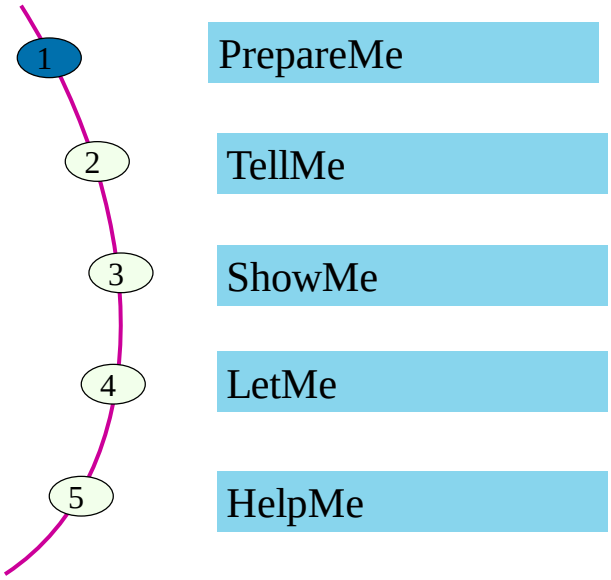
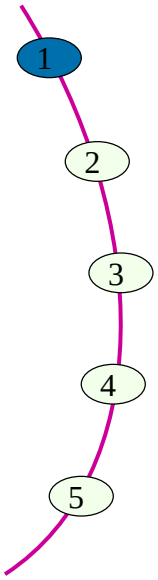
Capgemini

MM0005 - *MM Physical Inventory Overview*

Physical Inventory



Physical Inventory



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Physical Inventory

Physical Inventory involves physical checking of stock of the materials in quantity

It is very important for any business as it helps in controlling the stocks thereby increasing the profitability

It is statutory to carry out Physical Inventory every year.

Use

It is statuary for all organization to carry our Physical Inventory at least once in a year

Through Physical Inventory an organization can actually track its actual stock of Material

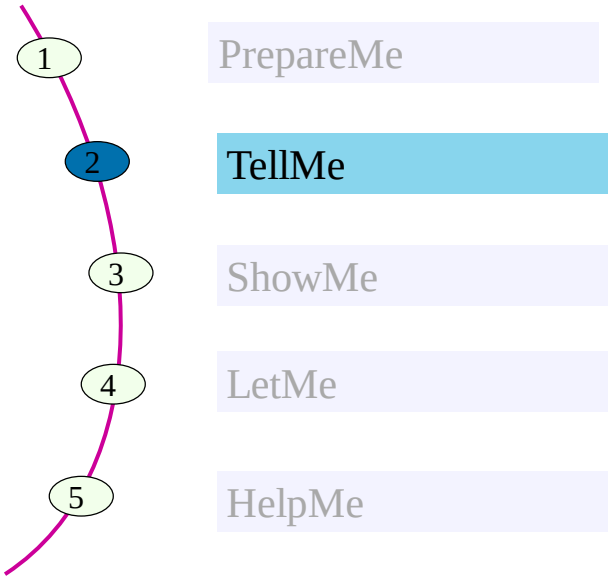
Through Physical Inventory stock item can actually be planned for procurement, i.e we can actually do materials planning

Physical Inventory helps purchaser to decide what to procure, when to procure,& how much to procure

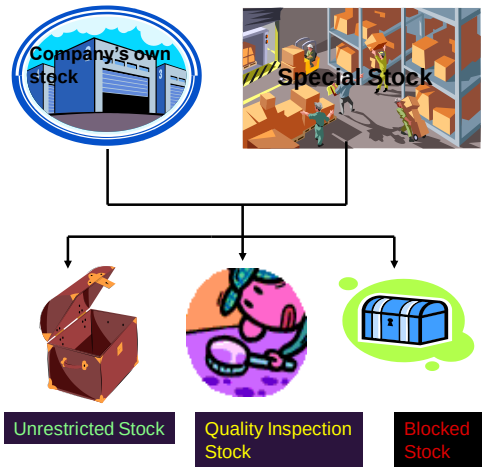
Challenges

- Which Physical Inventory Procedure to be used
- What is the date on which physical inventory to be carried out
- No. of phys. inventories per fiscal year for cycle counting
- Physical inventory interval (in workdays) for cycle counting
- Which Items to be considered for Physical Inventory

Physical Inventory



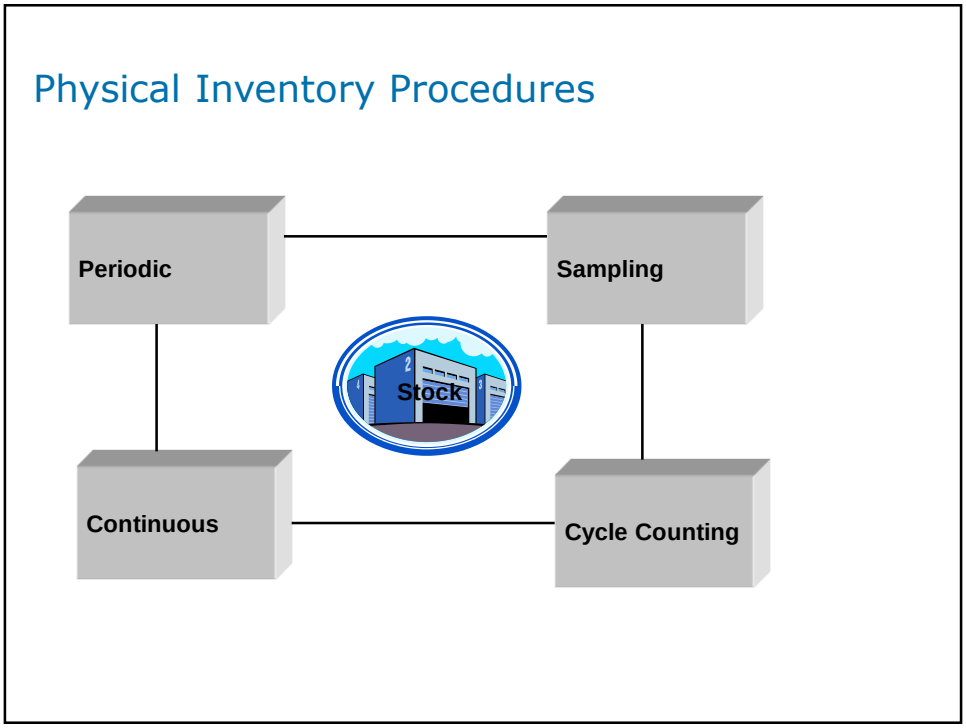
Physical Inventory



Physical inventory can be carried out both for a company's own stock and for special stock.

Physical inventory can be carried out for the following stock types:

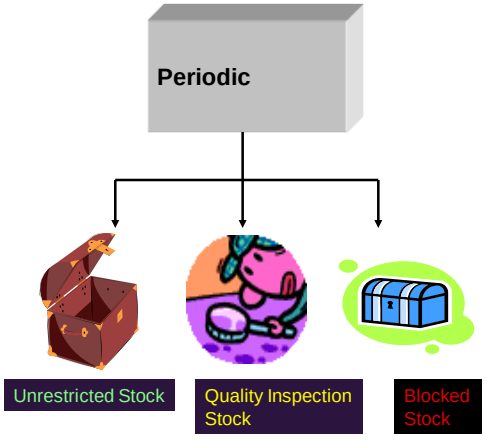
- Unrestricted-use stock in the warehouse
- Quality inspection stock
- Blocked stock



SAP R/3 supports the following physical inventory procedures:

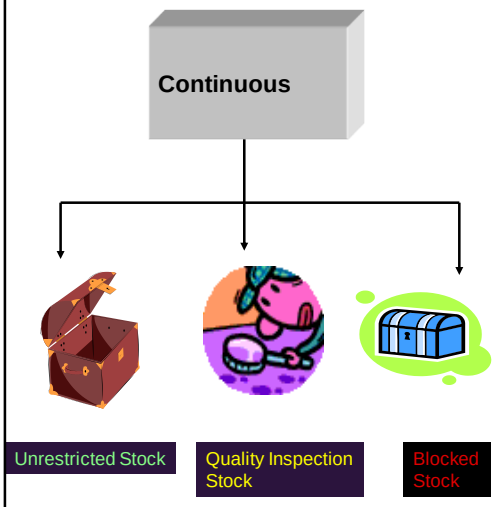
1. **Periodic inventory**
2. **Continuous inventory**
3. **Cycle counting**
4. **Inventory sampling**

Periodic Inventory



- In a periodic inventory, all stocks of the company are physically counted on the balance sheet key date. In this case, every material must be counted.
- During counting, the entire warehouse must be blocked for material movements.
- Periodic Inventory is carried out for
  - Unrestricted Stock
  - Quality Inspection Stock
  - Blocked stock

Continuous Inventory



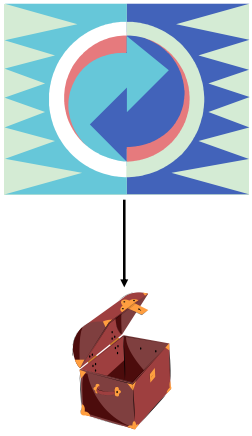
In the continuous inventory procedure, stocks are counted continuously during the entire fiscal year.

Every material is physically counted at least once during the year.

Continuous Inventory is carried out for

- Unrestricted Stock
- Quality Inspection Stock
- Blocked stock

Cycle Inventory



In Cycle counting physical inventory inventory is counted at regular intervals within a fiscal year. These intervals (or cycles) depend on the cycle counting indicator set for the materials in Material Master

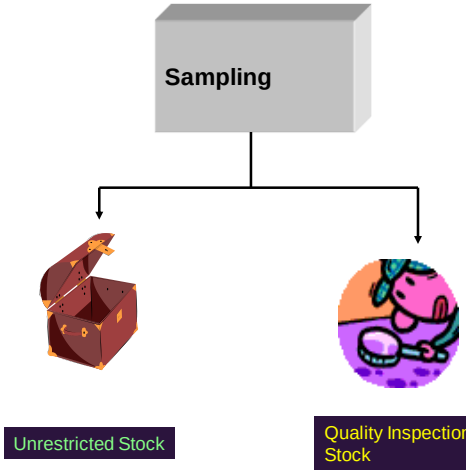
Counting indicator set through ABC analysis

This method allows fast-moving items to be counted more frequently than slow-moving items.

The planned Inventory Count is calculated as

Date of last inventory +Pre-defined interval

Sampling Inventory



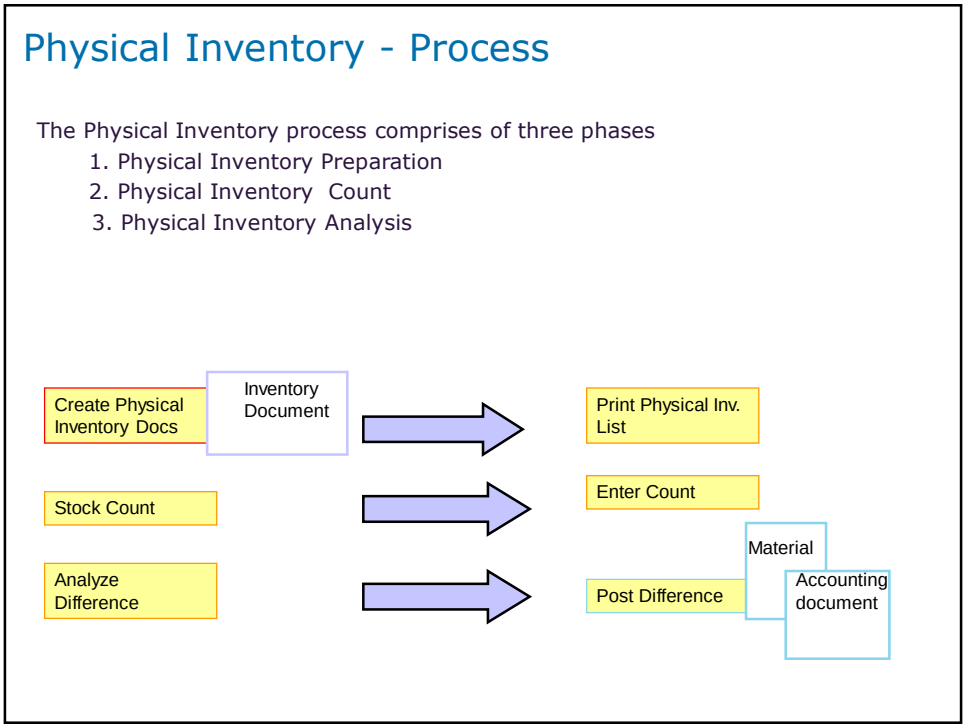
In Sampling inventory, randomly selected stocks of the company are physically counted on the balance sheet key date.

The count results are extrapolated & then applied to all stock management units included in this inventory procedure

If the variances between the extrapolated value and the book value is very small & the probability is high that any error in the extrapolation results is only very small then it is presumed that the book inventory balances for the other stocks are correct.

Sampling Inventory is carried out for

- Unrestricted Stock
- Quality Inspection Stock



When Inventory Difference is posted , two documents are generated

1) Material Document
2) Accounting Document

Physical Inventory Preparation

Physical Inventory Preparation Consists of 3 steps

- Create a physical inventory document
- Blocking Materials for Posting
- Print and distribute the physical inventory document

To ensure that the physical inventory count goes smoothly, one has to carry out 3 steps in preparation.

Create a Physical Inventory Document

A physical inventory document contains, among other things, the following data:

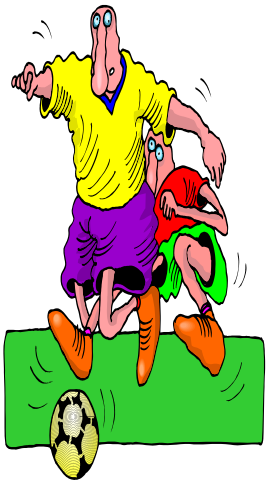
- the plant and storage location in which the count is to take place
- when the count is to take place
- which materials are to be counted
- for material handled in batches: which batches are to be counted
- in the case of split valuation: which sub-stocks are to be counted
- which stock types are to be counted

Create a Physical Inventory Document

Physical Inventory Number

- Used to group together different physical inventory documents that belong together organizationally
- Assign PIN when creating & changing physical inventory documents
- Used in physical inventory reports as an selection criteria.

Blocking Materials for Posting



The delay between a material movement and the posting of that movement can create a discrepancy between actual warehouse stock and book inventory.

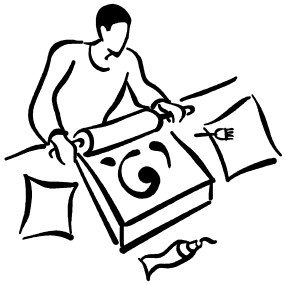
To avoid such a discrepancy during physical inventory, it is recommended to block the materials for posting during the physical inventory.

Posting block can be set in two ways:

- Block the materials when you enter the physical inventory document. This is recommended if you create the physical inventory document immediately before the count.
- Block the materials later by changing the posted physical inventory document. This is recommended if you do not create the physical inventory document immediately before the count.

The posting block is automatically cancelled when the counting results are posted for the physical inventory document.

Print & Distribute the Physical Inventory Document



Print out the physical inventory document for the physical inventory count

Distribute to the people responsible for doing the counting.

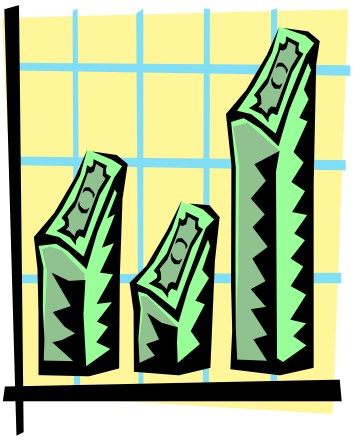
Print outs are very handy while counting as one can enter the counted quantity against each material in print out of physical inventory document.

Physical Inventory Count

1. The stocks are counted for individually for the materials in a physical inventory document.
2. The count results are written on the printout of the physical inventory document.
3. The printout is then directed back to the person responsible, so that he or she can enter the count into the system and analyze it.

The stocks are counted physically.

Physical Inventory Analysis



Enter the results of the count into the system.

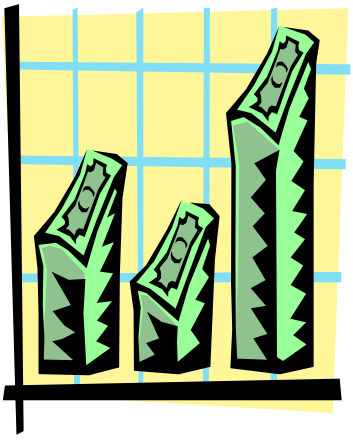
Initiating a recount

- Trigger recounts for individual items in a physical inventory document. This is recommended if you suspect that an error was made during counting. When a recount is initiated , a new physical inventory document is created.

Freeze Book Inventory Balance

- To prevent goods movements changing the book inventory balance relevant to the physical inventory count , one can freeze the book inventory balance in the physical inventory document.

Physical Inventory Analysis



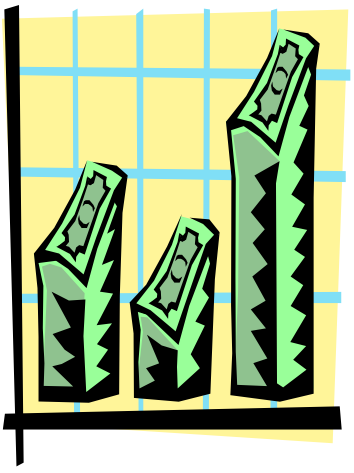
Set zero count Automatically

- For items having quantity zero, one can set zero count automatically.

Tolerance for posting Inventory Differences

- In customizing, define the following value tolerances for posting inventory differences for a user group
  - Maximum Amount per Physical Inventory Document
  - Maximum amount per document item

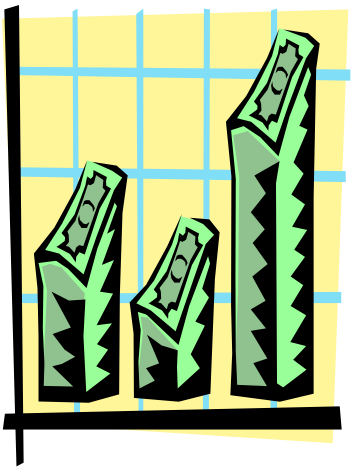
Physical Inventory Analysis



Posting inventory differences

- If the physical inventory is different from the book inventory, correct the book inventory balance by posting the differences
- Total stock is adjusted to the counted quantity
- Stock Account is debited or credited as per the price control defined in Material Master .
- Posting inventory differences does not result in price change

Physical Inventory Analysis



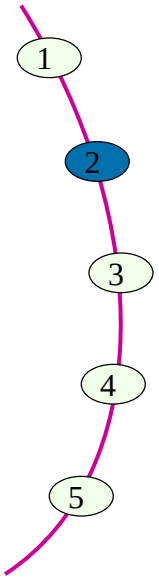
- Posting period of the accounting document is automatically fixed by the system when 1st count is entered for Physical Inventory Document. Hence the inventory difference must be posted for that document either in the same period or in following period if back posting is allowed.
- Fiscal Year is set when physical inventory document is created. All posting must be made in the same fiscal year or in the first period of next period if back posting is allowed.

Information On Physical Inventory

The physical inventory functions in the R/3 System allow you to obtain an overview of the progress of the physical inventory for each material at each stage of the process - from creating the physical inventory document to posting the physical inventory differences.

- Physical Inventory document for Material (MI22)
- Physical Inventory data document for Material (MI23)
- Physical Inventory Overview (MIDO)
- Physical Inventory List (MI24)
- Difference List (MI20)
- Changes to Physical Inventory Documents (MI12)

Inventory Management



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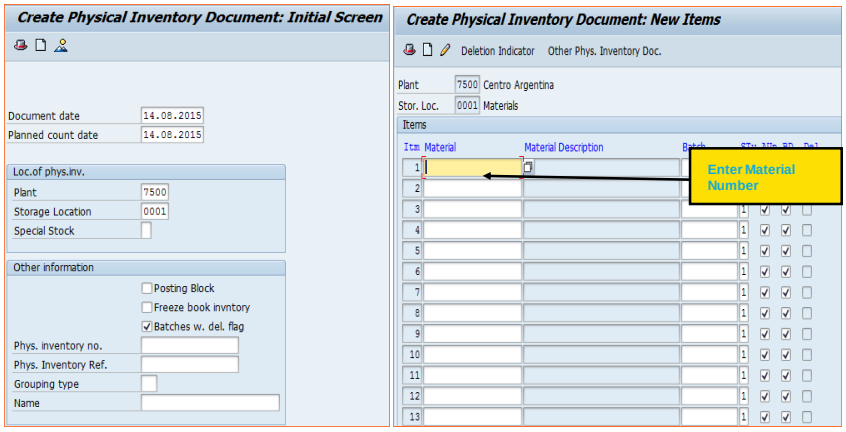
Create Physical Inventory Document (MI01)



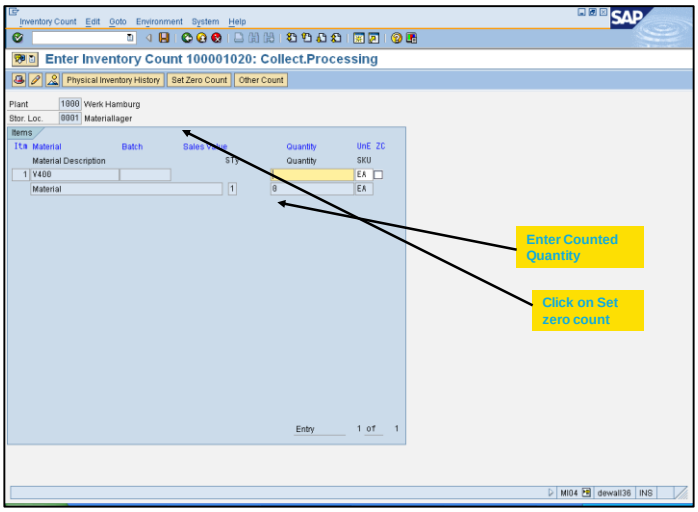
Enter Plant & Storage Location. If stock is special stock., then enter special stock indicator

As per requirements , flag Posting block, Freeze Book Inventory & Batches without del.Flag

Enter Physical inventory number if required.

Click on execute, enter material number & save

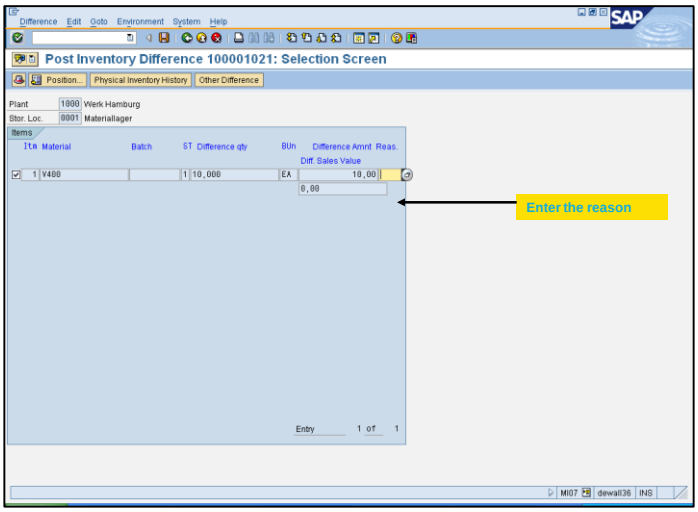
Enter Inventory Count (MI04)



Enter Counted quantity against each material.

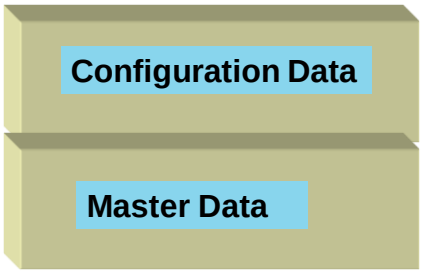
Click on Set Zero Count –The Field ZC is flagged for items whose quantity is zero & for items whose count is not completed.

Post Difference (MI07)



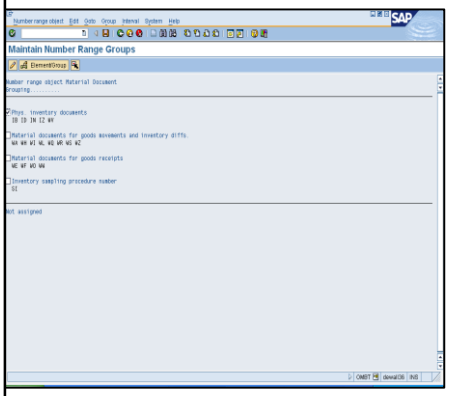
Enter the Reason for difference .Then Save

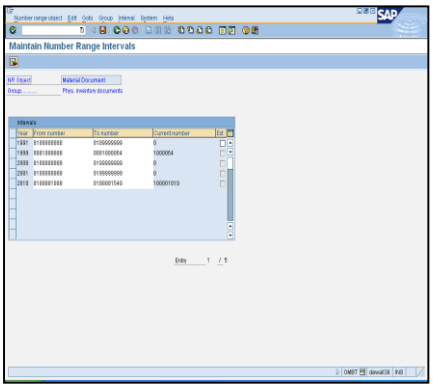
Customizing Data for Physical Inventory



Define Number Ranges for Physical Inventory Document

SPRO→Materials Management→ Inventory Management and Physical Inventory→ Number Assignment→ Define Number Assignment for Material and Phys. Inv. Docs



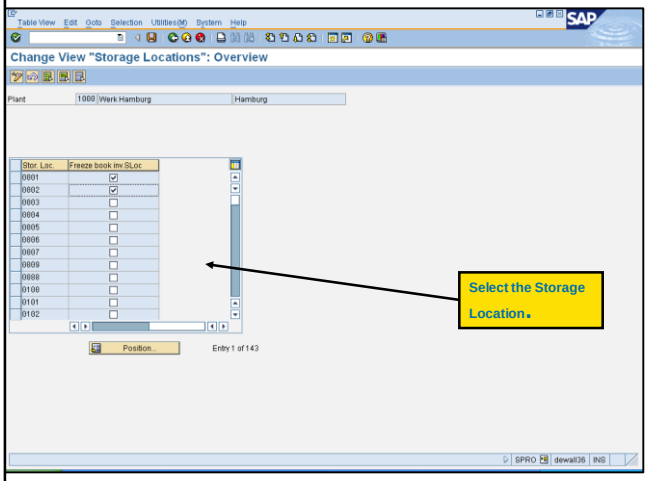


Select Physical Inventory Document

For Year, define the Number Range

Allow Freezing of Book Inventory Balance in Storage Location

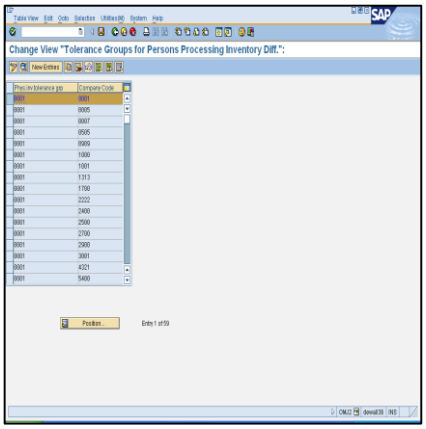
SPRO→Materials Management→ Inventory Management and Physical Inventory→ Physical Inventory→ Allow Freezing of Book Inventory Balance in Storage Location

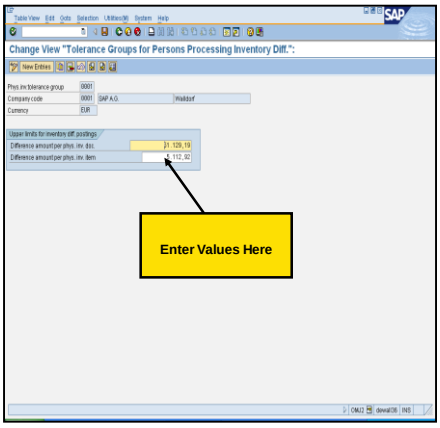


Select the Storage location for which freezing of Book inventory to be done.

Define Tolerances for Physical Inventory Differences

SPRO→Materials Management→ Inventory Management and Physical Inventory→ Physical Inventory→ Define Tolerances for Physical Inventory Differences

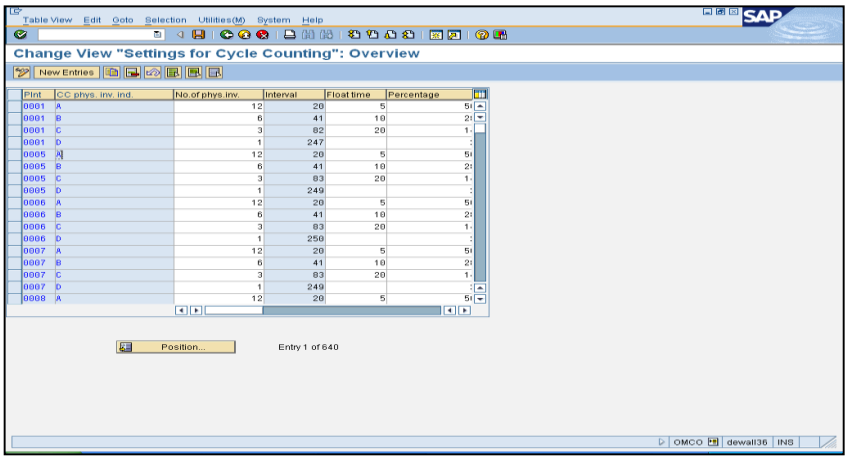




Click on Physical Inventory Tolerance Group

Cycle Counting

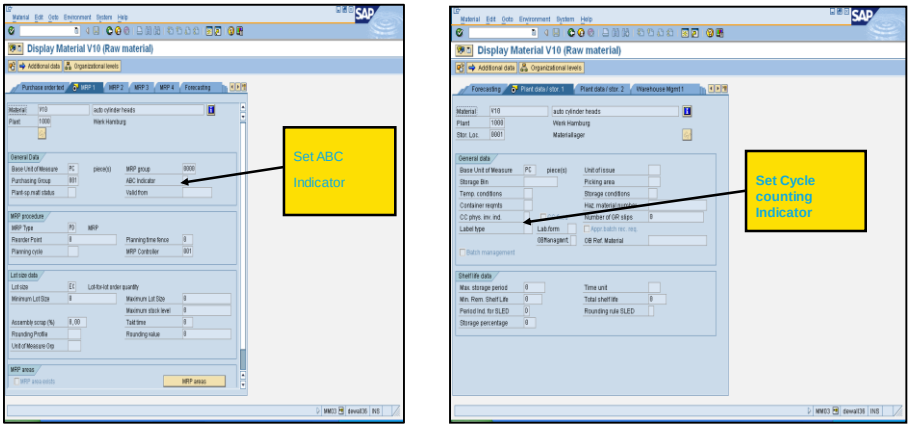
SPRO→Materials Management→ Inventory Management and Physical Inventory→ Physical Inventory→ Cycle Counting



Do the settings for Cycle Counting

Enter the Number of Physical Inventory per year, Interval for Physical Inventory , Float

Setting in Material Master for Cycle Counting

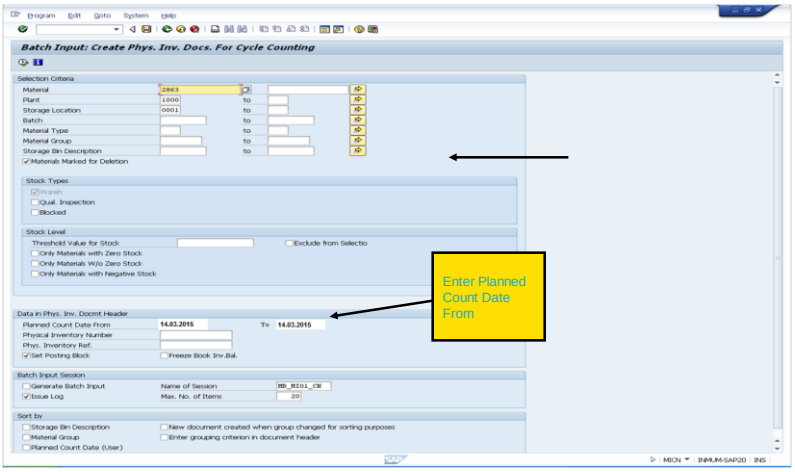


Set ABC indicator for material in MRP1 View

Set Cycle Counting Indicator for Material in Plant Data / Storage 1 view

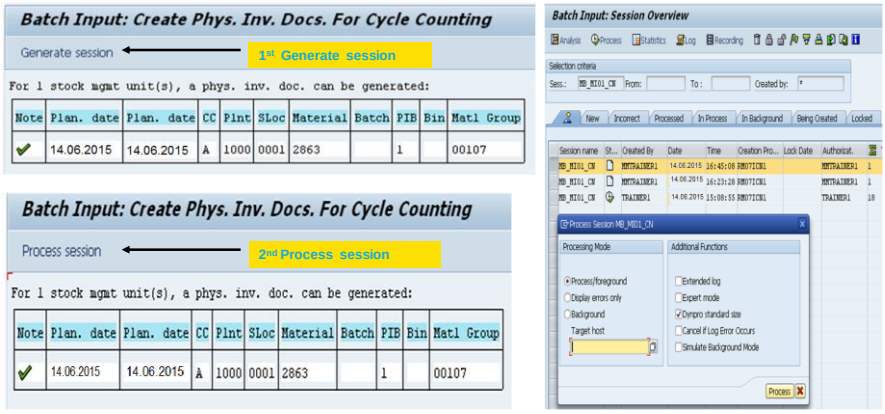
Set CC Fixed if this material will always be undergo Cycle Counting Inventory

MICN - Create Physical Inventory Documents



Enter the Reason for difference .Then Save

MICN - Create Physical Inventory Documents



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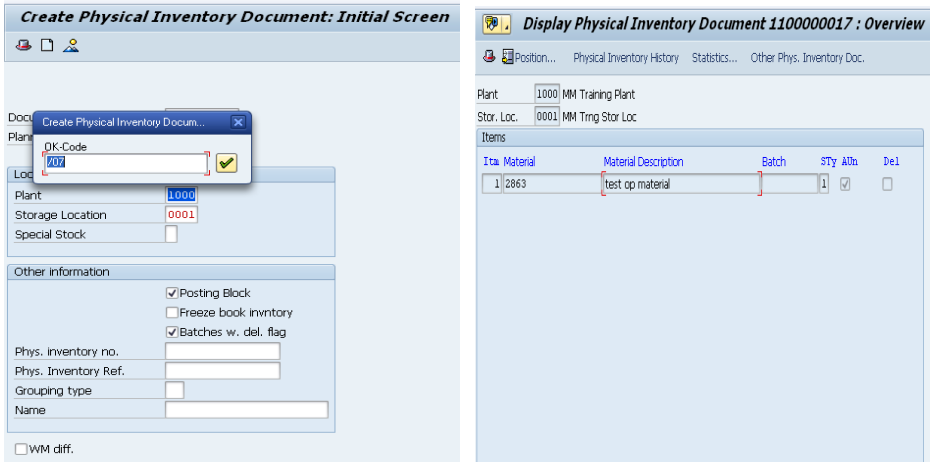
MICN - Create Physical Inventory Documents



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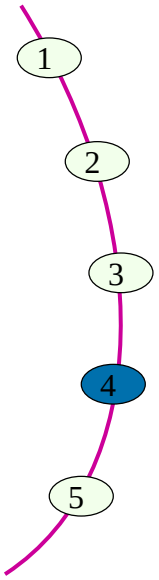
Inventory Management



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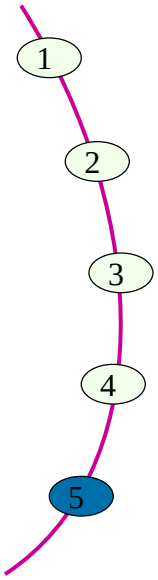
MNC Corporation has 2 Plants in USA. Each Plants have 2 Storage Locations.

1. Carry out Physical Inventory for the items belonging to plant & storage location
2. Decide the Inventory Procedure for Physical Inventory
3. Create Physical Inventory Document for the selected materials for plant & storage location (MI01)
4. Print the document (MI21)
5. Start the Count
6. Analyze the difference
7. Start recount if required (MI11)
8. Enter the count (MI04)
9. Set zero count for items having stock zero (MI04)
10. Post the differences (MI07)
11. Check the stocks (MB51)

Inventory Management



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Transaction code MI22 – List of the Physical Inventory Documents for Material- Plant & Storage location wise.

Transaction code MIDO gives the physical inventory overview for the company. The selection can be as per Plants belonging to the company code, Material Type, Material Group , Storage Location.

Transaction code MI24- List of physical inventory for material, plant ,storage location, Physical Inventory Document & Physical Inventory Number

Transaction code MI20- List of inventory differences for Material ,Plant, Storage Location Physical Inventory Document & Physical Inventory Number

Transaction code MI12- List the changes made in the Physical Inventory Document.