

# Introduction to MS Dynamics 365 Business Central Drop Shipment

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# BC Basic procedures

## o Drop shipment

### o Principles -Reasons for using drop shipment

- o Lower transport costs

- o Faster delivery and and thus a shorter due date

- o Zero costs for warehouse operations

- o Golden Drop Shipment rule->shorter Cash-to-cash cycle

### o Setup

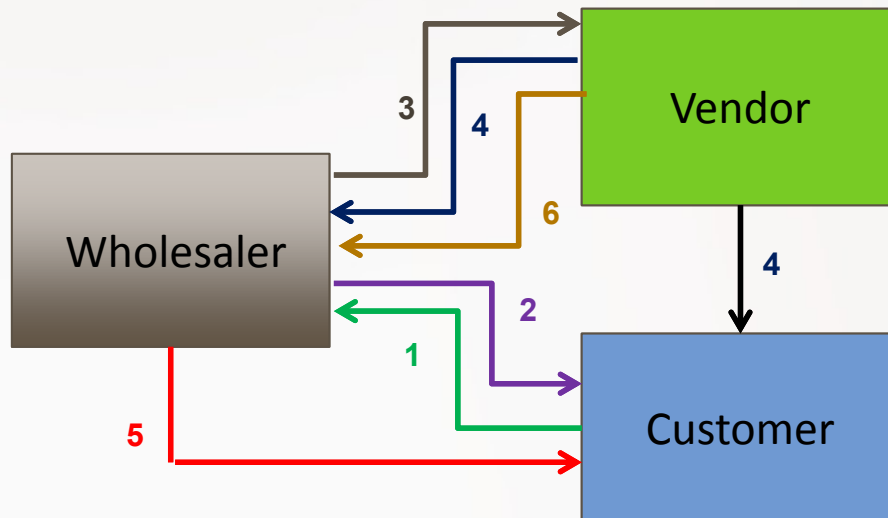
### o Model example

### o Others



# Drop Shipment principles I.

- Specifies whether your Vendor should ship the items on the line directly to your Customer.
- You use a Drop shipment when an item or group of items is shipped directly from your Vendor to your Customer and is therefore not registered in inventory.

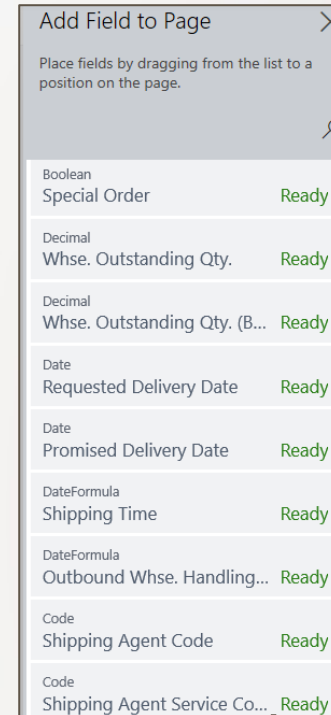
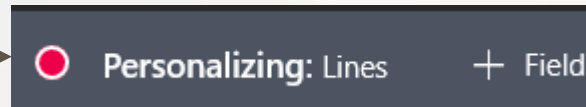
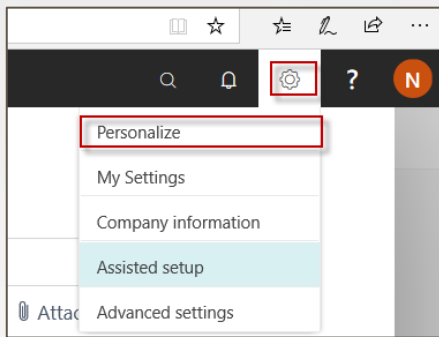


1	Quote
2	Sales Order
3	Purchase Order
4	Delivery list and delivery itself
5	Sales invoice
6	Purchase invoice

## Drop Shipment principles – setup (see Sales Line)

- First place a check mark in the field Drop Shipment to indicate, that the item on the Sales order line is a **Drop shipment** type and in the **Purchase code** field you have to choose **Drop Shipment code**
- Then create a **Purchase order** to order the corresponding items from your Vendor. You can create the order directly from the Purchase Order or indirectly from the Requisition Worksheet (RQWS). **In this part of model we will use firstly Direct method and later the one with RQWS.**
- When you set up the **Purchase Order**, use the function **Drop Shipment** and **Get Sales Order** to link to the relevant Sales Order. The Sales Order lines will be copied to the newly-created Purchase Order. **We will not use Item tracking in this model and if Yes - > see next clause:**
- You cannot post a **Drop Shipment** order that has item tracking unless item tracking is synchronized - Serial numbers and Lot numbers must be the same between the two connected orders (**our model uses synchronization**)

# Personification of the Business Central lines



If these fields are not already visible in the sales line

## Sales Order Line

Type	No.	Description	Location Code	Quantity	Qty. to Assemble to Order	Reserved Quantity	Drop Ship...	Unit of Measure Code	Purchasing Code	Unit
→ Item	1936-S	BERLIN Guest Chair, yellow	BLUE	1		-	<input checked="" type="checkbox"/>	PCS	DROP SHIP	

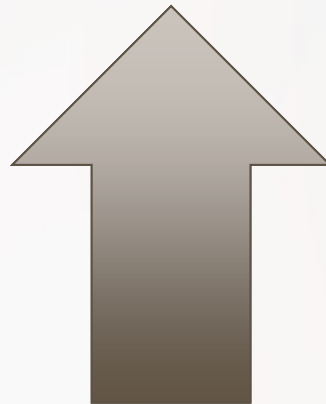
## Drop shipment-> method without using Requisition worksheet

**Customer 10000**

Header

### Sales Order line

Lines		Manage	Line	Order	Fewer options						
Type	No.	Description	Location Code	Quantity	Qty. to Assemble to Order	Reserved Quantity	Drop Ship...	Unit of Measure Code	Purchasing Code	Unit	
→ Item	1936-S	BERLIN Guest Chair, yellow	BLUE	1		-	<input checked="" type="checkbox"/>	PCS	DROP SHIP		



# Purchase order – Drop shipment (manual version)

It is necessary to input Customer number on tab Shipping and Payment.

First action:

TELL ME WHAT YOU WANT TO DO

Purchase

On current page (Sales and Relationship Manager)

Customer - Top 10 List  
View which customers purchase the most or owe the most

Go to Pages and Tasks

Purchase Orders

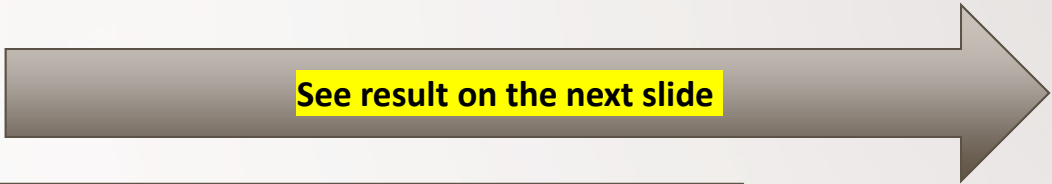
### Shipping and Payment

Ship-to ..... Customer Address ✓

Customer ..... 10000 ✓

Ship-to Code ..... ✓

**Our customer**



### Shipping and Payment

Ship-to ..... Customer Address ✓

Customer ..... 10000 ✓

Ship-to Code ..... ✓

Pay-to .....

This option



## Drop shipment – Purchase Order- transfer of the Sales lines (one possible variant to get SO)

PURCHASE ORDER | WORK DATE: 1/28/2022

106026 · AR Day Property Management

Process Release Posting Order Request Approval Print/Send Navigate **Actions**

**Functions** Request Approval Warehouse Posting Print

- Calculate Invoice Discount
- Get Recurring Purchase Lines...
- Copy Document...
- Move Negative Lines...
- Drop Shipment**

Day Property Management ... Vendor Invo  
r. Frank Lee ... Vendor Ship  
28/2022 ... Status ...

Next slide same operation  
different BC version

Get Sales Order

Second action (this will access list of Sales Order and you have to make a choice to copy SO in question)

SALES LIST - ORDER

No.	Sell-to Customer No. ↑ ↓	Sell-to Customer Name
1004	10000	The Cannon Group PLC
→ 1005	: 10000	The Cannon Group PLC

Access to the Drop shipment and  
icon Get Sales Order is essentially the same

See result on the next slide

## Drop shipment – Purchase Order- transfer of the Sales lines (BC version 23.5)

Purchase Order | Work Date: 06.09.2026

106032 · AR Day Property Manag

Home Prepare Print/Send Request Approval Order **Actions** Related Fewer options

Post... Release Create Whse. Receipt Functions Create Tracking Information any Purchase Order Archive Document

Request Approval Drop Shipment Get Sales Order

Posting Special Order

E-Document Reject IC Purchase Order

Other

**General**

Vendor No. 20000

Vendor Name AR Day Property Management

Posting Date

VAT Date

*Note: A blue cloud labeled 'More options' is drawn around the 'Actions' menu header. Red boxes highlight the 'Drop Shipment' and 'Get Sales Order' options.*

Access to the Drop shipment and icon Get Sales Order is essentially the same

# Purchase order line after copy Sales Order line

Lines | Manage | Line | Functions | Order

Drop Shipment ▾ Special Order ▾ Blanket Order

Sales Order

Type	No.	Item Reference No.	Description	Location Code	Bin Code	Quantity	Reserved Quantity	Unit of Measure Code	Direct Unit Cost Excl. VAT	Line Amount Excl. VAT	Qty. to Receive
→ Item	:	1936-S	BERLIN Guest Chair, yellow	BLUE		1	-	PCS	97,50	97,50	1

From here you can see the Sales Order, which is directly linked to the Purchase Order

Lines | Manage | Line | Order

New Line Delete Line Select items...

Type	No.	Item Reference No.	Drop Ship...	Purchasing Code	Description	Location Code	Quantity	Qty. to Assemble to Order	Reserv
→ Item	:	1936-S	<input checked="" type="checkbox"/>	DROP.SHIP	BERLIN.Guest.Chair.yellow	BLUE	1	-	

## Purchase order –Drop shipment (manually created – Direct method)

### Purchase order line after copy Sales Order line

↓

Lines   Manage   More options									
Type	No.	Description	Location Code	Bin Code	Quantity	Reserved Quantity	Unit of Measure Code	Direct Unit Cost Excl. VAT	
→ Item	1936-S	BERLIN Guest Chair, yellow	BLUE		1	-	PCS	97.50	

### Purchase order have to be posted (**only Receive!!!**)

106026 · AR Day Property Management

Process | Release | **Posting** | Order | Request Approval | Print/Send | Navigate

**Post...** | Post and Print... | Preview Posting | Post and New...

→

**Receive**

Invoice

Receive and Invoice

### Sales Order line after Purchase Order was posted as Received

Lines   Manage   Line   Order   Fewer options					Line Amount Excl. VAT	Qty. to Ship	Quantity Shipped	Qty. to Invoice	Quantity Invoiced
Type	No.	Description	Location Code	Quantity					
→ Item	1936-S	BERLIN Guest Chair, yellow	BLUE	1	143.90		1	1	

# Relations Purchase order ↔ Sales order

Purchase Order | Work Date: 2023/10/17

106245 · London Postmaster

Process Posting Release Prepare Print/Send Request Approval Order Actions Related Automate Fewer options

Invoice Received Date

Lines Manage Line Functions **Order** Fewer options

Drop Shipment Special Order Blanket Order

Sales Order

No.	Ship...	No.	Description	Location Code	Bin Code	Quantity
Item		1900-S	PARIS Guest Chair, black	BLUE		1

**It's already been shown once on one of the preceding slides (11)**

# Golden Drop shipment rule

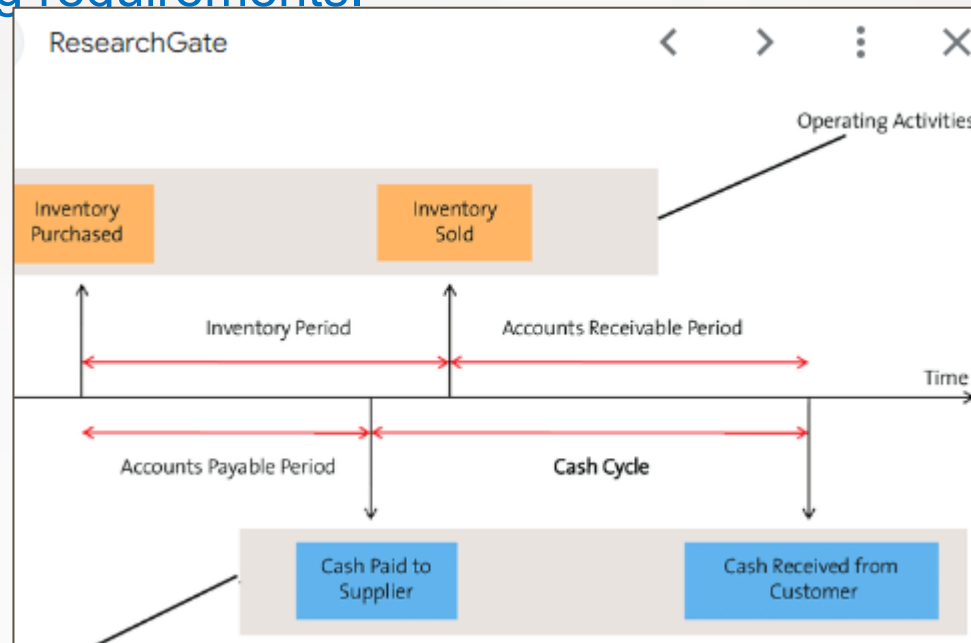
- You cannot invoice the purchase order before the sales order is invoiced. If you try, you will get warning message



**Go to internet to see cash-to-cash cycle on next slide**

## Cash-to-cash cycle

- The cash to cash cycle is the time period between when a business pays cash to its suppliers for inventory and receives cash from its customers. The concept is used to determine the amount of cash needed to fund ongoing operations, and is a key factor in estimating financing requirements.



### Cash flow

# Sales order – Invoicing Sales Order

## Sales Order line before invoicing

Lines	Manage	Line	Order	Fewer options		Line Amount Excl. VAT	Qty. to Ship	Quantity Shipped	Qty. to Invoice	Quantity Invoiced
Type	No.	Description	Location Code	Quantity						
→ Item	:	1936-S	BERLIN Guest Chair, yellow	BLUE	1	143.90		1	1	

Ship

Invoice

Ship and Invoice

## Sales Invoice line after invoicing

Type	No.	Description	Quantity	Unit of Measure Code	Unit Price Excl. VAT	Line Discount %	Line Amount Excl. VAT
→ Item	:	1936-S	BERLIN Guest Chair, yellow	1 PCS	143.90		143.90






# Posting PO (invoice only)

## Part of the Purchase Order Line

Lines		Manage	More options			
Type	Direct Unit Cost Excl. VAT	Line Amount Excl. VAT	Qty. to Receive	Quantity Received	Qty. to Invoice	
→ Item	97.50	97.50		1	1	

Process    Release    Posting

 Post...     Post and Print...

  Receive

Invoice

Receive and Invoice

# Item Ledger Entries

ITEM 1936-S BERLIN GUEST CHAIR, YELLOW | WORK DATE: 1/28/2022

Item Ledger Entries | Search | Entry | Open in Excel | More options

Posting Date	Entry Type	Document Type	Document No.	Item No. ▼	Description	Lot No.	Location Code	Quantity	Invoiced Quantity	Remaining Quantity
1/28/2022	∴ Sale	Sales Shipment	102047	1936-S		_	BLUE	-1	-1	0
1/28/2022	Purchase	Purchase Receipt	107039	1936-S		_	BLUE	1	1	0

# Drop shipment by use of Requisition worksheet

## Sales order line

Type	No.	Description	Location Code	Quantity	Qty. to Assemble to Order	Reserved Quantity	Drop Ship...	Unit of Measure Code	Purchasing Code
Comment						-	<input type="checkbox"/>		
→ Item	1936-S	BERLIN Guest Chair, yellow	BLUE	2		-	<input checked="" type="checkbox"/>	PCS	ROP SHIP

TELL ME WHAT YOU WANT TO DO

Requis

Go to Pages and Tasks

- > Purchase Quotes
- > Requisition Worksheets

Manage Process Report Drop Shipment

Get Sales Orders... Sales Order

Manage Process Report **Drop Shipment** Special Order Line Item Availability by More options

Type	No.	Action Message	Acc... Acti... Mes...	Description	Location Code	Original Quantity	Quantity	Unit of Measure Code	Direct Unit Cost
			<input type="checkbox"/>				0		0.00

# Requisition Worksheet

Using option Get Sales Order you must enter code of our model customer.  
Before on item card we have to enter code of the prime vendor

GET SALES ORDERS

**Options**

Retrieve dimensions from: Item

**Filter: Sales Order Line**

× Document No.:

× Sell-to Customer No.: 10000

× No.:

+ Filter...

OK Cancel

Manage Process Report Drop Shipment Special Order Line Item Availability by **Actions**

**Functions** Order Tracking

Calculate Plan...

Original Quantity	Quantity	Unit of Measure Code	Direct Unit Cost	Original Due Date
	2	PCS	97.50	
	0		0.00	

Drop Shipment

Special Order

Reserve

**Carry Out Action Message..**

Manage Process Report Drop Shipment Special Order Line Item Availability by More options

Type	No.	Action Message	Acc... Acti... Mes...	Description	Location Code	Original Quantity	Quantity	Unit of Measure Code	Direct Unit Cost
Item	1936-S	New	<input checked="" type="checkbox"/>	BERLIN Guest Chair, yellow	BLUE		2	PCS	97.50

Due Date	Vendor No.	Vendor Item No.	Replenish... System
1/28/2022	20000	20-123	Purchase
			Purchase

# Requisition Worksheet

Therefore you create Purchase Order and subsequent operations are same as in manual version (Receiving Purchase Order, Invoicing Sales Order and Invoicing Purchase Order)

## Purchase Order Line

Type	No.	Description	Location Code	Bin Code	Quantity	Reserved Quantity
→ Item	1936-S	BERLIN Guest Chair, yellow	BLUE		2	-

### Shipping and Payment

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Ship-to ..... Customer Address

Customer ..... 10000

Ship-to Code .....

Next example would be suitable after principle of  
LOT NUMBERS  
will be introduced !!!!!

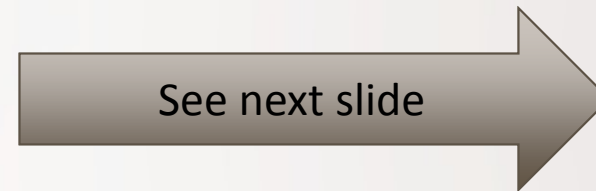
We will deal with this issue when we  
discuss the principles of lot numbers

## Item and Sales Order line with Drop Shipment Setup – with use of Lot Numbers

We have to use still untouched item (no entries created so far)

Item		Show more
No. ....	80002	Type ..... Inventory
Description .....	Computer III 600 MHz	Base Unit of Measure ..... PCS
Blocked .....	<input type="checkbox"/>	Item Category Code .....

Item Tracking	
Item Tracking Code .....	LOTALL
Serial Nos. ....	



Lines		Manage	Line	Order	Fewer options						
Type	No.	Description	Location Code	Quantity	Qty. to Assemble to Order	Reserved Quantity	Drop Ship...	Unit of Measure Code	Purchasing Code		
→ Item	80002	Computer III 600 MHz	BLUE	3		-	<input checked="" type="checkbox"/>	PCS	DROP SHIP		

# Purchase Order (manual version)

**Shipping and Payment**

Ship-to ..... Customer Address ▾

Customer ..... 10000 ▾

Ship-to Code ..... ▾

**Functions** ▾ Request Approval ▾

- Calculate Invoice Discount
- Get Recurring Purchase Lines...
- Copy Document...
- Move Negative Lines...
- Drop Shipment** >

↓

Get Sales Order

## Purchase order line

Lines		Manage	More options						
Type	No.	Description	Location Code	Bin Code	Quantity	Reserved Quantity	Unit of Measure Code	Direct Unit Cost Excl. VAT	
→ Item ▾	80002	Computer III 600 MHz	BLUE		3	-	PCS	7.00	



# Purchase Order – the list of available Sales Orders

Search Card Open in Excel More options

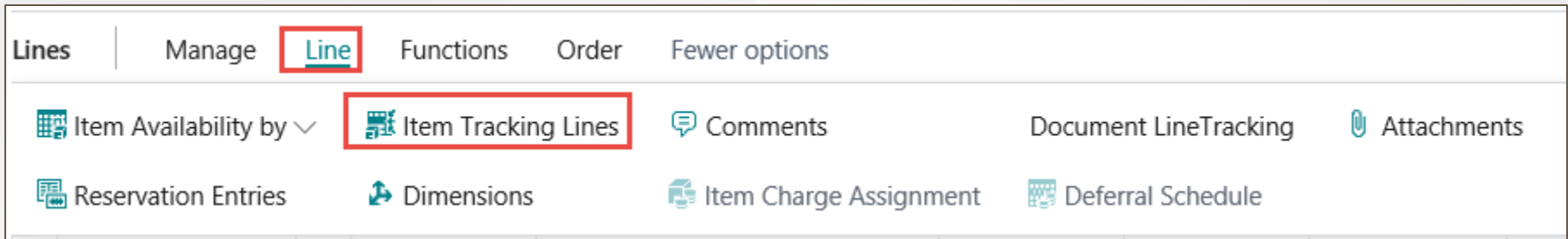
SALES LIST - ORDER ↗

No.	Sell-to Customer No. ↑ ▼	Sell-to Customer Name	Ext Doc No.
→ 1004	10000	The Cannon Group PLC	
1006	10000	The Cannon Group PLC	
1007	10000	The Cannon Group PLC	
101016	10000	The Cannon Group PLC	
104001	10000	The Cannon Group PLC	
104006	10000	The Cannon Group PLC	
104011	10000	The Cannon Group PLC	

< >

OK Cancel

## Updated Purchase Line



Lines | Manage **Line** Functions Order Fewer options

Item Availability by ▾ **Item Tracking Lines** Comments Document LineTracking Attachments

Reservation Entries Dimensions Item Charge Assignment Deferral Schedule

If 80002 item has setup for item tracking you have to assign a Lot code




**One whole training session will be devoted  
to Lot numbers and expiration dates**

# Item Tracking Lines

SOURCE				ITEM TRACKING			UNDEFINED
Purchase Line							
Quantity				3			3
Qty. to Handle				3			3
Qty. to Invoice				3			3
Item Tracking Code	LOTALL			Description	Lot specific tracking		
Availability, Serial No.	Serial No.	Availability, Lot No.	Lot No.	Quantity (Base)	Qty. to Handle (Base)	Qty. to Invoice (Base)	
Yes		Yes	A1	1	1	1	
Yes		Yes	A2	1	1	1	
→ Yes	:	Yes	A3	1	<input type="text" value="1"/>	1	

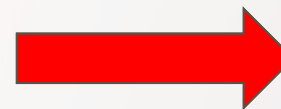
After ESC we will get this message

 Do you want to synchronize item tracking on the line with item tracking on the related drop shipment sales order line?

# Posting Purchase Order (Receive only)

Process   Release   **Posting**   Order   Request Approval   Print/Send   Navigate

**Post...**   Post and Print...   Preview Posting   Post and New...



**i**  Receive  
 Invoice  
 Receive and Invoice

Type	No.	Description	Location Code	Bin Code	Quantity
→ Item	80002	Computer III 600 MHz	BLUE		3

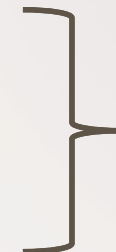
Qty. to Receive	Quantity Received	Qty. to Invoice
	3	3



Purchase line

Type	No.	Description
Item	80002	Computer III 600 MHz

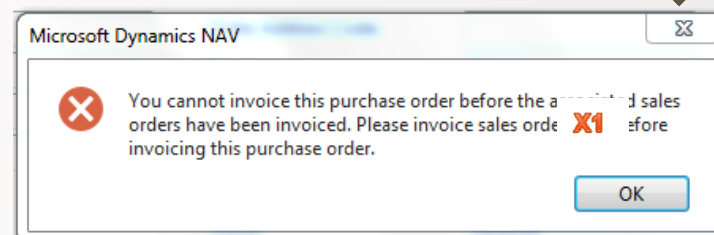
Quantity Shipped	Qty. to Invoice
3	3



Sales line

## Golden Drop shipment rule

- You cannot invoice the purchase order before the sales order is invoiced. If you try, you will get message



# Item tracking lines on Sales Order

We will sell 3 pcs of 80002



- Reservation Entries
- Item Tracking Lines
- Select Item Substitution
- Dimensions
- Comments
- Item Charge Assignment
- Order Promising
- Attachments
- Assemble to Order >
- Document Line Tracking
- Deferral Schedule
- Related Information ▾

Item Tracking Code		LOTALL		Description		Lot specific tracking	
Availability, Serial No.	Serial No.	Availability, Lot No.	Lot No.	Quantity (Base)	Qty. to Handle (Base)	Qty. to Invoice (Base)	
Yes		Yes	A1	1	0	1	
Yes		Yes	A2	1	0	1	
→ Yes	:	Yes	A3	1	0	1	

# Post only as Invoiced on Sales Order and Purchase Order

- Ship
- Invoice
- Ship and Invoice

- Receive
- Invoice
- Receive and Invoice





# Item Ledger Entries

Item Ledger Entries										
<span>🔍 Search</span> <span>📄 Entry</span> <span>📄 Open in Excel</span> <span>⋮ More options</span>										
Posting Date	Entry Type	Document Type	Document No.	Item No. ▼	Description	Lot No.	Location Code	Quantity	Invoiced Quantity	Remaining Quantity
1/28/2022	⋮ Sale	Sales Shipment	102048	80002		A3	BLUE	-1	-1	0
1/28/2022	Sale	Sales Shipment	102048	80002		A2	BLUE	-1	-1	0
1/28/2022	Sale	Sales Shipment	102048	80002		A1	BLUE	-1	-1	0
1/28/2022	Purchase	Purchase Receipt	107040	80002		A3	BLUE	1	1	0
1/28/2022	Purchase	Purchase Receipt	107040	80002		A2	BLUE	1	1	0
1/28/2022	Purchase	Purchase Receipt	107040	80002		A1	BLUE	1	1	0







Thanks for Your attention and time