
  - Work Order List
  - Work Order in Production
    - Finished Work Order
    - No
      - Ready?
      - Yes
        - Production
          - Inventory List
          - Accounts Payable
          - Accounts Receivable
          - Invoice
          - Invoice and Packing Slip
          - In Stock?
            - Yes
            - No
              - Stock Status