CHAPTER 3: INVENTORY MANAGEMENT SETUP

Objectives

The objectives are:

- Set up an item group.
- Determine posting types that are associated with item groups and investigate what they are used for.
- Set up an inventory model group and state the effect of different parameter settings in the groups on items.
- Set up a site and warehouse and attach it to a product.

Introduction

Inventory Management Setup in Microsoft Dynamics® AX 2012 covers the required setup element item groups and item model groups for products. It identifies how different settings affect accounting for the product, in addition to covering a non-required setup element and warehouse setup that is important to product creation.
Item Groups

In every Microsoft Dynamics AX 2012 legal entity, you must set up at least one item group, because it is a prerequisite that will be used in inventory processing.

Item groups serve three main purposes in Microsoft Dynamics AX 2012:

- Defining sets of ledger accounts for accounting entries, of a collection of products that are classified in the item group.
- Using item groups to report detailed financial information and queries.
- Creating other reports that are related to products.

To create an item group, click **Inventory and warehouse management > Setup > Inventory > Item groups**. Specify which accounts from the Chart of accounts to use for the various account types in each area.

Notice that some FastTabs are not covered in this lesson because they apply to other areas of the system that will be covered in other courses.

*NOTE*: For more information about Item groups, refer to the Costing and Inventory Valuation in Microsoft Dynamics AX 2012 course.
### Item Group Grid

The following table explains the fields that are on the **Item group** grid.

<table>
<thead>
<tr>
<th>Field name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item group</td>
<td>Identifying code for the item group.</td>
</tr>
<tr>
<td>Name</td>
<td>Descriptive name for the item group. For example, the name that is used on reports.</td>
</tr>
</tbody>
</table>

![Item Group Grid](FIGURE_3.2_ITEM_GROUP_GRID)

### Sales Order FastTab

The **Sales order** FastTab shows the main accounts that are configured for the item group, in addition to the accounting that is related to sales order document in the revenue cycle.

![Sales Order FastTab](FIGURE_3.3_ITEM_GROUPS_FORM_-_SALES_ORDER_FASTTAB)
For products that are configured as stocked products, an inventory transaction is recorded along the sales order line, for the ordered quantity.

For example, when a stocked product is delivered for a sales order, accounting entries are generated in the **Order, packing slip** main account (issue) and **Sales, packing-slip offset** main account (consumption), if the **Post physical inventory** check box in Item model groups form, and the **Post packing slip in ledger** check box in the **Accounts receivable parameters** are selected.

**NOTE**: For more information about specific account types, refer to the Help system by clicking F1 or refer to the Costing and Inventory Valuation in Microsoft Dynamics AX 2012 course

### Purchase Order FastTab

The **Purchase order** FastTab shows the main accounts that are configured for the item group, in addition to the accounting that is related to a purchase order document in the procurement cycle.

<table>
<thead>
<tr>
<th>Account type</th>
<th>Main account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product receipt</td>
<td>142100</td>
</tr>
<tr>
<td>Purchase expenditure, un invoiced</td>
<td>111500</td>
</tr>
<tr>
<td>Purchase, inventory receipt</td>
<td>140120</td>
</tr>
<tr>
<td>Purchase expenditure for product</td>
<td>655200</td>
</tr>
<tr>
<td>Purchase, discount</td>
<td>413300</td>
</tr>
<tr>
<td>Purchase, fixed receipt price profit</td>
<td>510400</td>
</tr>
<tr>
<td>Purchase, fixed receipt price loss</td>
<td>510400</td>
</tr>
<tr>
<td>Purchase, fixed receipt price offset</td>
<td>140120</td>
</tr>
<tr>
<td>Charge</td>
<td></td>
</tr>
<tr>
<td>Stock variation</td>
<td></td>
</tr>
<tr>
<td>Purchase, accrual</td>
<td>150690</td>
</tr>
<tr>
<td>Accrued sales tax on receipt</td>
<td>150700</td>
</tr>
</tbody>
</table>

**FIGURE 3.4 ITEM GROUPS FORM - PURCHASE ORDER FASTTAB**

For a product that is configured as a stocked product, inventory transactions are generated along the purchase order line, for the ordered quantity.
Chapter 3: Inventory Management Setup

Inventory FastTab

The Inventory FastTab shows the accounts that are used for inventory-related posting for the item group.

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Main account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory, fixed receipt price profit</td>
<td>510400</td>
</tr>
<tr>
<td>Inventory, fixed receipt price loss</td>
<td>510400</td>
</tr>
<tr>
<td>Inventory, issue</td>
<td>140190</td>
</tr>
<tr>
<td>Inventory, loss</td>
<td>510520</td>
</tr>
<tr>
<td>Inventory, receipt</td>
<td>140130</td>
</tr>
<tr>
<td>Inventory, profit</td>
<td>510520</td>
</tr>
<tr>
<td>Inventory cost reconciliation</td>
<td>510330</td>
</tr>
<tr>
<td>Inventory inter-unit excludeable</td>
<td>211225</td>
</tr>
<tr>
<td>Inventory inter-unit receivable</td>
<td>300250</td>
</tr>
<tr>
<td>Cost change variance</td>
<td>510330</td>
</tr>
<tr>
<td>Rounding variance</td>
<td>510330</td>
</tr>
<tr>
<td>Fixed asset issue</td>
<td></td>
</tr>
</tbody>
</table>

For example, the system uses Inventory, fixed receipt price profit and Inventory, fixed receipt price loss account types to post gain or loss for variance to the Fixed receipt price of products that are configured with a Fixed receipt price inventory model in the inventory model group. It also uses Receipt and Issue to post receipts and issues inventory movements for stocked product.

Setup FastTab

The Setup FastTab lets you set up default forecast and tax groups.

The Forecast groups contain the Default item allocation key. Select the user-defined allocation key to serve as the proposed standard key when you create forecasts for the item group. Item allocation keys are created in the Item allocation keys setup of the Master planning module.

The Purchase tax group contains the Item sales tax group field. This is where you specify a default item sales tax group for items in the selected item group.

The Sales tax group contains the Item sales tax group field. This is where you specify a default item sales tax group for items in the selected item group.
Item Group Buttons

The following buttons are available in the Item groups form:

- **New** - Click to create a new item group
- **Delete** - Click to remove an item group. An item group can only be deleted if transactions are not posted against the item group.
- **Posting** - Click to view the Inventory posting form on the selected item group.
- **Forecasting** - Click to access the Demand, Supply, or Inventory forecast forms on the selected item group.

Item Model Groups

Item model groups are an important part of configuring product for stock, inventory management and accounting. Item model groups contain settings that determine how items are controlled and handled upon item receipt and issue.

Item model groups determine the following stock and inventory policy:

- Whether the product is stocked or not stocked.
- The cost flow assumption and cost measurement method for valuing inventory of stocked products.
- If physical and financial negative inventory is permitted.
- If inventory transactions should be posted to the General Ledger.
- The workflow that is used when you send or receive items.
- The reservation rules.

An item model group setup is important when you determine how the item will integrate with other areas of the Microsoft Dynamics AX 2012 system. Not all fields are covered in this lesson because they apply to other areas of the system that will be covered in other courses.
Inventory and warehouse management > Setup > Inventory > Item model groups

FIGURE 3.7 ITEM MODEL GROUPS FORM
Setup FastTab

The **Setup** FastTab of the **Item model groups** form has six field groups.

- Inventory policy
- Negative inventory
- Warehouse management
- Ledger integration
- Physical update
- Reservation

**FIGURE 3.8 ITEM MODEL GROUPS - SETUP FASTTAB - STOCKED PRODUCTS**

### Inventory Policy Field Group

The **Inventory Policy** field group determines whether products are tracked in stock. It contains the **Stocked product** parameter.

If the **Stocked product** check box is selected, inventory transactions will be maintained for the product. If the **Stocked product** check box is cleared no inventory-transactions are maintained for the product. Therefore, the product cannot be used for production or inventory-related features. This includes inventory journals that rely on inventory transactions. The not stocked product can be used on sales and purchase orders.

The following are transactions that are only for stocked products:

- Production orders
- Transfer orders
- Inventory journals
Chapter 3: Inventory Management Setup

- Quarantine orders
- Quality orders
- Inventory blocking
- Inventory forecasting

**FIGURE 3.9 ITEM MODEL GROUP - NOT STOCKED PRODUCTS**

If an item model group is set up for a not stocked product, many of the parameters are irrelevant. The following table displays the parameters that are relevant to a product that are maintained in stock versus products that are not maintained in stock.

<table>
<thead>
<tr>
<th>Check box</th>
<th>Stocked</th>
<th>Not Stocked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical negative inventory</td>
<td>Relevant</td>
<td>Irrelevant</td>
</tr>
<tr>
<td>Financial negative inventory</td>
<td>Relevant</td>
<td>Relevant</td>
</tr>
<tr>
<td>Quarantine management</td>
<td>Relevant</td>
<td>Irrelevant</td>
</tr>
<tr>
<td>Consolidated picking method</td>
<td>Relevant</td>
<td>Irrelevant</td>
</tr>
<tr>
<td>Post physical inventory</td>
<td>Relevant</td>
<td>Irrelevant</td>
</tr>
<tr>
<td>Post financial inventory</td>
<td>Relevant</td>
<td>Irrelevant</td>
</tr>
<tr>
<td>Post to Deferred Revenue Account on Sales Delivery</td>
<td>Relevant</td>
<td>Relevant</td>
</tr>
<tr>
<td>Accrue liability on product receipt</td>
<td>Relevant</td>
<td>Relevant, <strong>NOTE:</strong> Check box is selected. when Post physical inventory is Selected.</td>
</tr>
<tr>
<td>Registration requirements</td>
<td>Relevant</td>
<td>Irrelevant</td>
</tr>
<tr>
<td>Check box</td>
<td>Stocked</td>
<td>Not Stocked</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------</td>
<td>-------------</td>
</tr>
<tr>
<td>Receiving requirements</td>
<td>Relevant</td>
<td>Relevant</td>
</tr>
<tr>
<td>Picking requirements</td>
<td>Relevant</td>
<td>Irrelevant</td>
</tr>
<tr>
<td>Deduction requirements</td>
<td>Relevant</td>
<td>Relevant</td>
</tr>
<tr>
<td>Date-controlled</td>
<td>Relevant</td>
<td>Irrelevant</td>
</tr>
<tr>
<td>Backward from ship date</td>
<td>Relevant</td>
<td>Irrelevant</td>
</tr>
</tbody>
</table>

### Negative Inventory Field Group

The **Negative inventory** field group determines whether physical or financial negative inventory will be permitted. It contains the following two parameters:

- Physical negative inventory
- Financial negative inventory

#### Physical Negative Inventory

Select the **Physical negative inventory** check box to enable the system to issue an item from inventory even though stock levels are insufficient. This parameter is sensitive for inventory value calculation. The decision whether to select or clear this parameter must be taken with the utmost care to prevent incorrect use of the functionality.

**Example: Physical Negative Inventory**

There is usually a time lag between arrival of items in the warehouse and when the purchasing department updates the received item's product receipts. When you visit the warehouse, you notice that the items have arrived for your purchase order, even though it is not a part of your warehouse in the system. If the item's item model group has **Physical negative inventory** selected, you can deliver the item even though it has not yet been registered as being physically present in the inventory.

#### Financial Negative Inventory

When the **Financial negative inventory** check box is cleared, you are prohibited from issuing quantities from stock, although physically available, if there are insufficient quantities, financially updated on-hand inventory for the item.

When this field is selected, negative financial inventory is enabled and the user can issue quantities from stock and inventory without knowing the real cost price. The invoice of these items might be posted after the items are sold and then an inventory closing has to adjust the cost to actual cost.
NOTE: If the Financial negative inventory check box is selected and you are using an actual costing approach, you should also enter a cost on the item, to be temporarily value the issue, until adjustment to actual cost can be made. Enter the cost price in the Cost price field on the Manage Cost FastTab in the Released products form.

Warehouse Management Field Groups

The Warehouse management field group is where you set up and maintain parameters for the selected item model group's warehouse management. It contains two parameters:

- Quarantine management
- Consolidated picking method

Quarantine Management

Select the Quarantine management check box to indicate that items attached to this group are under quarantine management rules and requirements. This is used for items that are set aside and waiting for approval for reception into the physical inventory. If the check box is clear, items will not be under quarantine management unless a quarantine order is created manually. When the item is physically updated, a quarantine order is generated with the status of Started.

Consolidated Picking Method

With the Consolidated picking method check box, you can pick multiple orders and use picking areas and shipment functionality that, are linked to the Advanced warehouse management functionality. This can also be determined by warehouse.

NOTE: For more information about consolidated picking, refer to the Warehouse Management in Microsoft Dynamics AX 2012 course.

Ledger Integration Field Groups

The Ledger integration field group determines whether inventory transactions are to be posted to the General ledger, physically or financially, and when they must be posted. The fields in this group are as follows:

- Post physical inventory
- Post financial inventory
- Post to Deferred Revenue Account on Sales Delivery
- Accrue liability on product receipt
Post Physical Inventory

The following table explains the effect of the **Post physical inventory** parameter when it is selected or cleared.

<table>
<thead>
<tr>
<th>Selection status</th>
<th>Implication</th>
</tr>
</thead>
</table>
| Selected | If this field is selected, physical movement of stocked products are posted in the ledger if:  
  - On sales delivery, when **Post packing slip in ledger** parameter is selected in the **Accounts receivable parameter** form.  
  - On product receipt, when **Post product receipt in ledger** parameter is selected in the **Accounts payable parameters** form.  
  - On production report as finished, when **Post report as finished in ledger** is selected in **Production control parameters** form.  
  
  **NOTE**: If you select this parameter, packing lists from purchases or sales are posted at cost in the ledger. This means that the value of physically received, delivered, or floating items is not only reflected in the inventory, but also in the ledger. When the same purchase or sales invoice is updated, the transactions are reversed from the packing slip update. |
| Clear | Physical movement of stocked products are not posted in the ledger, regardless of whether the **Post Packing Slip in Ledger**, **Post product receipt in ledger**, and **Post report as Finished in Ledger** setup options are selected in the accounts receivable, accounts payable, or production control parameters. |

Post Financial Inventory

The following table explains the effects of the **Post financial inventory** parameter when it is selected or cleared.

<table>
<thead>
<tr>
<th>Selection status</th>
<th>Implication</th>
</tr>
</thead>
</table>
| Selected | If this field is selected, the updated financial value of items is posted in the ledger when:  
  - A purchase order is invoice-updated. The product expenditure is posted to the inventory receipt account.  
  - A sales order is invoice-updated. The cost of the product is posted to the inventory issue and consumption accounts. |
### Selection status

<table>
<thead>
<tr>
<th>Selection status</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleared</td>
<td>Purchases are posted to the item Purchase expenditure for the expense account when the purchase is matched to a vendor invoice.</td>
</tr>
</tbody>
</table>

### Post to Deferred Revenue Account on Sales Delivery and Accrue Liability on Product Receipt

Select the **Post to Deferred Revenue Account on Sales Delivery** parameter to post the expected revenue on sales delivery. This is typically used when a company recognizes revenue at the time of shipment instead of the time of billing the customer. When the order is invoiced, the accounting entries for deferred revenue are relieved.

Select the **Accrue liability on product receipt** parameter to post the expected expenditure and liability for purchase for packing slip updates to the General Ledger. When the product receipt is matched to vendor invoice, the accounting entries for Accrued liability are relieved.

### Physical Update Field Group

Fields in the **Physical Update** field group determine the workflow that is used when you send or receive items and you use them to set rules around how an order is handled for receiving and shipping.

The **Physical update** field group contains the following four parameters:

- Registration requirements
- Receiving requirements
- Picking requirements
- Deduction requirements

### Registration Requirements

By selecting the **Registration requirements** check box, the user must register the receipt before inventory is updated through the product receipt on a purchase order. Register a product to record the item's physical presence at the company. These products are a part of the physical warehouse on-hand. However, the cost will not be updated until they are physically updated with a product receipt update. Generally, this option is used with the Warehouse management functionality.

**Example: Registration Requirements**

Select the **Registration requirement** parameter to monitor the vendor performance or the reception of goods into the company. In this case, you must monitor the goods when they arrive at the company.
Receiving Requirements

When the Receiving requirements check box is selected, item receipts must be physically updated before they can be financially updated.

A product receipt must be entered and posted before the corresponding vendor invoice can be posted. If there is a difference between the received quantity on the product receipt and the invoiced quantity on the invoice, an icon is shown in the Product receipt quantity match field in the Vendor invoice form.

NOTE: For more information about three-way-matching refer to the Microsoft Dynamics AX 2012 Financials courses.

Picking Requirements and Deduction Requirements

When you select the Picking requirements check box, item issues must have the status of Picked before inventory is physically updated. The item issue inventory transactions must have the status of Picked before the packing slip can be updated.

NOTE: Select the Picking requirements parameter with the warehouse management functionality when you use location management on the item and when shipments are collected by using picking routes.

When you select the Deduction requirements check box, item deductions must be physically updated before they can be financially updated for both inbound and outbound.

Inbound

A product receipt must be entered and posted before the corresponding vendor invoice can be posted. If there is a difference between the deducted quantity on the product receipt and the negative invoiced quantity on the invoice, an icon is shown in the Product receipt quantity match field in the Vendor invoice form.

Outbound

A packing slip must be entered and posted before the corresponding customer invoice can be posted. If there is a difference between the deducted quantity on the packing slip and the negative invoiced quantity on the invoice, an icon is shown in the Product receipt quantity match field in the Customer invoice form.
Reservation Field Group

The Reservation field group contains two parameters:

- Date-controlled
- Backward from ship date

When you select these parameters for the item model group, you determine how Microsoft Dynamics AX 2012 makes reservations of the type Automatic, where no on-hand inventory or receipts with the Received or Invoiced status exists for the item. However, there are receipts with the Ordered status for the item.

Additionally, for these parameters to come into effect, the Reserve ordered items check box must be selected in Inventory and warehouse management > Setup > Parameters > General tab.

NOTE: For more information about item reservations, refer to Item Reservations in the Distribution and Trade in Microsoft Dynamics AX 2012 course.

Inventory Model Tab

The Inventory model tab determines both the cost measurement method (standard costing or actual costing) and the cost flow assumption under actual costing for valuing inventory. Under Actual costing, the inventory closing function will adjust estimated cost according to the rules of the selected Inventory model. The choices are as follows:

- FIFO
- LIFO
- LIFO date
- Weighted avg.
- Weighted avg. date
- Standard cost

Learn more about Inventory models in the Inventory Costing and Valuation in Microsoft Dynamics AX 2012 course.
Procedure: Applying the Item Model Group to a Product

To apply the item model group to a product, follow these steps:

1. Open Product information management > Common > Released products.
2. Select a product and then click Edit in the Maintain group of the Action Pane.
3. In the General FastTab, click the Item model group drop-down and select the item model group.
4. Close the Released product details form.
Lab 3.1 - Create an Item Model Group and Apply It to a Released Product

Contoso Entertainment Systems - Company CEU

Scenario

You are asked to create an Item model group for an item 1750, 50 Disk DVD Player that your company will sell within the month. The restrictions for this item model group are as follows:

- You can only sell quantities of the item that are fully financially updated.
- Make sure that physical updates (packing slip updates) for the sales order are posted in the ledger.
- Items must be registered on receipt and picked on issue.
- Accept all other default settings for the item model group

After the item model group is created it must be applied to item 1750.

Challenge Yourself!

- Create the item model group DVD. It must have the following features:
  - You can only sell quantities of the item that are fully financially updated.
  - Make sure that physical updates (packing slip updates) for the sales order are posted in the ledger.
  - Items must be registered on receipt and picked on issue.
  - Accept the default settings for the item model group

- Apply the DVD item model group to product 1750, 50 Disk DVD Player

Need a Little Help?

- Open Inventory and warehouse management > Setup > Inventory > Item model groups to create the item model group as specified in the scenario.
- Open Product information management > Common > Released products to apply the model group to a product.
Step by Step

To create an item model group, follow these steps:

1. Open Inventory and warehouse management > Setup > Inventory > Item model groups.
2. Click New, to create a new item model group.
3. Type "DVD" in the Item model group field and the Name field.
4. Click the Inventory model FastTab.
5. Make sure that FIFO is selected as the Inventory model field.
6. Clear the Financial negative inventory check box on the Setup FastTab.
7. Make sure that the Post physical inventory and Post Financial inventory check boxes are selected.
8. Select the Registration requirements check box.
9. Select the Picking requirements check box.
10. Click Close to close the Item model groups form.

To apply the item model group to a released product, follow these steps:

1. Open Product information management > Common > Released products.
2. Select Item number 1750 and then click Edit in the Maintain group of the Action Pane.
3. In the General FastTab, click the Item model group drop-down and select DVD.
4. Click Close to close the Released product details form.
Warehouse Management

Warehouse management is the administration and management of product flow and inventory in a company’s warehouses and storage facilities.

**NOTE:** For more information about sites and warehouses refer to the Warehouse Management in Microsoft Dynamics AX 2012 course.

**Site**

A site is a grouping of business resources, such as warehouses and production units. These share interrelated transactions, are located at a particular geographic location, and belong to a single legal entity. A single site cannot be shared by multiple legal entities.

**Inventory and warehouse management > Setup > Inventory breakdown > Sites**

![Sites Form](image)

**FIGURE 3.10 SITES FORM**

A company can establish logistic operations at multiple sites for many reasons. These reason might include setting up distribution centers that serve different geographic markets, or setting up production facilities at a particular location because of reduced overhead costs, closeness to raw materials, or convenient transportation.
By using the multisite functionality, a customer can configure multiple sites to reflect its unique business model and support its operations and process flows. Examples of business environments that use sites include the following:

- A single production site that uses a single warehouse
- A single production site that uses multiple warehouses
- Multiple production sites that use a shared distribution center
- Multiple local production sites that use a shared production site

**Procedure: Create a Site**

To create a new site, follow these steps:

1. Open **Inventory and warehouse management > Setup > Inventory breakdown > Sites**.
2. Click **New**, to create a new entry.
3. In the **Site** field type a unique identifier and enter a description for the **Name** field.
4. On the **General** FastTab, select a time zone in the **Time zone** field. If you do not specify a time zone, the time zone that is defined in the **Company information** form is used as the default.
5. Close the **Sites** form.

When you have created a site, you can only delete it if:

- The site is not referenced from warehouses, production resources, or other master data.
- There is no open on-hand inventory that is associated with the site.

If either of these conditions is true, the program displays an error message, and you cannot delete the site.
Warehouse

When you have several warehouses, you can divide the total on-hand inventory among them. All item transactions can be marked with warehouses that follow the transactions throughout the system.

Inventory and warehouse management > Setup > Inventory breakdown > Warehouses

A warehouse of the default type might be an address and/or a building at a certain address. Warehouses are physically separate units. When you indicate a warehouse for a transaction, specify the site where you want to place or pick an item geographically. In other words, you can use warehouses for inventory in more than one geographic location.

**NOTE:** A warehouse should not be used as a financial inventory dimension; instead, separate sites should be created.
Warehouse Types

When you create a warehouse, specify a warehouse type. The types as follows:

- **Default** - a main warehouse.
- **Quarantine** - attach warehouses of the Quarantine type to regular warehouses of the Default type. When you purchase items that are quarantine-controlled to a warehouse, they are automatically put in the warehouse of the Quarantine type that is attached to the receiving warehouse. When you finish the quarantine warehouse, the items are then transferred to the specified receipt warehouse.
- **Transit** - use for transfer orders and the delivery date control function. Transit warehouses are the system-technical intermediary warehouses between the From and To warehouses, or warehouse and delivery location with the delivery date control functionality.

Procedure: Create a Warehouse

To create a new warehouse, follow these steps:

1. Open **Inventory and warehouse management > Setup > Inventory breakdown > Warehouses**.
2. Click **New**, to create a new warehouse.
3. In the **Warehouse** field, type a unique warehouse identifier.
4. In the **Name** field, type the warehouse name.
5. Select the site in the **Site** field.
6. Select the warehouse type inside the **Type** field.
7. Select a Quarantine warehouse, if you want to use quarantine management.
8. Select a Transit warehouse that is used for transfer orders.
9. Close the **Warehouses** form.

**HINT**: You can specify transport times for the selected warehouse by clicking the **Transport** button. Transport times are used in the delivery date calculation when you use the delivery date control with transfer orders.

For more information about transfer orders, refer to Transfer Orders in the Distribution and Trade in Microsoft Dynamics AX 2012 course.
Procedure: Set Up a Warehouse on a Product

To set up a warehouse on a product, follow these steps:

1. Open **Product information management > Common > Released products**.
2. Select a product.
3. Click the **Manage inventory** tab in the Action Pane, and then click **Site specific order settings** in the **Order setting** group.
4. Select the site for which you are setting up the product.
5. In the **Purchase warehouse**, **Inventory warehouse**, and **Sales warehouse** fields, select the warehouse to be proposed as default for the purchase, storage, or sale of the product.
6. Select the **Mandatory warehouse** check boxes on the **Purchase order**, **Inventory**, and **Sales order** tabs. Then only inventory transactions at the warehouse that are specified in the **Warehouse** field are accepted.

For more information about default order settings, refer to the **Product Information Management** module.

**NOTE:** If you do not specify a warehouse on the product, you can specify the warehouse from which the products are to be sold or purchased on the sales and purchase order header and on the individual lines.

The warehouse that is specified in the header applies to all lines, unless otherwise individually specified, either on the product or manually on an order line.

Summary

Inventory Management Setup reviewed how to set up several product setup elements in the **Inventory and warehouse management** module in Microsoft Dynamics AX 2012. The following areas were covered:

- Setting up item groups and examining the posting types.
- Setting up item model groups and inventory dimension groups and reviewing how they affect the way item transactions are handled.
- Setting up Site and Warehouse for inventory control.

Understanding how inventory works in Microsoft Dynamics AX 2012 helps you manage the following:

- How and if posting occurs.
- Control of receipt and issue of items.
Test Your Knowledge

1. Which parameter enables items that are attached to the item model group to be sold even though there are no physically-updated quantities of the item available?
   - ( ) Negative financial inventory
   - ( ) Negative physical inventory
   - ( ) Post physical inventory
   - ( ) Quarantine management

2. What is the name of the item model group parameter that together with the Post packing slip in the ledger parameter in Accounts receivable/Accounts payable enables ledger posting at physical update?
   - ( ) Post financial inventory
   - ( ) Post physical inventory
   - ( ) Physical negative inventory
   - ( ) Post packing slip

3. How, in the item model group, do you make sure that all items that are attached to this group have their receipts registered at the company?
   - ( ) Select Picking requirements
   - ( ) Select Post physical purchase
   - ( ) Select Registration requirements
   - ( ) Select Quarantine management
Quick Interaction: Lessons Learned

Take a moment and write down three key points you have learned from this chapter

1. 

2. 

3. 
Solutions

Test Your Knowledge

1. Which parameter enables items that are attached to the item model group to be sold even though there are no physically-updated quantities of the item available?
   - ( ) Negative financial inventory
   - (●) Negative physical inventory
   - ( ) Post physical inventory
   - ( ) Quarantine management

2. What is the name of the item model group parameter that together with the Post packing slip in the ledger parameter in Accounts receivable/Accounts payable enables ledger posting at physical update?
   - ( ) Post financial inventory
   - (●) Post physical inventory
   - ( ) Physical negative inventory
   - ( ) Post packing slip

3. How, in the item model group, do you make sure that all items that are attached to this group have their receipts registered at the company?
   - ( ) Select Picking requirements
   - ( ) Select Post physical purchase
   - (●) Select Registration requirements
   - ( ) Select Quarantine management