



## **Vendor Owned Material Tracking**

There are two types of vendor subcontracting that may be defined in the INFO.NET system

1. Subcontracted assemblies completely built at a vendor. In this situation, there is no restriction on whether the assembly material is supplied by the vendor or supplied by the company, but all of the labor required to build the subcontracted units will be provided by a single vendor. Upon completion of the units, the receiving transaction will return the units directly to stores as completed inventory. There is no shop floor control permitted in this type of subcontracted work. This type of subcontract order is completely handled through the purchasing system.
2. The second type of subcontract work involves one or more operations within a routing being performed at one or more vendors. The routing of an item that is to have subcontracted operations must have defined operations that are performed in "vendor" work centers, i.e. work centers that are located at a vendor. The system sees the subcontracting vendor as merely another work center in an extended shop area. The primary difference is that the value added to the manufacturing of the part by the vendor is handled through Accounts Payable, rather than through normal labor transactions. Upon completion of a subcontracted operation, the units are moved to the next operation in the shop floor system.

In both of these cases, it is possible for the vendor to supply material as well as labor to the subcontracted process. When defining the bills of material for subcontracted assemblies or manufactured items, a component type code is available that will be used to determine whether a component is to be supplied by the user or by the vendor. In both cases, a standard cost is required for the component but these costs will be held in different cost categories when viewing the standard costs of a subcontracted assembly. The system will assume that the cost of the vendor supplied material is included in the purchase price indicated by the subcontracting vendor and any variances between the vendor's price for the material and the internal standard cost will be seen as a purchase price variance.

For more information, connect to: <http://www.lamarsoftware.com/>