# MM – Configuration Inventory Management

## Objective

To understand

Goods Movements & Movement types
Stock Determination
Valuation and Account Assignment
Split Valuation
Account Determination
Physical Inventory

# Goods Movements & Movement types

# Goods Movements

Any material movement is addressed through the term Goods Movement in SAP.

Each material movement is associated and identified with movement type.

Material document and/or Accounting document will be generated for each material movement.

# Goods movement          Contd..

Important classification of goods movements are

Goods issue

Goods Receipt

Transfer posting

Reservation

# Movement type

Movement type determines the

- Accounting entries i.e. GL account to be posted
- Update the quantity
- Controls field display
- Type of transaction

# Goods Issue

When material is issued for consumption or sales, it is termed as goods issue.

Example:

- Components issued for production
- Products issued against sales order
- Products issued against free replacement

# Goods Issue (GI) movement type

Goods issue will reduce the inventory from the storage location.

Goods issue for different purpose is identified by different movement type.

Example:-
261 – indicates GI for production
601 – indicates GI for sales order

# Goods Receipt (GR) movement type

When the material is received into the storage location, it is termed as Goods Receipt.

GR will increase the inventory.

Example:-

101 – indicates GR from vendor

561 – indicates GR initial stock upload

# Transfer posting

When the material is transferred from one storage location or plant to another storage location or plant  it is known as transfer posting.

Transfer posting will reduce the stock from one location or plant and increase the stock in another location or plant.

Transfer posting movement type

Each transfer posting is identified by the different movement type.

Example:

311 – indicate transfer from one storage location to another

301 – indicate transfer from one plant to another plant

# Reservation

It is a request to keep materials ready to withdraw when it is required.

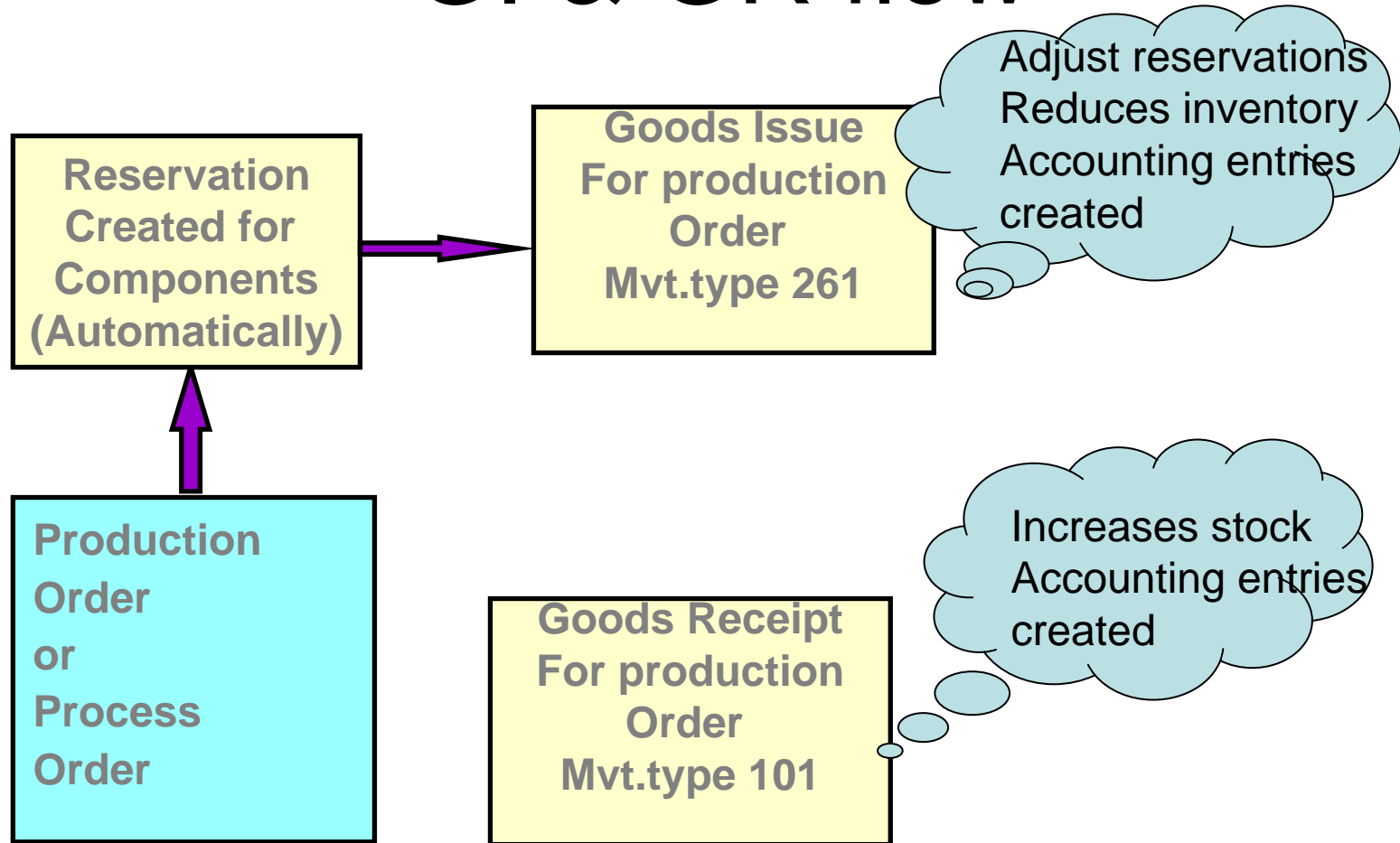Reservation contains

Material number

Quantity

When required

From and To

# Reservation & Movement type

- Each reservation contains only one movement type.

- It can be created automatically or manually

- Reservation has the document number

- MRP will consider the reservation for net requirement calculation

# GI & GR flow

**Reservation Created for Components (Automatically)**

**Goods Issue For production Order Mvt.type 261**

Adjust reservations
Reduces inventory
Accounting entries created

**Production Order or Process Order**

**Goods Receipt For production Order Mvt.type 101**

Increases stock
Accounting entries created

# STOCK DETERMINATION

# Stock Determination

- It is a strategy to withdraw material for GI and Stock transfer.

- Automatically determines the stock & storage location from where materials are to be withdrawn.

# Stock Determination          Contd..

Following stocks can be handled through stock determination.


Unrestricted use stock

Vendor consignment stock

Pipeline stock

Sales order stock

Project stock

# Valuation and Account Assignment

# Valuation and Account assignment

It defines

- How the material is to be valuated

- the link between Materials management and Finance

# Material Valuation

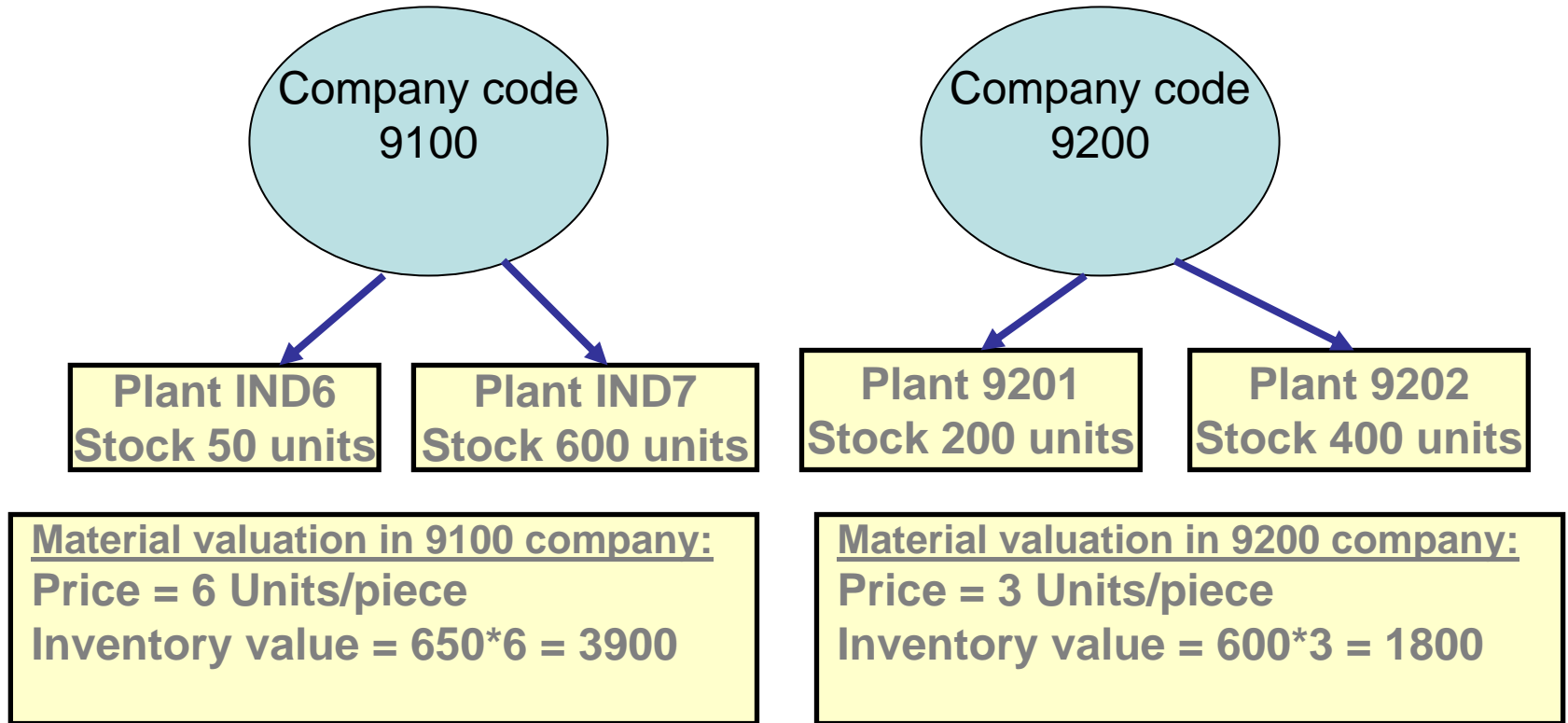Materials can be valuated at

Company code level

or

Plant level

Level at which the material valuation is done is known as valuation area.

Valuation at company code level

Material price and price control are common at company code level.

It ensures material is valuated at same price at all plants belong to that company code.

# Company code level valuation

**Company code 9100**

**Company code 9200**

**Plant IND6
Stock 50 units**

**Plant IND7
Stock 600 units**

**Plant 9201
Stock 200 units**

**Plant 9202
Stock 400 units**

**Material valuation in 9100 company:**
**Price = 6 Units/piece**
**Inventory value = 650*6 = 3900**

**Material valuation in 9200 company:**
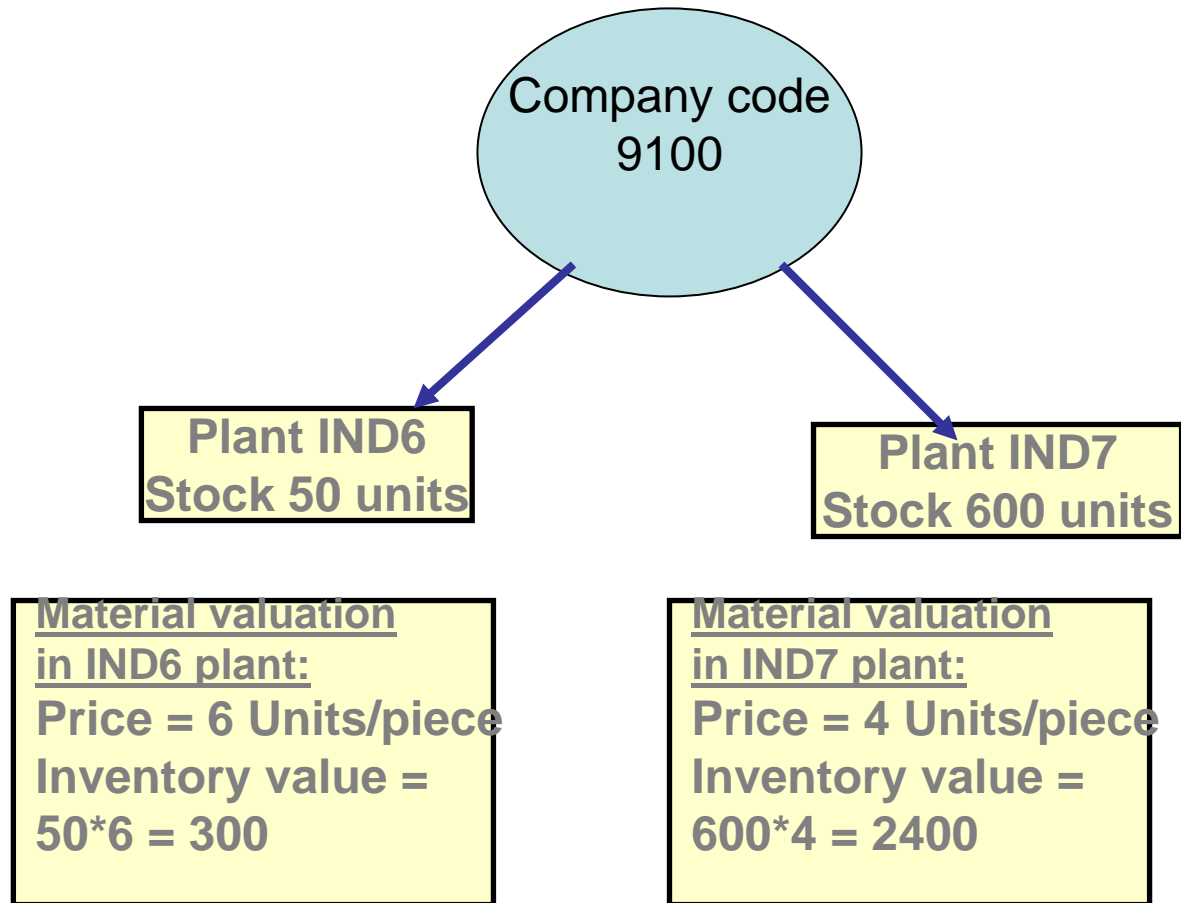**Price = 3 Units/piece**
**Inventory value = 600*3 = 1800**

# Valuation at plant level

Material price and price control are unique at plant level.

Material can have a different price at each plant which are under the same company code.

# Plant level valuation



Company code
9100

Plant IND6
Stock 50 units

Plant IND7
Stock 600 units

Material valuation
in IND6 plant:
Price = 6 Units/piece
Inventory value =
50*6 = 300

Material valuation
in IND7 plant:
Price = 4 Units/piece
Inventory value =
600*4 = 2400

# Valuation Data - Material Master

Following are the essential material master data for valuation

- Valuation class – to determine the stock account for postings
- Price control – moving average or standard price
- Price unit – indicates pricing unit.

# Valuation Procedure

Valuation of inventory will be performed

For each valuation area

According to the price control

(price control    'S' - standard or

'V' – Moving average)

# Valuation Procedure   Contd..

| Price control | Inventory valuation |
|---|---|
| If 'S' | Qty * standard price |
| If 'V' | Qty * moving average price |

# Split Valuation

# Split Valuation

Split valuation allows to use different valuation price for different stocks.

Example:

A material can have one price when it is procured inland and different value when imported.

# Over view of split valuation

A material may be subjected to
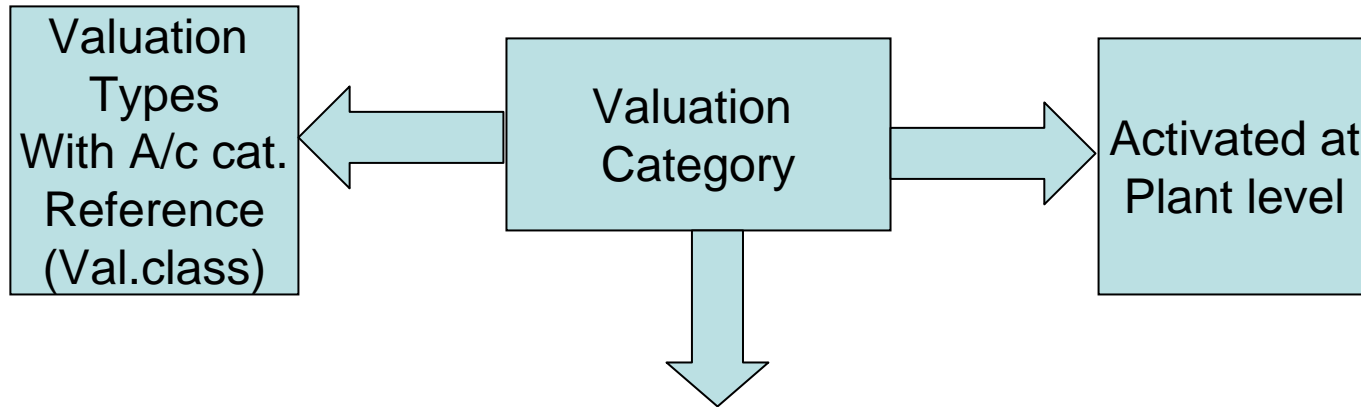
different procurement type
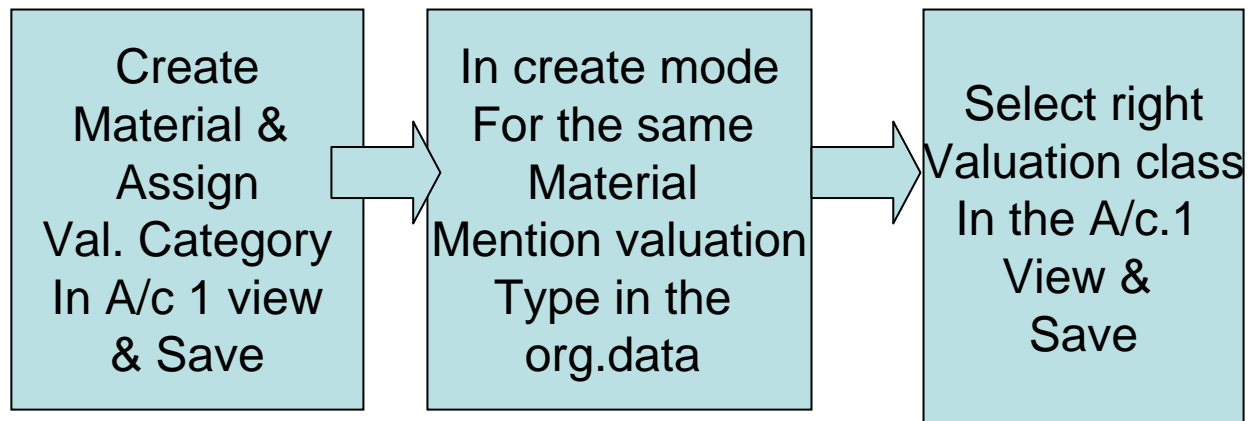
different country of origin

different grade

A material can have different valuation classes.

# Data flow in split valuation

IMG

| Valuation Types With A/c cat. Reference (Val.class) | ← | Valuation Category | → | Activated at Plant level |
|---|---|---|---|---|

↓

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Master Data

| Create Material & Assign Val. Category In A/c 1 view & Save | → | In create mode For the same Material Mention valuation Type in the org.data | → | Select right Valuation class In the A/c.1 View & Save |
|---|---|---|---|---|

# Data flow split valuation  cont..

During each Material transaction select the right valuation type.

System determines the right valuation class through valuation type.

One material can be posted to different accounts using split valuation.

# Account Determination

# Account Determination

Movement type and valuation class together determines the FI accounting entries through posting key.

Valuation group code defined for

valuation area

Company code

Chart of accounts

Valuation group code is linked with posting key

# Account category & Valuation class

Account category reference

Valuation classes are created and linked with account category reference.

Account category references are assigned to each material type.

Effect :-

When creating material, according to the material type, predefined valuation classes will appear to select.
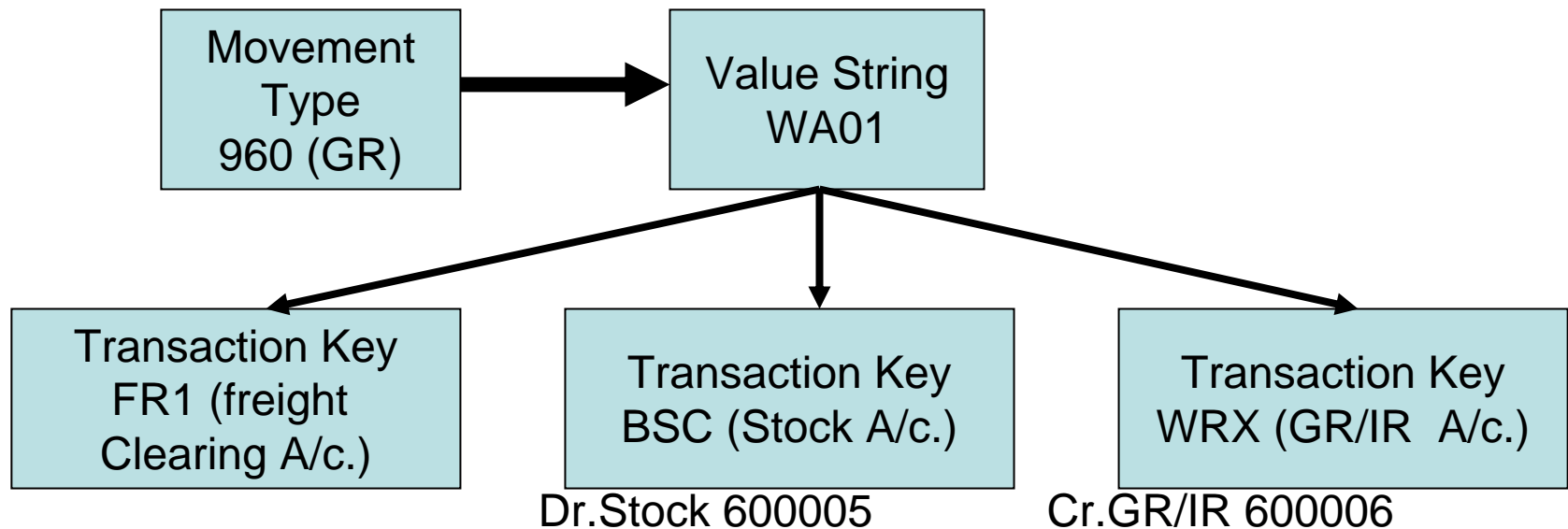
Posting key attached with each movement type

Each posting key also attached with valuation class and GL accounts

Effect:-

Movement type automatically determines the accounting entries

# Account determination & movement type

```
┌─────────────────┐            ┌─────────────────┐
│   Movement      │            │  Value String   │
│   Type          │  ───────▶  │  WA01           │
│   960 (GR)      │            │                 │
└─────────────────┘            └─────────────────┘
```

| Transaction Key FR1 (freight Clearing A/c.) | Transaction Key BSC (Stock A/c.) | Transaction Key WRX (GR/IR  A/c.) |
| --- | --- | --- |
|  | Dr.Stock 600005 | Cr.GR/IR 600006 |

# Transaction keys - Example

Following are the Goods receipt related transaction keys for your ready reference.

BSX – Inventory posting

WRX – GR/IR Clearing Account

PRD – Cost/Price difference

UMB – Revenue / Expense from revaluation

GBB - Offsetting entry to the stock posting

# Physical Inventory

# Physical Inventory

This is a process of physically counting the material at storage location level to keep the accurate stock of material.

Four types of physical inventory are

       Periodic

       Continuous

       Cycle counting

       Sampling

# Physical Inventory stock type

Following stocks are subjected to physical inventory

Unrestricted use stock

Quality stock

Blocked stock

Physical inventory can be performed only for the above stocks.

# Physical Inventory steps

Steps involved in physical inventory are

1. Physically count the stock

2. Set the block for the material – to avoid any other posting during counting

3. Create physical inventory document

4. Post the count result

5. Post the difference in inventory

6. Posting documents generated by the system in the background automatically

# Physical Inventory tolerance

Tolerance limit to post the inventory difference can be defined for each user

Two ways of defining the limits are: -
1.  Maximum amount per inventory count
2.  Maximum amount per document item

# Summary

You must have understood

Goods Movements & Movement types

Stock Determination

Valuation and Account Assignment

Split Valuation

Account Determination

Physical Inventory