Chapter 5 Exercise 2

Assume that an order has been placed with your company's ERP system. These events occur:

a.   The customer's credit is automatically checked and found to be acceptable.
b.   The order is recorded for the delivery data requested.
c.   The system schedules the production of the goods. (There is not enough inventory to ship from stock.)
d.   The system schedules raw material orders from the vendors to make the goods ordered.
e.   The raw materials are received and stored.
f.   The good are produced and reserved for shipment to the customer.
g.   The delivery is scheduled, and the goods are put on the delivery truck. An invoice is printed and included with the shipment.
h.   Accounting is notified of the shipment's details.
i.   A month later, the customer sends in payment, which is recorded in accounting.

For each of these events, list the information that must be recorded in the common database.

At each step:
• Did the wealth of the company increase or decrease?
• How did the company's obligations to outsiders change?
• How did obligations of outsiders to the company change?

Chapter 5 Exercise 2 Solution

Event	Information	Company Wealth	Company Obligations	Outsider Obligations
Check credit limit	None new.	No change.	See if line of credit devoted to customer has been exceeded.	See if customer debt to company exceeds line of credit.
Record sales order	Item, Item Qty, Price, Discount, Update Credit	Increase accounts receivable, increase sales (revenue).	Company obliged to ship goods.	Outsider obliged to pay for goods, once received.
Schedule production	Inventory Amt, Item Qty, Prod Time/Item, Avail Time, Priority	No change	Allocate resources to production	No change
Order raw materials	Raw Mat Qty, Cost	No change	No change	Vendor must ship goods to company.
Raw materials received and stored	Raw Mat Item, Qty Rec, Inventory, Raw Mat Cost	Increase materials inventory but record an obligation to pay vendor.	Record obligation to pay vendor.	
Produce goods, set aside for shipment	Raw Mat, Inventory	Decrease raw materials (used in production) increase finished goods.	Reserve goods for customer.	No change.
Schedule delivery, put goods on truck with invoice	Date, shipping Doc, Invoice	Record physical movement of goods internally.	Un-reserve goods in system.	No change.
Accounting notified of shipment	Inventory, Acct Rec	Reduce inventory on hand. Increase cost of inventory sold.	No change.	No change.
Customer sends in payment, recorded in Accounting	Credit Limit, Acct Rec, Cash	Increase cash, decrease receivable from customer.	No change.	Obligation to pay is discharged (reduced to 0).