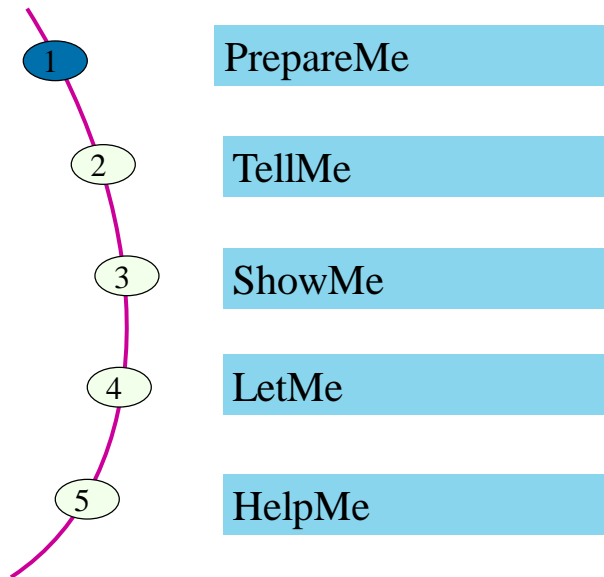


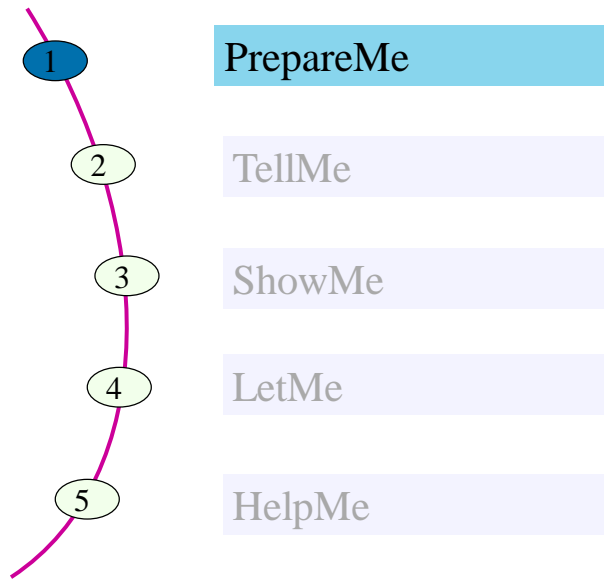


MM0005 - *MM Physical
Inventory Overview*

Physical Inventory



Physical Inventory



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 statutory 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

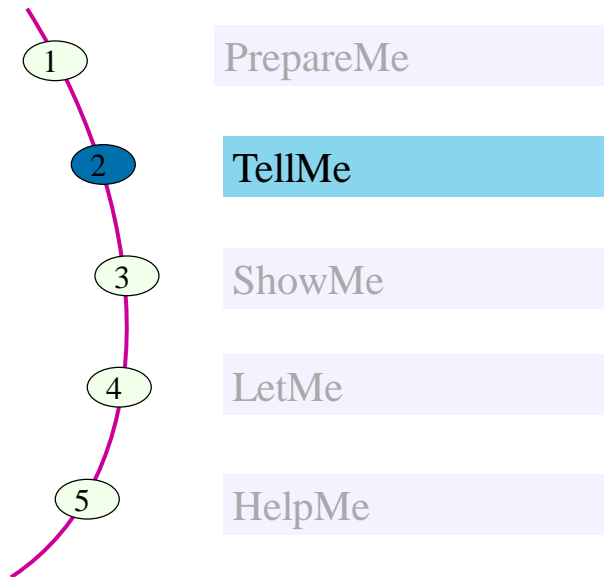


Challenges

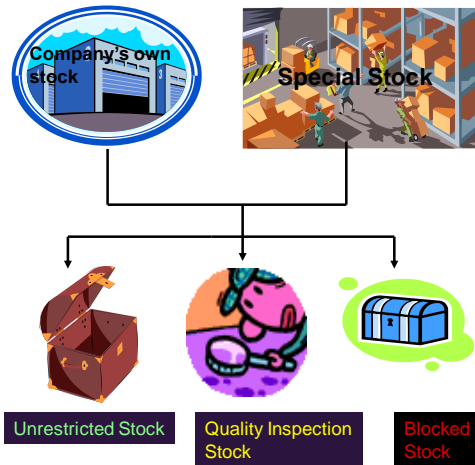


- Which Physical Inventory Procedure to be used
- What is the date on which physical inventory to be carried out
- No. of phys. inventories per fiscal year for cycle counting
- Physical inventory interval (in workdays) for cycle counting
- Which Items to be considered for Physical Inventory

Physical Inventory



Physical Inventory

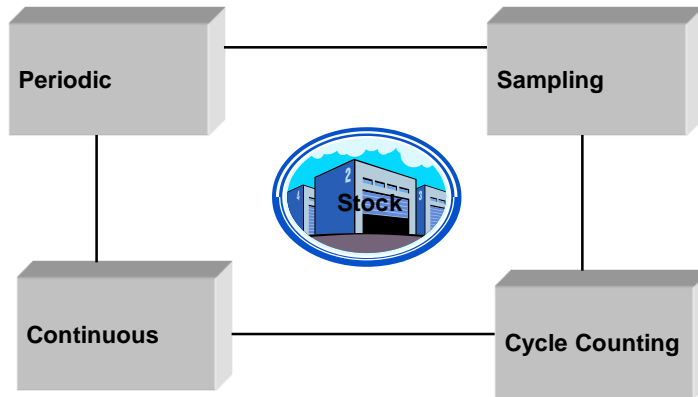


Physical inventory can be carried out both for a company's own stock and for special stock.

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

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

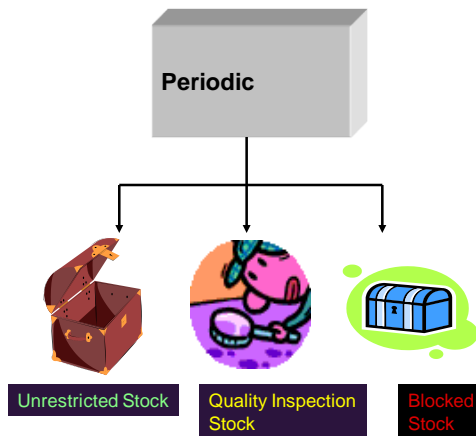
Physical Inventory Procedures



SAP R/3 supports the following physical inventory procedures:

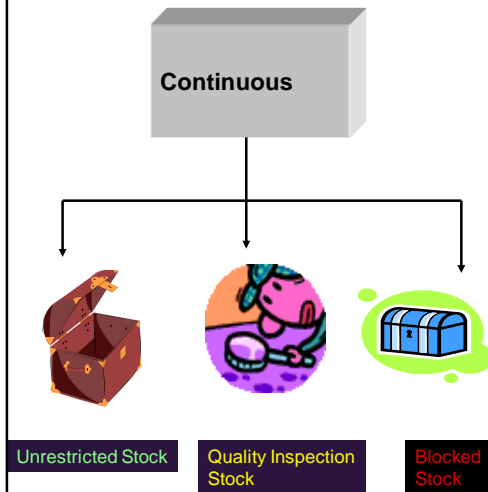
- 1. Periodic inventory**
- 2. Continuous inventory**
- 3. Cycle counting**
- 4. Inventory sampling**

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



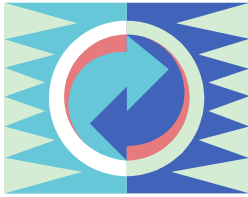
In the continuous inventory procedure, stocks are counted continuously during the entire fiscal year.

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



Unrestricted Stock

In Cycle counting physical 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

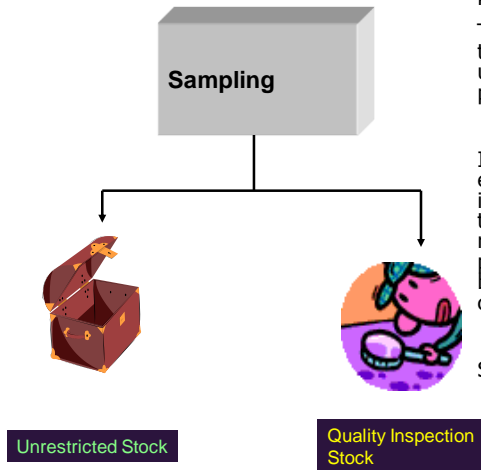
This method allows fast-moving items to be counted more frequently than slow-moving

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.

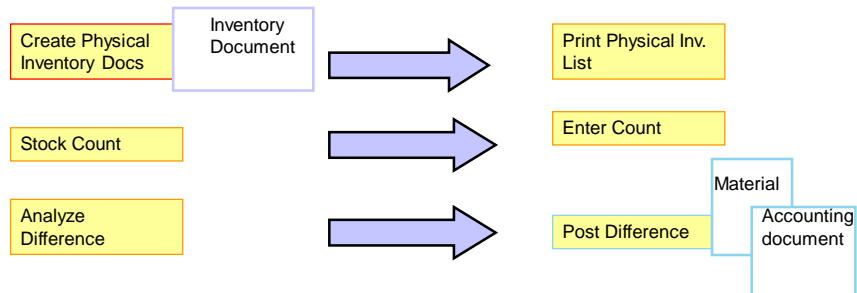
Sampling Inventory is carried out for

- Unrestricted Stock
- Quality Inspection Stock

Physical Inventory - Process

The Physical Inventory process comprises of three phases

1. Physical Inventory Preparation
2. Physical Inventory Count
3. Physical Inventory Analysis



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.

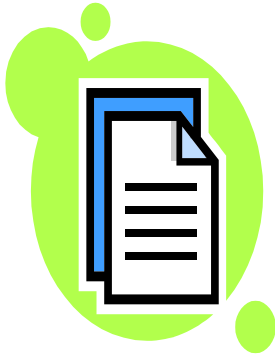
Create a Physical Inventory Document



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

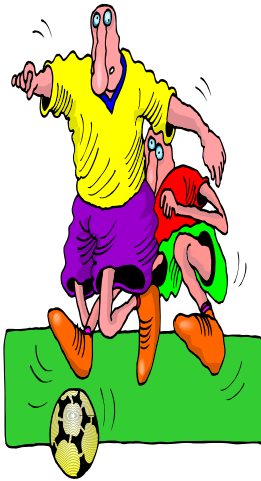
Create a Physical Inventory Document



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.

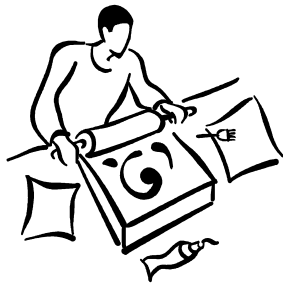
To avoid such a discrepancy during physical inventory, it is recommended to block the materials for posting during the physical inventory.

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.

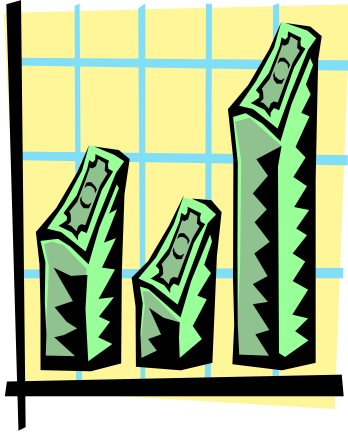
Physical Inventory Count



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.

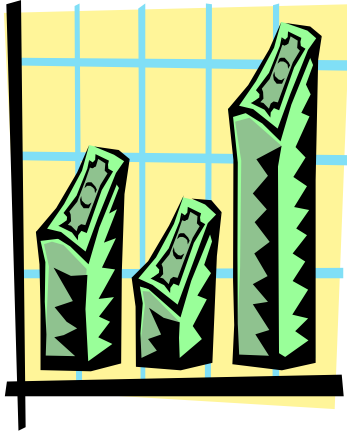
Initiating a recount

- 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



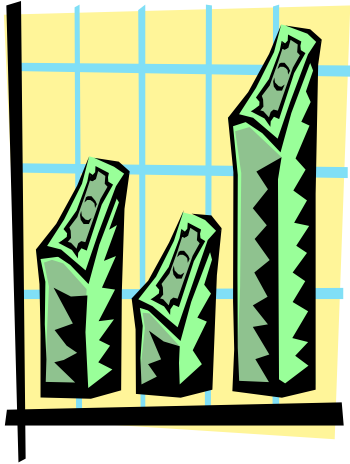
Set zero count Automatically

- 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

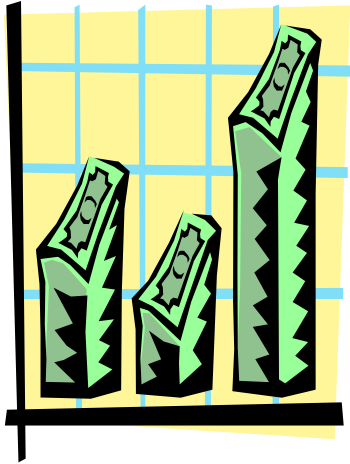
Physical Inventory Analysis



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



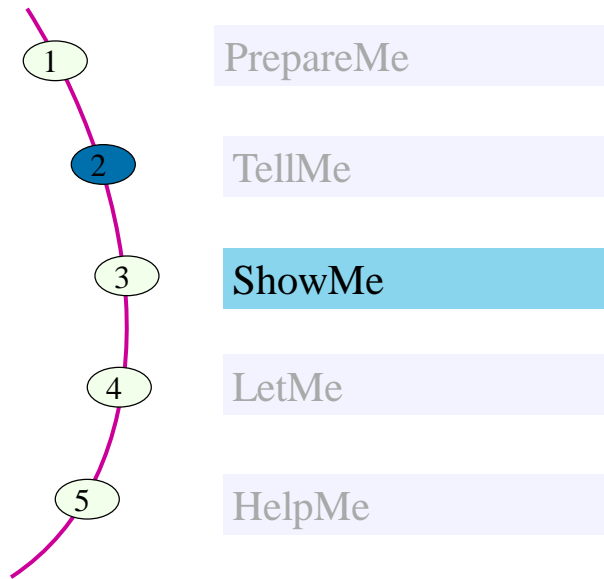
- Posting period of the accounting document is automatically fixed by the system when 1st count is entered for Physical Inventory Document. Hence the inventory difference must be posted for that document either in the same period or in following period if back posting is allowed.
- Fiscal Year is set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



Create Physical Inventory Document (MI01)

Create Physical Inventory Document: Initial Screen

Document date: 14.08.2015
Planned count date: 14.08.2015

Loc. of phys. inv.

Plant: 7500
Storage Location: 0001
Special Stock: ☐

Other information

☐ Posting Block
☐ Freeze book inventory
☒ Batches w. del. flag

Phys. inventory no.:
Phys. Inventory Ref.:
Grouping type:
Name:

Create Physical Inventory Document: New Items

Plant: 7500 Centro Argentina
Stor. Loc.: 0001 Materials

Items

Item	Material	Material Description	Batch	Qty	UoM	Del. Flag
1						
2						
3				1	✓	✓
4				1	✓	✓
5				1	✓	✓
6				1	✓	✓
7				1	✓	✓
8				1	✓	✓
9				1	✓	✓
10				1	✓	✓
11				1	✓	✓
12				1	✓	✓
13				1	✓	✓

A yellow callout box with the text "Enter Material Number" points to the Material field in the first row of the Items table.

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)

Inventory Count Edit Data Environment System Help

Enter Inventory Count 100001020: Collect.Processing

Physical Inventory History Set Zero Count Other Count

Plant: 1000 Vwerk Hamburg
Stor. Loc.: 0001 Materiallager

Item	Material	Batch	Sales Org.	Quantity	UHC ZC
1	V400		01	0	EA

Entry 1 01 1

MI04 28 | deval036 | INS

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)

Post Inventory Difference 100001021: Selection Screen

Plant: 1000 Werk Hamburg
Stor. Loc.: 0001 Materiallager

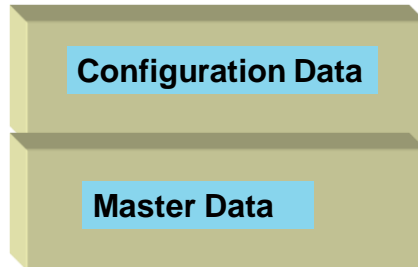
Item	Material	Batch	ST	Difference qty	BUn	Difference Amnt	Reason
1	114488		1	10.000	EX	10.00	

Enter the reason

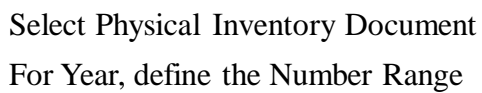
Entry 1 of 1

Enter the Reason for difference .Then Save

Customizing Data for Physical Inventory

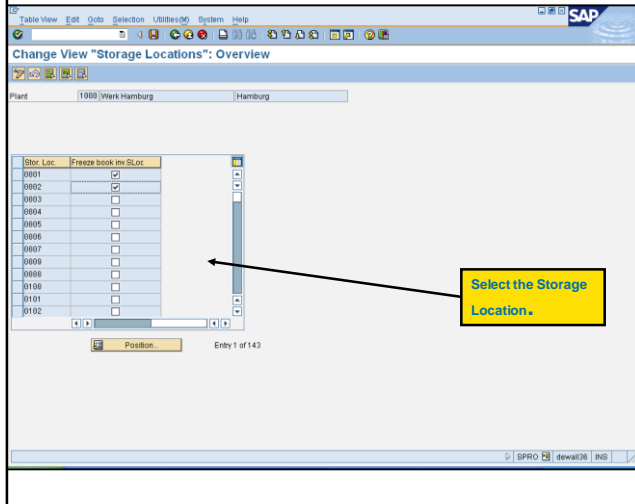


SPRO→Materials Management→ Inventory Management and Physical Inventory→
Number Assignment→ Define Number Assignment for Material and Phys. Inv. Docs



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

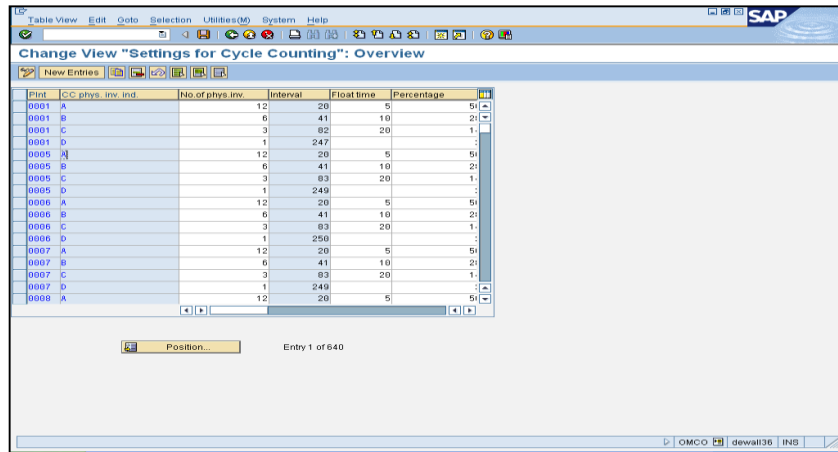
The left screenshot shows the 'Change View "Tolerance Groups for Persons Processing Inventory Diff."' screen. It features a table with columns 'Physical inventory gr.' and 'Inventory class'. The table lists various inventory groups and their corresponding classes. At the bottom, there is a 'Print...' button and a 'Page 1 of 10' indicator.

The right screenshot shows the same screen with the 'Physical inventory group' set to '0001'. The 'Company code' is '0001' and the 'Currency' is 'EUR'. The 'Upper limit for inventory diff. postings' is set to '10,000.00'. The 'Difference amount per phys. inv. item' field is highlighted with a yellow box and an arrow pointing to it, with a text box below it saying 'Enter Values Here'.

Click on Physical Inventory Tolerance Group

Cycle Counting

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



Change View "Settings for Cycle Counting": Overview

Plant	CC phys. inv. ind.	No. of phys. inv.	Interval	Float time	Percentage
0001	A	12	20	5	5%
0001	B	6	41	10	2%
0001	C	3	92	20	1%
0001	D	1	249	-	-
0005	A	12	20	5	5%
0005	B	6	41	10	2%
0005	C	3	93	20	1%
0005	D	1	249	-	-
0006	A	12	20	5	5%
0006	B	6	41	10	2%
0006	C	3	93	20	1%
0006	D	1	250	-	-
0007	A	12	20	5	5%
0007	B	6	41	10	2%
0007	C	3	93	20	1%
0007	D	1	249	-	-
0008	A	12	20	5	5%

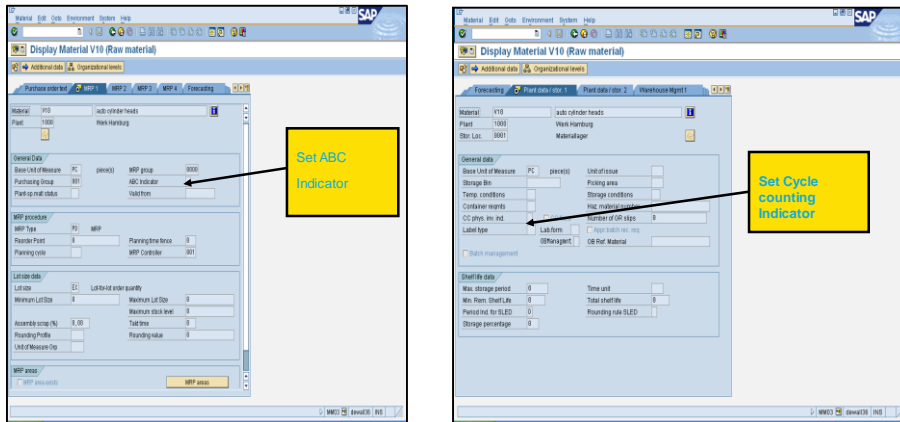
Position: Entry 1 of 640

OMCO | default36 | INS

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

Batch Input: Create Phys. Inv. Docs. For Cycle Counting

Selection Criteria

Material: 2843

Plant: 1001

Storage Location: 0001

Batch:

Material Type:

Material Group:

Storage Bin Description:

Materials Related for Deletion:

Stock Types

☒ Demand

☐ Qual. Inspection

☐ Blocked

Stock Level

Threshold value for Stock:

☐ Exclude from Selection

☐ Only Materials with Zero Stock

☐ Only Materials with Negative Stock

☐ Only Materials with Positive Stock

Data in Phys. Inv. Docmt Header

Planned Count Date From: 14.03.2015 To: 14.03.2015

Physical Inventory Number:

Phys. Inventory Ref.:

☒ Post Posting Block

☐ Freeze Stock Inv. Ref.

Batch Input Session

☐ Generate Batch Input

☒ Issue Log

Name of Session: RB_R101_CB

Max. No. of Items: 20

Sort by

☐ Storage Bin Description

☐ Material Group

☐ Planned Count Date (User)

☐ New document created when group changed for sorting purposes

☐ Enter grouping criterion in document header

Enter Planned Count Date From

Enter the Reason for difference .Then Save

MICN - Create Physical Inventory Documents

Batch Input: Create Phys. Inv. Docs. For Cycle Counting

Generate session ← **1st Generate session**

For 1 stock mgmt unit(s), a phys. inv. doc. can be generated:

Note	Plan. date	Plan. date	CC	Plnt	SLoc	Material	Batch	PIB	Bin	Matl Group
✓	14.06.2015	14.06.2015	A	1000	0001	2863		1		00107

Batch Input: Session Overview

Analysis Process Statistics Log Recording

Selection criteria
Sess.: MB_MTOU_CN From: To: Created by: *

New Incorrect Processed In Process In Background Being Created Locked

Session name	St...	Created By	Date	Time	Creation Pro...	Lock Date	Authorizat.
MB_MTOU_CN		INTYALMEDI	14.06.2015	16:45:08	MBTTCOIL		INTYALMEDI 1
MB_MTOU_CN		INTYALMEDI	14.06.2015	16:23:28	MBTTCOIL		INTYALMEDI 1
MB_MTOU_CN		INTYALMEDI	14.06.2015	15:08:55	MBTTCOIL		TRATIMEDI 18

Process Session MB_MTOU_CN

Processing Mode

☒ Process/foreground

☐ Display errors only

☐ Background

Target host

Additional Functions

☐ Extended log

☐ Expert mode

☒ Omitto standard size

☐ Cancel if Log Error Occurs

☐ Simulate Background Mode

Process

Batch Input: Create Phys. Inv. Docs. For Cycle Counting

Process session ← **2nd Process session**

For 1 stock mgmt unit(s), a phys. inv. doc. can be generated:

Note	Plan. date	Plan. date	CC	Plnt	SLoc	Material	Batch	PIB	Bin	Matl Group
✓	14.06.2015	14.06.2015	A	1000	0001	2863		1		00107

Enter the Reason for difference .Then Save

MICN - Create Physical Inventory Documents

Create Physical Inventory Document: Initial Screen

Doc. No.

Plant

Loc.

Plant

Storage Location

Special Stock

Other information

☒ Posting Block
☐ Freeze book inventory
☒ Batches w. del. flag

Phys. Inventory no.

Phys. Inventory Ref.

Grouping type

Name

☐ WM diff.

Display Physical Inventory Document 1100000017 : Overview

Position... Physical Inventory History Statistics... Other Phys. Inventory Doc.

Plant 1000 MM Training Plant

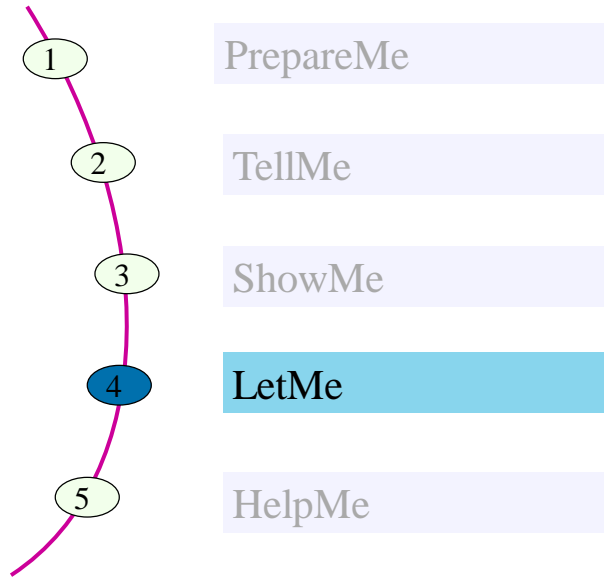
Stor. Loc. 0001 MM Trng Stor Loc

Items

Ita	Material	Material Description	Batch	Qty	Alt	Del
1	2863	test op material		1	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Enter the Reason for difference .Then Save

Inventory Management

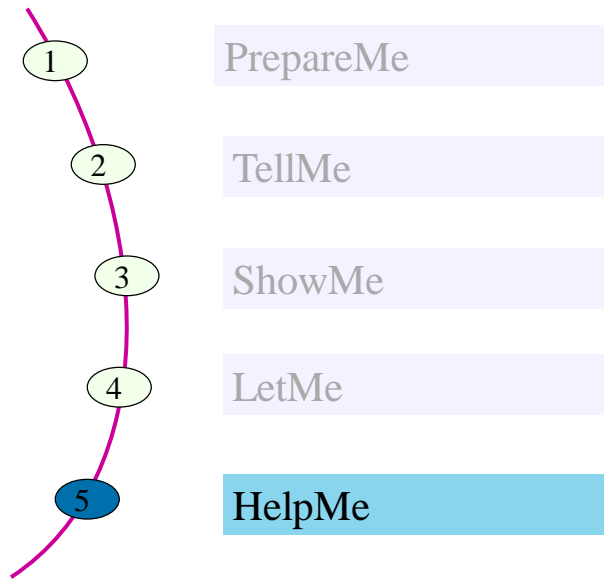


Let Me

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



Help Me

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

Transaction code MIGO 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.