



# Course Objective



- > Explain the procurement process with subcontracting
- Provide the components required for subcontracting to the subcontractor
- Change Post a goods receipt (GR) for a subcontract order (subcontract PO) and explain the effects
- > Set Explain the procurement process with consignment
- >List the settings relevant for vendor consignment
- > Post goods movements for consignment stock
- > Settle consignment withdrawals

# Course Objective (continued...)



- ➤ Display consignment stock
- > Explain the procurement process with pipeline
- > List the settings relevant for the pipeline process
- ➤ Post goods movements for pipeline stock
- > Explain why a distinction is made between internal and external special
- List a few of the special stock types in the SAP system

# MM-IM-Special stock types







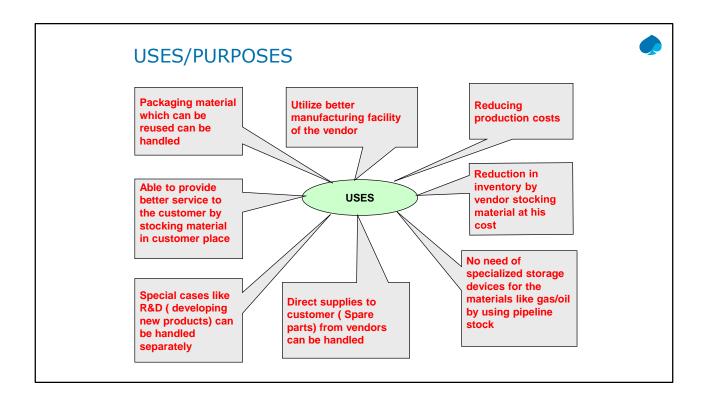


Special stocks are stocks that are managed separately either belonging to the company but not in the company premises stored in vendor or customer place (COMPANY'S OWN SPECIAL STOCKS ) or physically stored in company premises but belongs to the vendor/customer premises (EXTERNALLY OWNED SPECIAL STOCK)

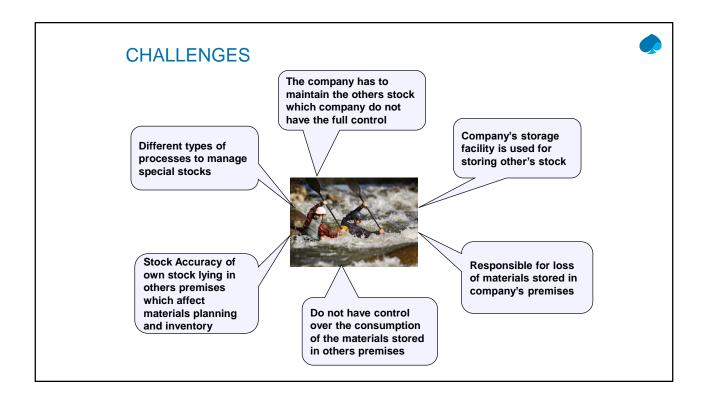






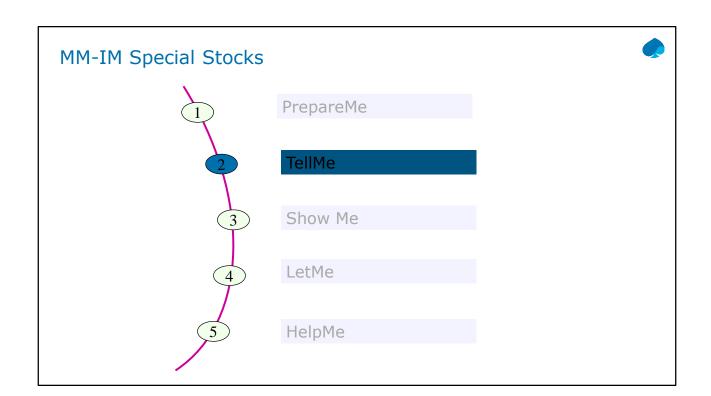


- Cost of production can be reduced and also use the better manufacturing facilities of vendor
- > Having vendor stocking material in company's premises inventory can be minimized
- ➤ Packaging materials (ex. bottles and crates in beverages industries), which can be reused can be handled separately
- >No need of specialized storage devices for the materials like gas/oil by using pipeline stock
- >Able to provide better service to the customer by stocking material in customer place
- Direct supplies to customer (Spare parts) from vendors can be handled
- ➤ Special cases like R&D ( developing new products) can be handled separately

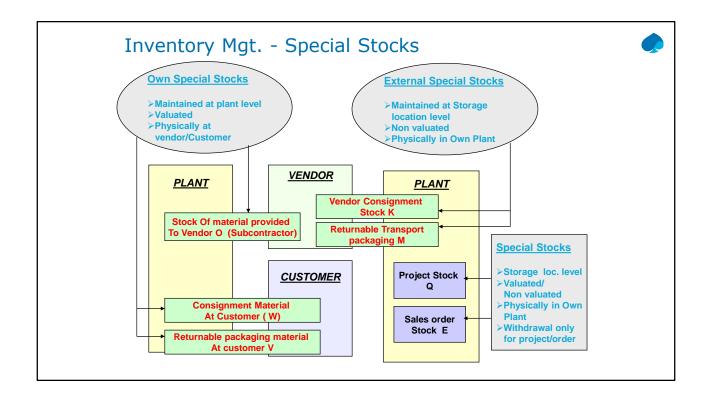


## Some of the challenges in handling Special stocks

- ➤ Different types of processes to manage special stocks may lead to the volumes of data in managing inventory
- >Accuracy of data about the company's own stock lying in others premises
- ➤ Has to provide space for others stock
- ➤ Has to maintain the others stock of which company is not liable for the material stored by vendor at company's premises the company is responsible for the loss of stock
- >Do not have control over the consumption of the materials stored in others premises



# Vendor Consignment Stock Subcontracting Third Party Processing Pipe line Material Project Stock Sales Order Stock Returnable transport Packaging Consignment stock with Customer Returnable Packaging with customers

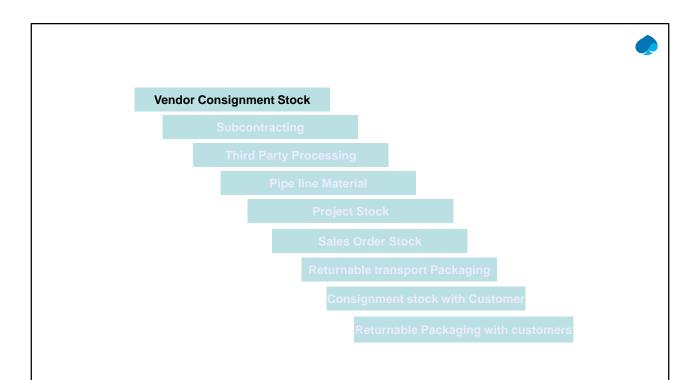


## Special stocks

- ➤ Two types, Externally owned Special stock and Company's own special stock Company's own Special Stocks
- ➤ Company's own stock Present in Vendor/customer location
- ➤ SUBCONTARCTING stock, CONSIGNMENTSTOCK at VENDOR PLACE and RTP at customer location are the Own special stocks
- > Physically at vendor/customer place
- ➤ Valuated
- > Inventory managed at plant level

## Externally owned Special stocks

- ➤ Stocks physically present at company's storage location but belongs to the vendor (Vendor consignment stock is example)
- > Non evaluated stocks
- ➤ Maintained at storage location level
- ➤ Physically at company's premises
- ➤ There are other Special stocks like PIPELINE MATERIAL, THIRD PARTY PROCESSING, PROJECT STOCK and SALES ORDER STOCK are also dealt as special stocks



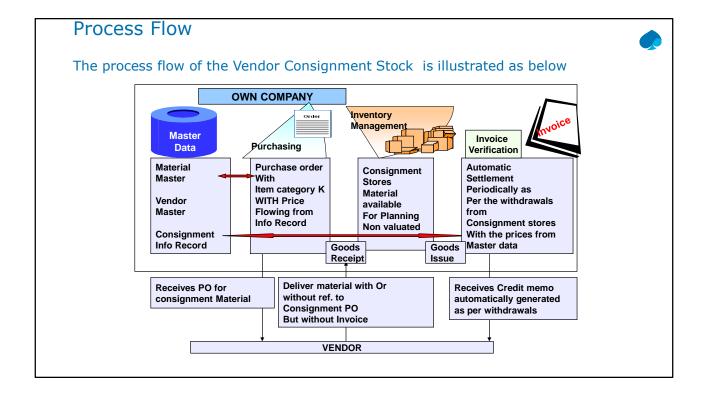
# Vendor consignment Stock





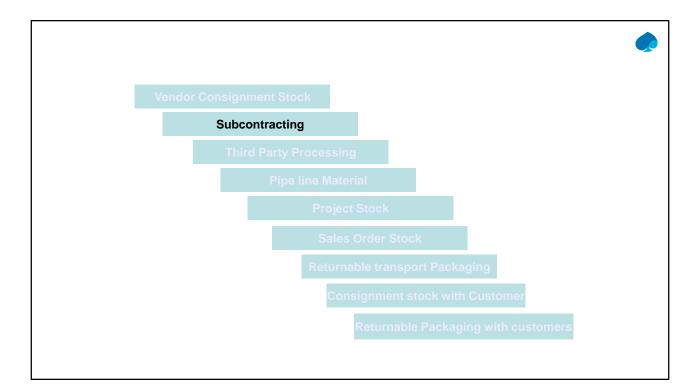


- $\stackrel{\backprime}{>}$  The material made available to the company by a vendor , is stored in the company but belongs to the vendor
- > The liability towards the vendor arises only when the material is drawn from the consignment stores for production or to cost centers or transferred to own stock
- > Maintained at storage location level and distributed on vendor specific basis
- > Non valuated and available for MRP
- > Vendor delivers material with/without reference to Purchase order
- > Stock is managed in a vendor related special stock K
- > Goods receipt is non valuated and no Invoice receipt
- > Vendor is paid through automatic settlement process as per the consumption



## The Business process of Vendor consignment process

- ➤ MATERIAL MASTER, VENDOR MASTER and CONSIGNMENT INFO RECORD are the master data required
- >ITEM CATEGORY K
- > Vendor receives PO and send the materials
- > Vendor may send the material without PO also based on the agreement
- ➤ No invoice sent from the vendor
- ➤ Materials are received in the consignment stores
- ➤ Materials are still vendor's property
- ➤ Material non valuate
- ➤ Withdrawn from consignment stores/transferred to own stock on requirement basis
- ➤ Liability starts on consumption
- ➤ Based on the consumption the company generates invoice and settles the vendor periodically

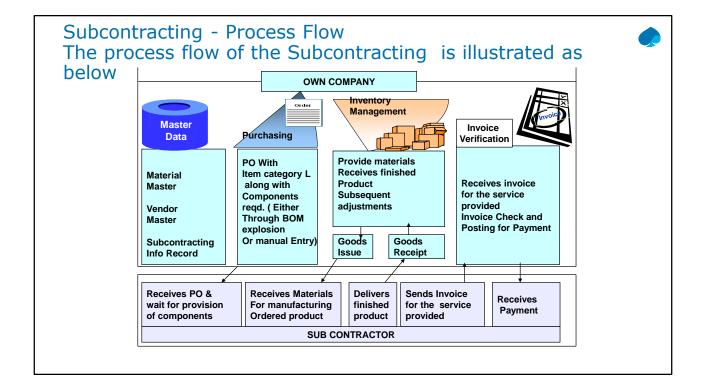


# Special Stock -Subcontracting



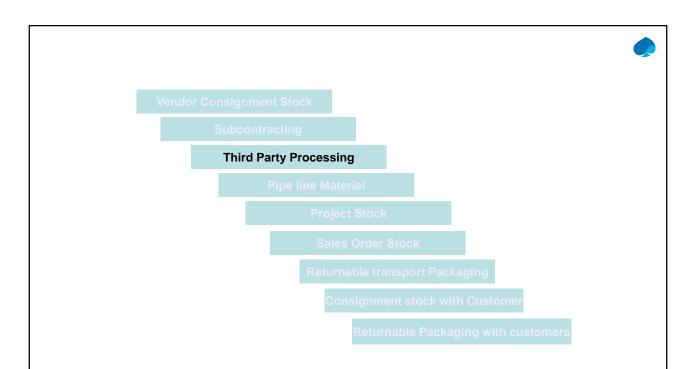


- Subcontracting is the process in which the company orders for a product and provide the materials for making the ordered product
- >Provide the material to the subcontractor which are posted to Materials provided to the vendor
- >Vendor completes and delivers the ordered product along with invoice for the service provided
- >During receipt GR is posted for the finished product and consumption is posted/updated for the materials provided to the vendor
- > Excess consumption or under consumption reported by vendor can be sorrected with a subsequent adjustment



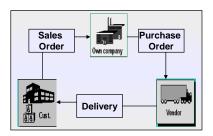
## **Business process**

- ➤ MATERIAL MASTER, VENDOR MASTER and SUBCONTRACTING INFO RECORD are the regd MASTER DATA
- > ITEM CATEGORY L
- > The materials used for manufacturing the ordered material have to be entered in the PO either by having the BOM or manual entry
- > The vendor receives PO
- The materials are provided to the vendor through TRANSFER POSTING
- > Vendor do the necessary service and produce the ordered material
- ➤ Vendor will send the material ordered along with the report on consumption of materials provided
- ➤ GOODS RECEIPT posted for the material ordered
- ➤ GOODS ISSUE posted for the materials provided
- ➤ The difference in the quantity of materials provided to the vendor will be posted in SUBSEQUENT ADJUSTMENTS
- > INVOICE for the service provided will be sent
- > Settlement for the vendor for the service provided



# Third Party Processing





In third-party processing, the company place a purchase order with a vendor to deliver goods or perform a service for a third party (for example, for a customer).

- >The Customer orders for a material or service with the company
- >The company does not delivers the material/service instead forward the order to an external vendor, who then sends the material/service directly to the customer and invoices the company
- >Sales order to be created with third party item which creates purchase requisition
- >PO to be generated with third party item w.r.t purchase requisition
- >Vendor delivers the materials directly to the customer, can be posted as statistical Goods Receipt (not compulsory)
- >Vendor sends invoice, entered in the LIV( Invoice receipt is not mandatory for generating billing documents to the customer in SD

# Third Party Processing



#### In Sales

Third-party items in a sales order can be entered manually/created automatically

## Resulting Activities in Purchasing

- A purchase requisition is created
- The number of the purchase requisition is updated in the sales order
- The item is scheduled automatically

## Purchasing

- PR will be created automatically when salesorder with third party item is created
- Changes in PR is restricted (Qty, Delivery have to be changed in Sales order)
- PO can be created w.r.t PR
- If SD is not activated third party PR and PO can be created manually also

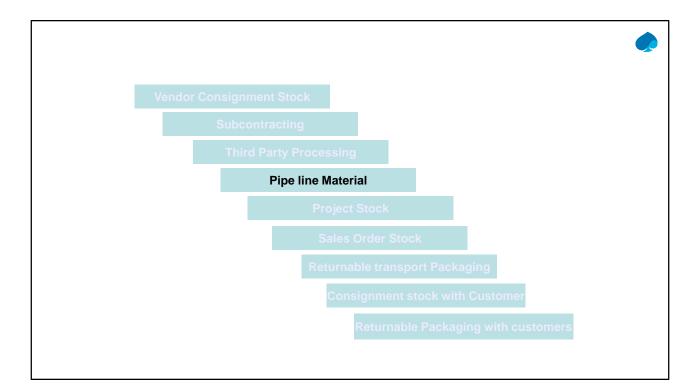
#### <u>Inventory Management</u> Entering goods receipt is optional

#### Results of the Goods Receipt

- No stock update is made
- Goods receipt is posted to consumption
- GR/IR clearing account is credited
- PO history gets updated

#### **Invoice Verification**

- Vendor delivers the material to customer and sends invoice to the company
- Invoice is posted in LIV
- •Customer can be billed on the invoice qty
- Billing document will be created only after invoice is posted

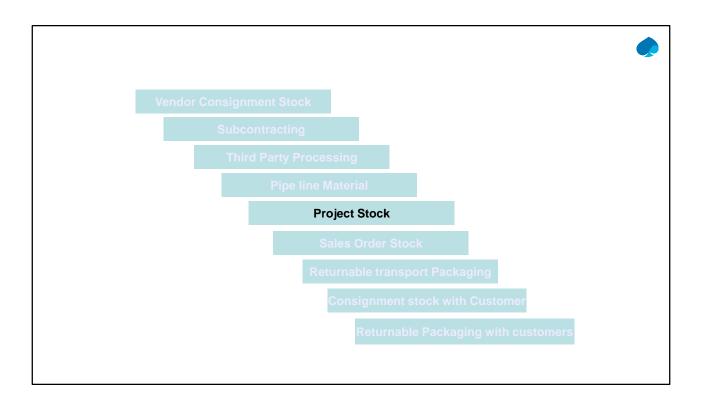


# Special Stock type- Pipeline Material





- Pipe Line material is material that flows directly into production process from a pipe( Gas, Oil, Water etc.) or another kind of conduit ( Electricity) which are available ant any quantity at any time
- > Pipeline Materials are not stored or not inventoried
- > Cannot plan or procure this material
- > Material master with Material type PIPE and the Pipeline info record are the required master data
- > All the movement types should use special stock Indicator P
- > The material can be used as a component with backflush in the production order
- > For withdrawals settlements can be done through automatic settlement which is same as in the case of Vendor consignment stock



# Special Stock- Project stock



- ▶ Quantity of a material which is held in stock for the completion of a project  $\succ$  Allocated to a work breakdown structure (WBS) element. Components can only be withdrawn for the WBS element
- >Available for MRP only for specified projects
- ➤ Can be managed either as valuated or non-valuated stock



## If not valuated

- 1.Managed via a cost collector
- 2.No invoice verification postings for goods
- 3.Obtain an overview of how the stock is valuated settlement period in Controlling

### If valuated

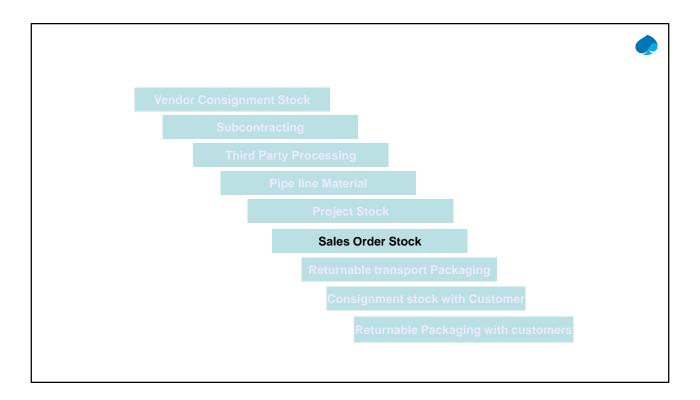
1. Immediate access to its value in Financial

2. The assigned accounts are debited and credited of the valuated goods movements



Accounting

as a result



# Special Stock - Sales Order stock



- $\succ$ The quantity of a material which is directly allocated to a sales order
- >Components can only be used to manufacture material ordered by the customer and the manufactured product can only be delivered to the customer as part of the sales order
- ➤Can be managed either as valuated or non-valuated stock

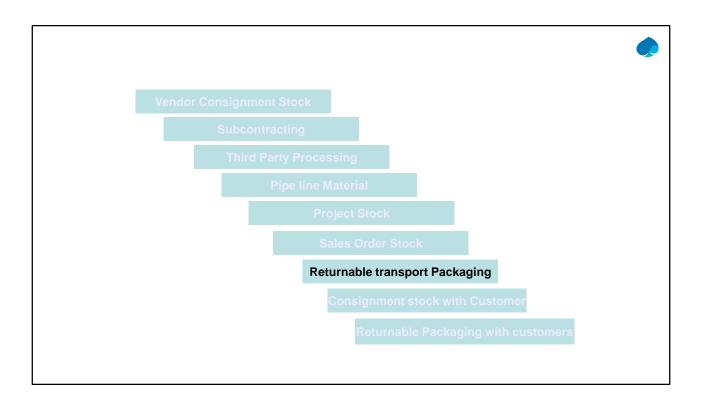
#### If not valuated

- 1.Managed via a cost collector
- 2.No invoice verification postings for goods movements
- 3.Obtain an overview of how the stock is valuated at end of the settlement period in Controlling

#### If valuated

- 1. Immediate access to its value in Financial Accounting
- 2. The assigned accounts are debited and credited as a result of the valuated goods movements





# Special Stock - Returnable Transport Packaging (RTP)

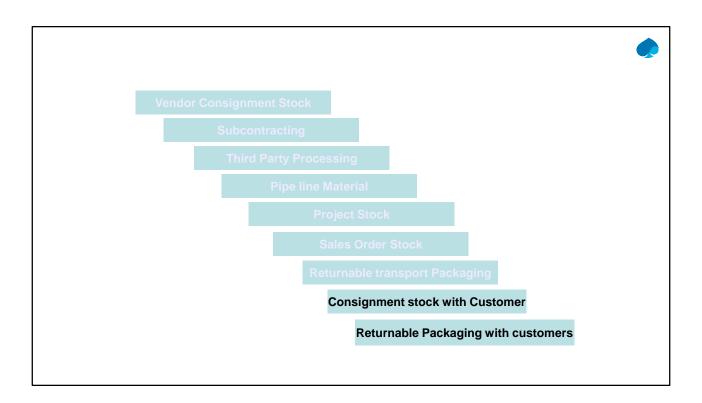


- ➤ Consists of transportation aids and packaging materials
- >Belongs to the vendor needed to be returned to Vendor
- ➤Stored in Company's premises
- ➤Stock managed on vendor specific basis
- ➤Not a valuated stock
- ➤Only managed in Unrestricted use stock
- ➤Can be inventoried
- >Material movements of RTP should be with special stock indicator M











## Consignment stock with Customer

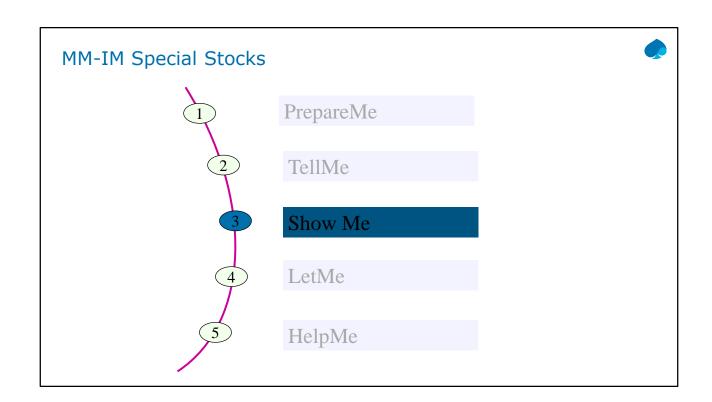
- This is consignment material belonging to the company and this is located on the customer's premises
- > These stocks are managed on customer specific basis so that they can be monitored separately per customer.
- > These materials are not available for materials planning
- > The material movements are noted with respective movement types with special stock indicator W

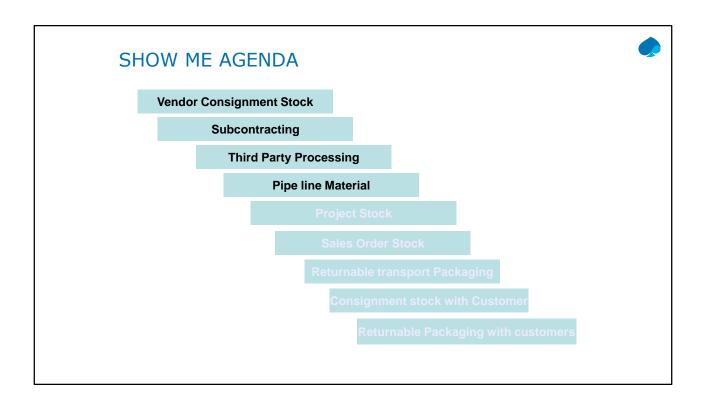
## Returnable Packaging with customers

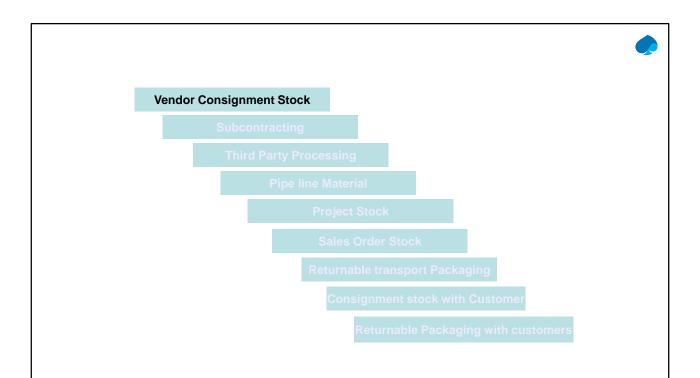


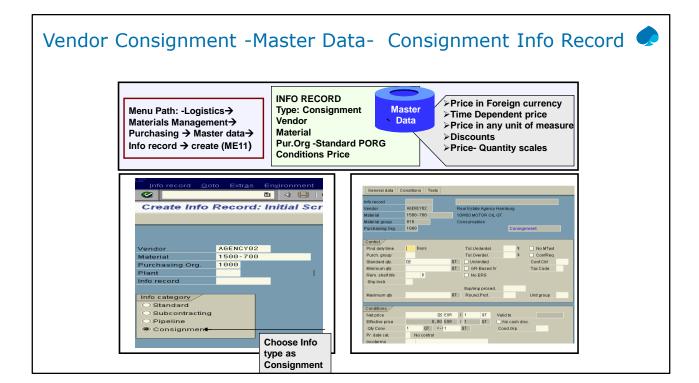
- > This is packaging material belonging to the company delivered with the ordered material
- > These stocks are physically located in customer's premises
- > These materials are not available for materials planning
- > The material movements are noted with respective movement types with special stock indicator V





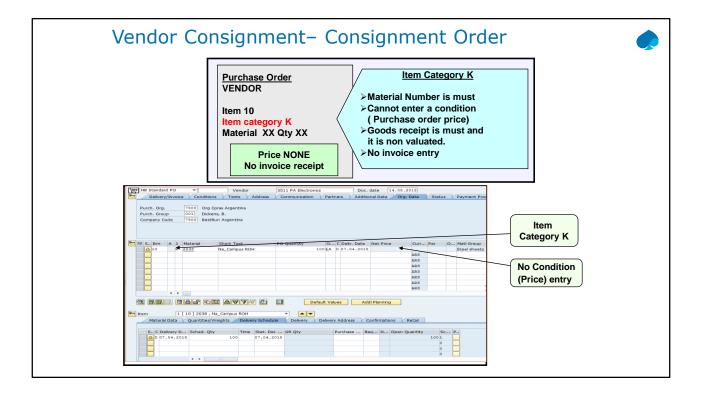






## Master Data

- ➤ CONSIGNMENT INFO RECORD is mandatory
- CONDITIONS from the info record is necessary for the valuation and settlement of material withdrawals
- ➤ Consignment prices can be determined in foreign currency, periodic based, and in any unit of measure and the discounts and price/quantity scales can be included
- > Material Master and Vendor master are the other master records
- ➤ No changes required in these master records For consignment stock

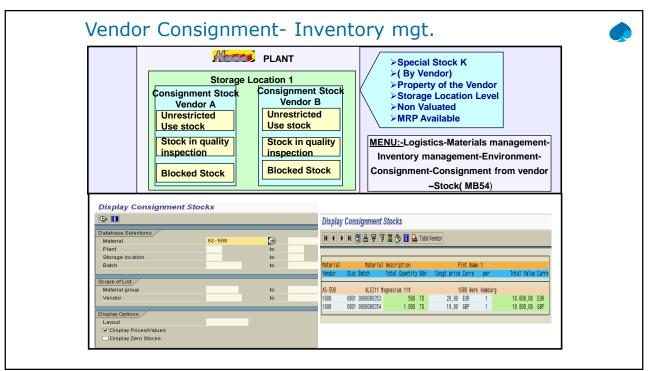


For consignment stock the ITEM CATEGORY "K" should be used in the purchase order. This item category has the following effects.

- 1.Material Number is must
- 2. Cannot enter a CONDITION (Purchase order price)
- 3.GOODS RECEIPT is must and it is non valuated.
- 4.No invoice entry

Item category K can also be used in OUTLINE AGREEMENTS and PURCHASE REQUISITION

If a material is always to be procured as consignment stock it can be considered during MRP run using special procurement key in the material master. This special procurement key means a purchase requisition with item category K is created during the planning run.



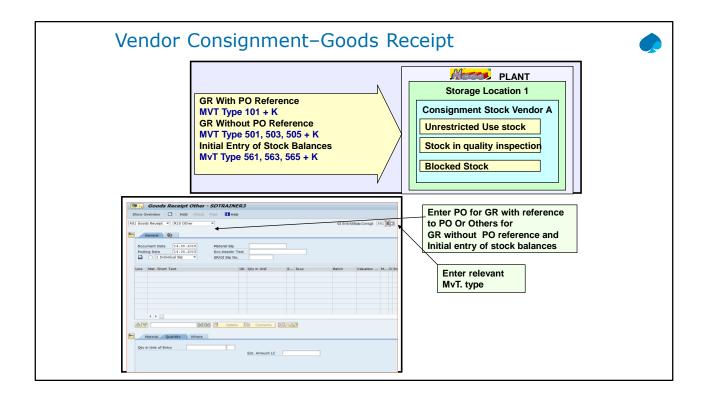
## **Inventory Management**

- > Material procured using vendor consignment is managed in a vendor related special stock, K
- ➤ Maintained at STORAGE LOCATION LEVEL on Vendor specific basis
- ➤ Material is physically in the company premises
- ➤ Still belongs to the Vendor
- **≻NON VALUATED**
- ➤ Consignment stock can be in either of the following stock types UNRESTRICTED USE STOCK, QUALITY INSPECTION STOCK or BLOCKED STOCK

The Vendor consignment stocks on vendor basis (One or more materials at a time) can be viewed with Display consignment stock (MB54)

<u>Logistics-Materials management-Inventory management-Environment-Consignment-Consignment from vendor – Stock( MB54)</u>

The stock of several consignment materials can be viewed at the same time by using the below transaction *Display Consignment Stocks (MB54)* 



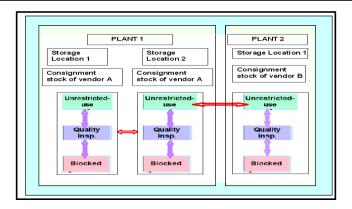
### **GOODS RECEIPT**

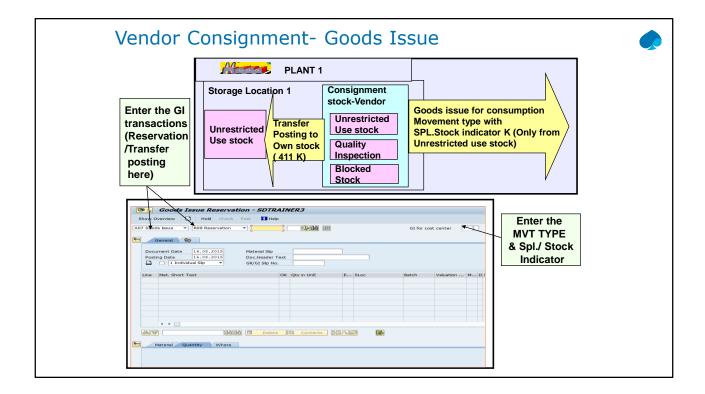
- ➤ GOODS RECEIPT with PO is made with MOVEMENT TYPE "101+ K"
- The material can be posted to all the three stock types
- ➤ GOODS RECEIPT of material without PO (MVT. Type 501 K,503 k,505 K)
- ➤ GOODS RECEIPT to consignment stock through the INTIAL ENTRY OF STOCK BALANCES process (561 K, 563 K, 565 K)

# Vendor Consignment-Transfer Postings



Transfer postings and stock transfer can be executed for consignment stocks with same movement types as that of stock material with special stock indicator K . From storage location to storage location within a plant the stock transfer is allowed between all the three stock types. But between plant to plant the stock transfer should be between Unrestricted use to unrestricted





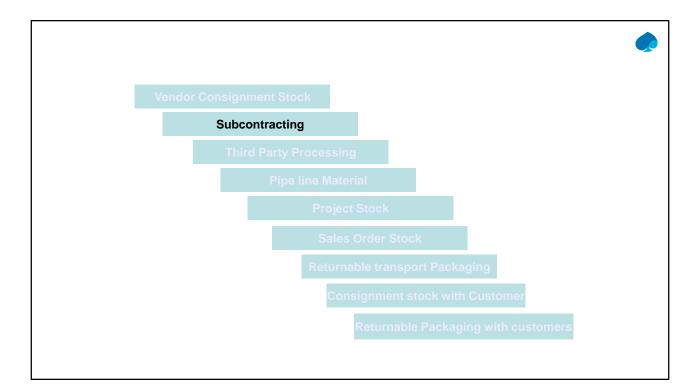
- Withdrawn from CONSIGNMENT STOCK for consumption or transfer to company's own stock
- All the movements should include the special stock indicator "K"

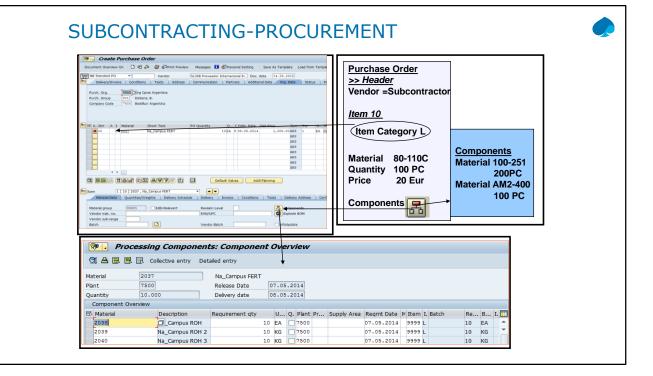
### This transfer results in following effects

- 1. Consignment stock is reduced on a quantity basis.
- 2. There is a liability for the consignment vendors ( Pricing conditions are taken from CONSIGNMENT INFO RECORD)
- GOODS ISSUE can only be posted from consignment stock to consumption if the material belongs to UNRESTRICTED USE STOCK type. If the consignment material is in QUALITY INSPECTION or BLOCKED STOCK it must be first transferred to the UNRESTRICTED USE STOCK.
- 4. VENDOR CONSIGNMENT STOCK can be transferred to company's own stock by using MOVEMENT TYPE 411K

#### Invoice Verification-Automatic settlement **Consignment Stock** Vendor A Consignment price (info record) 10Eur Consignment and Pipeline Settlement Settlement of Consignment Liabilities Liability ĠR Settlements Document Date Posting Date Material Docum Between GI GI 01-Jan & GI ✓ Consignment✓ Pipeline 28-Feb 28-Feb 1-JAN MENU:-Logistics→ Materials Management→ Environment→ Consignment→ Document Number Consignment from Vendor→ Liability (MRKO) Consignment and Pipeline Settlement «♪Info Record 🤲 Messages 🕲 🔟 | 🗒 | 🖺 📳 | 益 😾 😿 | 🗗 | 🚾 🤏 🎒 🐨 🚹 | 🖽 🖽 🖽 Mat. Doc. MatYr Item Doc. Date Qty Withdr Un CoCode Vendor Plant Material Amount Crcv DocumentNo Year Item Info 7500 🗗 100927 <u>4900002915</u> 2015 1 13.07.2015 7500 FRS 1 EA 100,000 INR

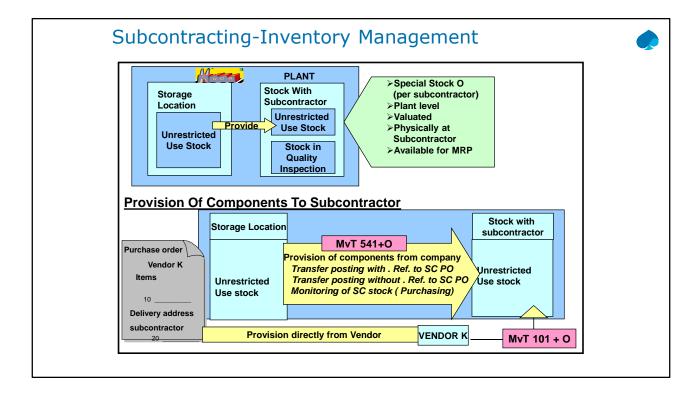
- ➤ Removing material from consignment stores or transferring material to company's own stock results in liabilities towards the vendor
- ➤ Consignment materials are settled without the vendor issuing an invoice
- ➤ The vendor can only manage its consignment stock by taking deliveries and payments into account
- > Payments can be initiated for consignment withdrawals using the Logistics Invoice Verification Menu
- Logistics-> Materials Management-> Environment-> Consignment-> consignment from Vendor-> Liability (MRKO)
- >Can be informed to the vendor about the settled withdrawals and the credit memo amount
- The system creates a message type KONS in addition to the settlement document





### SUBCONTRACTING PROCUREMENT

- ➤ Purchasing documents with Special ITEM CATEGORY "L"
- Materials to be provided should be entered in the document either through BOM explosion or manually
- ➤ The pricing CONDITIONS should come from SUBCONTRACTING INFO RECORD or OUTLINE AGREEMENT with subcontracting item
- Subcontracting materials can be included in MRP for planning if it satisfies following prerequisites
- In MATERIAL MASTER special PROCYUREMENT KEY has to be set in MRP view.
- 2. At least one SOURCE OF SUPPLY should exist (SUBCONTRACTING INFO RECORD or OUTLINE AGREEMENT with subcontracting item)
- 3. MRP indicator should be set in SOURCE OF SUPPLY.
- 4. A BOM should exist for the subcontracting material



### <u>Inventory Management in subcontracting includes</u>

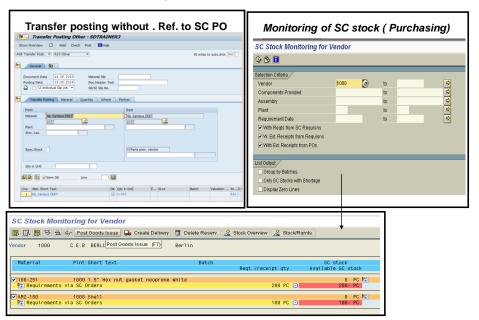
- ➤ Provision of components, SPECIAL STOCK to VENDOR ( from UNRESTRICTED USE STOCK )
- ➤ Physically at Subcontractor either in UNRESTRICTED USE STOCK/QUALITY INSPECTION stock
- > Materials provided to vendor are managed with vendor related special stock O
- Maintained at plant level, valuated and available for planning
- ➤ GOODS RECEIPT for finished product with consumption of components
- ➤ SUBSEQUENT ADJUSTMENTS in case of excess/under consumption of components
- TRANSFER POSTINGS( material to material, stock to stock, plant to plant) with respective MOVEMENT TYPE and SPECIAL STOCK INDICATOR "O"
- ➤ TRANSFER POSTINGS the components proposed in SC PO with reference to Purchase order (proposed qty can be changed) (MvT Type 541 + O)

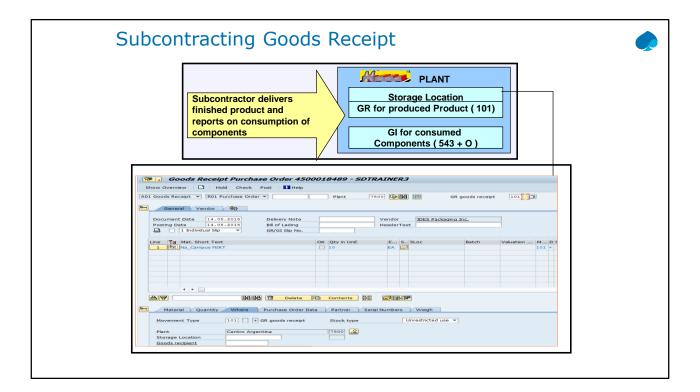
### **Provision Of Components To Subcontractor**

- TRANSFER POSTINGS the components without reference to Purchase order With MOVEMENT TYPE 541 by manually entering required components
- >TRANSFER POSTINGS the components from the MONITORING SUBCONTRACTOR STOCK PLAN
- ➤ Directly send material to the subcontractor from the vendor by mentioning delivery address as subcontractor's address in the purchase order (101 + O)

## Provision Of Components To Subcontractor





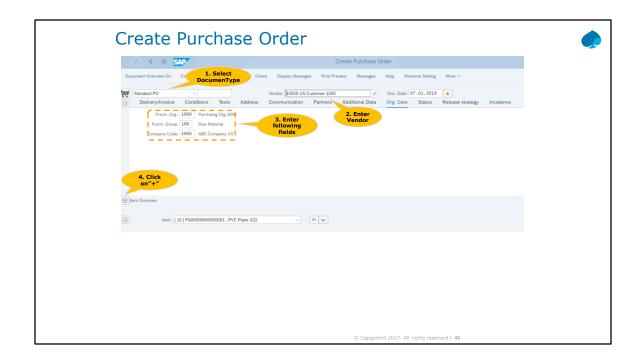


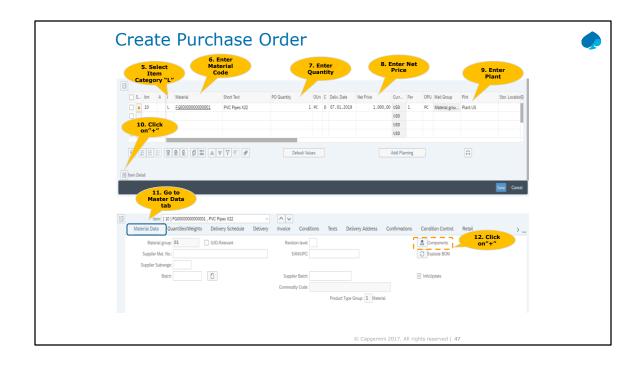
### **GOODS RECEIPT**

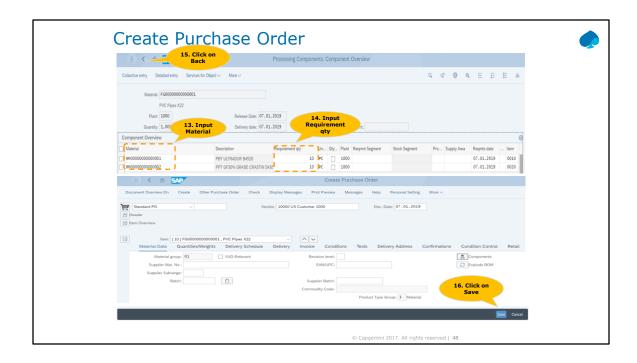
- Subcontractor delivers the product ordered with reports on consumption of materials provided
- ➤ Post GOODS RECEIPT with MOVEMENT TYPE 101 as per normal GR process
- > Following items will be in the MATERIAL DOCUMENT
- ➤ GOODS RECEIPT for the material delivered (MVT Type 101)
- ➤ GOODS ISSUE for the components provided (MVT Type 543 + O)

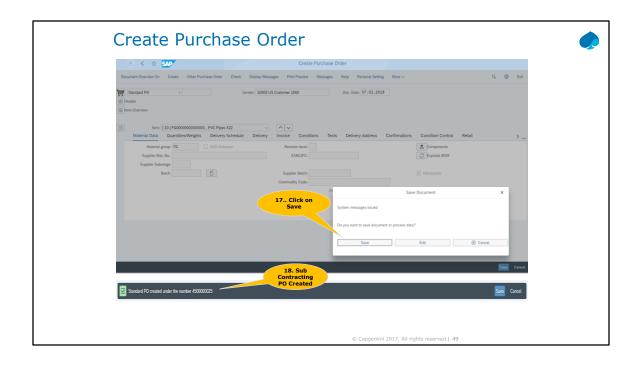
### SUBSEQUENT ADJUSTMENT

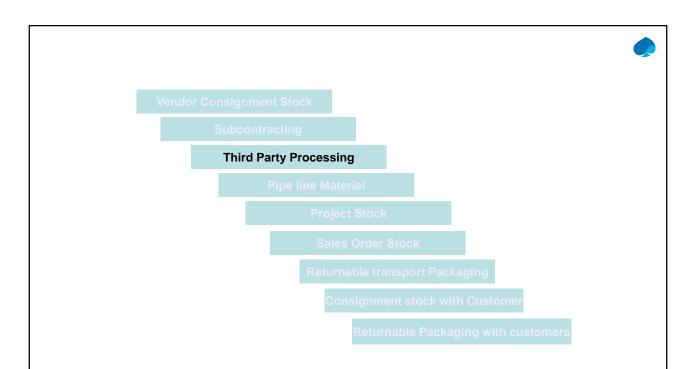
- Made when excess or under consumption is reported by subcontractor
- ➤ The difference in qty of consumption from the SC PO have to be entered with GOODS MOVEMENT transaction (MIGO) w.r.t Purchase order
- ➤ If any by products have been planned as a result of subcontracting process these can be included in the BOM with negative qty





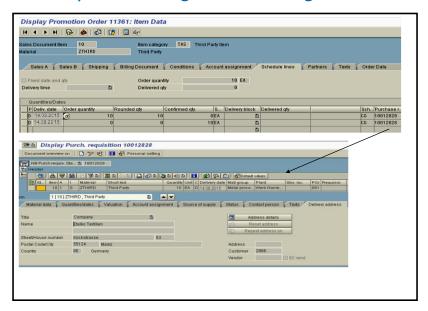






## Third Party Processing - Purchasing



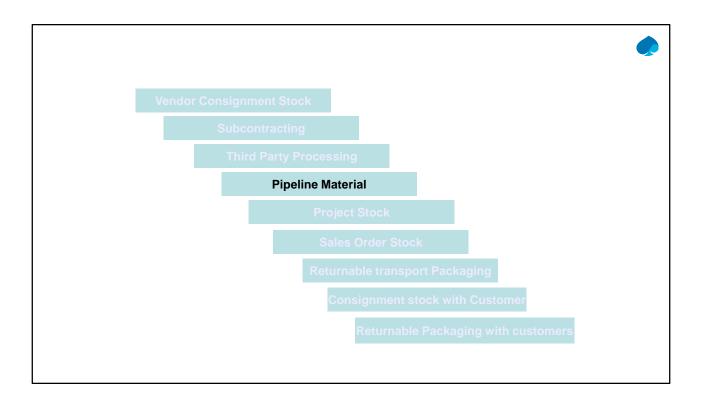


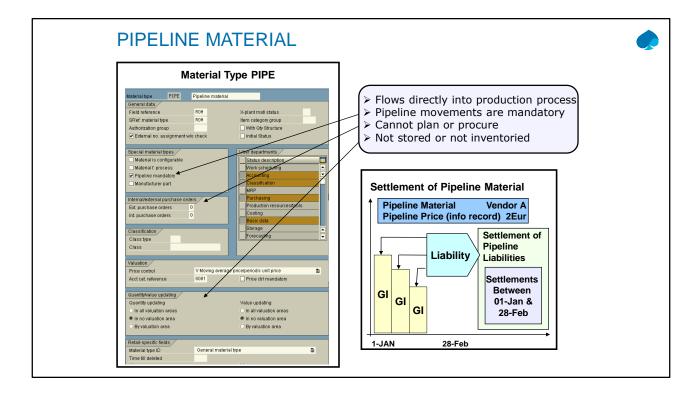
### Third Part Processing in purchasing

- > The Customer orders for a material or service with the company
- The company does not delivers the material/service instead forward the order to an external vendor, who then sends the material/service directly to the customer and invoices the company
- SALES ORDER to be created with third party item which creates PURCHASE REQUISITION with ITEM CATEGORY "S"

### After SALES ORDER created

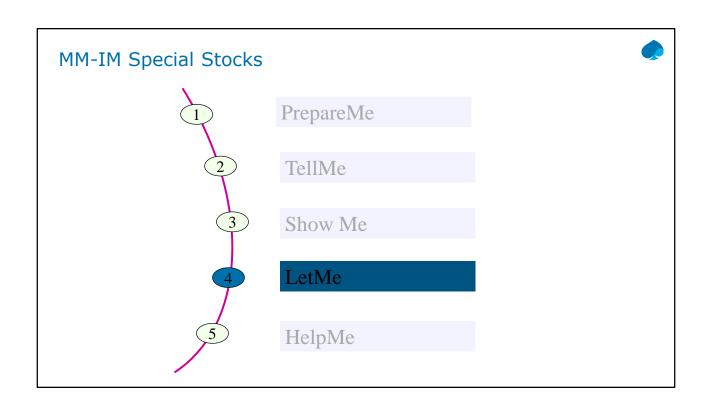
- 1. A purchase requisition is created automatically
- 2. The number of the PURCHASE REQUISITION is updated in the SALES ORDER
- 3. The item is scheduled automatically
- 4. The Delivery address in the PR will be of the customer





### PIPILINE MATERIALS

- ➤ Material that flows directly into production process from a pipe( Gas, Oil, Water etc.) or another kind of conduit ( Electricity)
- ➤ Available ant any quantity at any time
- > The MATERIAL TYPE "PIPE" have to be maintained for PIPILINE MATERIALS
- > Not stored or not inventoried
- > Cannot plan or procure this material
- ➤ MATERIAL MASTER with MATERIAL TYPE "PIPE" and the PIPELINE INFO RECORD are the required MASTER DATA
- ➤ All the MOVEMENT TYPES should use special stock Indicator "P"
- > The material can be used as a component with BACKFLUSH in the PRODUCTION ORDER
- ➤ For withdrawals settlements can be done through AUTOMATIC SETTLEMENT which is same as in the case of VENDOR CONSIGNMENT STOCK



## **Subcontracting – Create PO**



Input	Expected Result
Data Prerequisites:-	
Presumption :- Info records & Bill of Materials are created	
In the command field enter Transaction Code ME21N Or from Navigation Tree using following path Choose Logistics $\rightarrow$ Materials Management $\rightarrow$ Purchasing $\rightarrow$ Purchase Order $\rightarrow$ Create $\rightarrow$ Vendor/Supplying Plant Known.	System would display Create Purchase Order screen
Enter Vendor, Purchase Org, Purchasing Group, Item Category, Material, Qty, Delivery date, Plant, Storage Location Chose Save	System would create Purchase Order Document
Display PO and BOM choose with the quick-info text Other Purchase Order and then Other Document	System would display Purchase order and Components
In the item details, choose the Material data tab and choose components	

## **Subcontracting - Providing Components**



Input	Expected Result
Data Prerequisites:-	
Presumption :- Info records & Bill of Materials created	
In the command field enter Transaction Code MIGO Or from Navigation Tree using following path Choose Logistics→ Materials Management→ Inventory Management → Goods Movement → Goods Movement (MIGO)	System would display Goods receipt screen
Chose Transfer Postings, Reference other Enter mvt type 541, Enter Materials, Select the Item OK, Chose Post	System would create only material document.
Display Material doc Management→ Inventory Management → Goods Movement → Goods Movement (MIGO)	No Account Documents are created
Chose Display, click on Doc Info	





Input	Expected Result
Data Prerequisites:-	
You have created Sub-con PO and Provided components to Vendor	
In the command field enter Transaction Code MIGO Or path Choose Logistics→ Materials Management→ Inventory Management → Goods Movement → Goods Movement (MIGO)	System would display Goods receipt screen
Chose Transfer Postings, Reference Purchase Order chose Enter Set the Item OK indicator , chose Post	System would create Material Document
Display Material doc Management→ Inventory Management → Goods Movement → Goods Movement (MIGO)	System would update stock of final assembly and components with different movement types
Check posted Goods movement	

## **Subcontracting – Subsequent Adjustment**



Input	Expected Result
<b>Data Prerequisites:-</b> You have made GR to the subcon PO. Vendor informed excess consumption of a component	
In the command field enter Transaction Code MIGO Or path Choose Logistics→ Materials Management→ Inventory Management → Goods Movement → Goods Movement (MIGO)	System would display Goods receipt screen
Chose Subsequent Adjustment, Reference Purchase Order Chose Set the Item OK indicator , chose Enter Material and excess consumption qty Ch	System would create Material Document
Display Material doc Management→ Inventory Management → Goods Movement (MIGO) Check posted Goods movement & Finance documents	System would display the account postings





Input	Expected Result
Data Prerequisites:-	
Presumption :- Info records & Bill of Materials created	
In the command field enter Transaction Code MIGO Or from Navigation Tree using following path Choose Logistics→ Materials Management→ Inventory Management → Goods Movement → Goods Movement (MIGO)	System would display Goods receipt screen
Chose Transfer Postings, Reference other Enter mvt type 541, Enter Materials, Select the Item OK, Chose Post	System would create only material document.
Display Material doc Management→ Inventory Management → Goods Movement → Goods Movement (MIGO)	No Account Documents are created
Chose Display, click on Doc Info	

## **Vendor Consignment – Create PO**



Input	Expected Result
Data Prerequisites:-	
Presumption :- Consignment Info records are created	
In the command field enter Transaction Code ME21N Or from Navigation Tree using following path Choose Logistics → Materials Management → Purchasing → Purchase Order → Create → Vendor/Supplying Plant Known.	System would display Create Purchase Order screen
Enter Vendor, Purchase Org, Purchasing Group, Item Category K, Material, Qty, Delivery date, Plant, Storage Location Chose Save	System would create Purchase Order Document
Display PO choose with the quick-info text Other Purchase Order and then Other Document	System would display Cosignment Purchase order and Components

## **Vendor Consignment – Goods Receipt**



Input	Expected Result
Data Prerequisites:-	
You have created Consignment PO	
In the command field enter Transaction Code MIGO Or path Choose Logistics→ Materials Management→ Inventory Management → Goods Movement → Goods Movement (MIGO)	System would display Goods receipt screen
Chose Transfer Postings, Reference Purchase Order chose Enter Set the Item OK indicator , chose Post	System would create Material Document
Display Material doc Management→ Inventory Management → Goods Movement → Goods Movement (MIGO)	
Check posted Goods movement	

## **Goods Issue from Consignment Stock**



Input	Expected Result
Data Prerequisites:-	
You have created consignment PO	
Create Reservation In the command field enter Transaction Code MB21 Or path Choose Logistics → Materials Management → Inventory Management → Reservation → Create.	System would display Create Reservation screen
Enter F t Chose	System would display items screen for Creating Reservation
Enter the following data: Cost Center ,Material, Quantity 50 Storage Location Chose Save	System would create Reservation
Create Goods Receipt Choose Logistics→ Materials Management→ Inventory Management → Goods Movement → Goods Movement (MIGO)	System would display MIGO screen

## **Goods Issue from Consignment Stock**



(contind..)

	T T T T T T T T T T T T T T T T T T T
Input	Expected Result
Choose Goods Issue and the reference Reservation Enter Reservation number, set item OK, On the Where tab, enter the Special stock indicator K and confirm entries. On the Partner tab enter Vendor Choose Post	System would create Goods Issue Document
Display Material doc Management→ Inventory Management → Goods Movement → Goods Movement (MIGO) Chose Document info, Chose Fi Documents ズ, Chose Accounting Doc	System would display accounting documents.

# VENDOR CONSIGNMENT STOCK



Vendor consignment processes	Transaction	Remarks
Maintain CONSIGNMENT INFO RECORD	ME11	Same as Purchasing info record but select info type as CONSIGNMENT
Create Consignment Order	ME21N/ME23N	Enter Item category K. Observe that the conditions are flown from info record and no Manual entry is possible. NO IR for this PO
		Create GOODS RECEIPT with PO with MvT Type 101 K
Create GOODS RECEIPT	MIGO	Create GOODS RECEIPT without PO reference with MvT Type 501,503,505 K or with Initial Entry of stock balances ( 561,563 and 565 K)
Move Consignment stock to our own stock	MIGO	Use MvT type 411 K
Try Consignment Settlement	MRKO	Settling Consignment Liabilities

## **SUBCONTRACTING**



Subcontracting Process	Transaction	Remarks
Maintain Subcontracting Info record	ME11	Same as Purchasing info record but select info type as SUBCONTRACTING
Create Subcontracting Order	ME21N/ME23 N	Enter Item category L. Enter the Components to be provided
	MIGO	Transfer postings ( With/Without Reference to SC PO) to the sub contactor By using MvT Type 541 O
Enter GOODS ISSUE to SUBCONTRACTOR	ME2O	Transfer Posting to the subcontractor by monitoring Stock at subcontractor place
	MIGO	Enter GOODS RECEIPT for the materials which have been directly delivered to the subcontractor from the vendor By using MvT. Type 101 O
Enter GOODS RECEIPT for subcontracting material	MIGO	Observe the movement type 101 for the goods receipt and 543 O for the materials provided to the vendor

# THIRD PARTY PROCESSING



THIRD PARTY PROCESSING	Transaction	Remarks
Display Third Party Sales Order	VA03	Display the sales order go to Schedule lines of Item details. Observe the PURCHASE REQUSITION number updated
Display Purchase Requisition	ME53N	Observe the Item category in the PR is "S" (Third party Item) And delivery address will be the customer address.

## **REPORTS**



Special Stock	Report	Transaction	Description/Purpose	
Vendor Consignment	Consignment Stock Per Vendor	MB54	generates a list of consignment stocks	
Subcontracting	SC Stocks Per Vendor	ME2O	To obtain a overview at any time of the current situation for stocks of material provided to vendor The report provides the following information > current stock situation >planned issues >planned receipts	
	Stock With Subcontractor	MBLB	This report provides an overview of the stocks of material provided to vendor. Can select stocks both via the name of the vendor, plant, material, or company code	
Project Stock	Valuated Special Stock	MBBS	Displays valuated project and	
Sales Order stock	valuated Special Stock	WIDDS	sales order stock	
Stock Transport Order	Stock In Transit	мв5т	Displays Stock in transit	

# Acc. Postings-Vendor consignment



Transaction	Activity	Movement Type	Debit	Credit
	Goods Receipt With ref to Purchase order	101 K	NO Account Postings done	NO Account Postings done
	Goods Receipt With ref to Purchase order	501 K 503 K & 505 K	NO Account Postings done	NO Account Postings done
MIGO	Initial entry of stock balances	561 K ,563 K & 565 K	NO Account Postings done	NO Account Postings done
	Goods Issue From Consignment stores	Respective movement type + Special stock indicator "K"	Consumption Of material	Accounts payable- Consignment sale
	Transfer postings to own stock	411 K	Stock of the material	Accounts payable- Consignment sale
MRKO	Automatic Settlements	N/A	Accounts payable- Consignment sale	Vendor account
			For Counted Qty Less than the Book Inventory	
MI01(create)/ MI04(Enter count)/MI11	Physical Inventory	N/A	Consumption Of material	Expense from the Inventory Difference
(Recount)/ MI07(Post difference)	Vendor Consignment stocks		For Counted more than the Book Inventory means larger withdrawals are posted than the actual. So the account postings will be of the reversal of the withdrawals	

# Acc. Postings-Subcontracting



Transaction	Activity	Movement Type	Debit	Credit
MIGO/ME2O	Transfer postings the stock to Vendor	541	NO Account Postings done	NO Account Postings done
	Initial entry of stock balances	561 O	Stock/Inventory	Initial Entry of Stock balances
MIGO		101	Stock Of Finished Goods	GR/IR Clearing account @ PO price
	Goods Receipt With ref to Purchase order		Purchased Services @ PO price	INVENTORY/Stock Of materials provided
			Consumption Of materials provided	Cost of goods sold
	Materials Directly provided to Vendor	101 O	Consumption Account	GR IR Clearing account
	subsequent adjustments over consumption	543 O	Inventory/Stock of material provided	Consumption
	subsequent adjustments Under consumption	544 O	Consumption	Inventory/Stock of material provided
	Scrapping	551 O	Scarp Account	Stock
MI01(create)/MI04(Ent er count)/	harran Adirectoranta	701 (O) ( Counted Qty> Book Qty)	Stock	Inventory Differences
(Posting the difference)			Inventory Differences	Stock

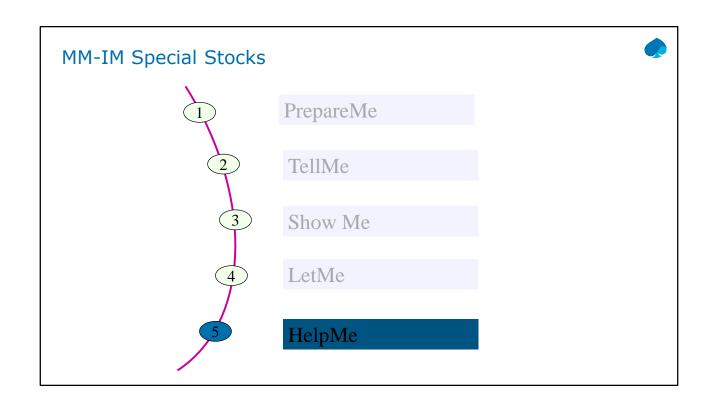




Т	Transaction	Activity	Movement Type	Debit	Credit
		INVOICE VERIENATION	N/A	0 0 0	
I	/IIRO	INVOICE VERIFIVATION	N/A	Cost of Goods Sold	Vendor Account

# Acc. Postings-Pipeline Material

Transaction	Activity	Movement Type	Debit	Credit
MIGO	GOODS ISSUE	Respective movement type + Special stock indicator "P"	Consumption Of Material	Accounts Payable - Pipeline

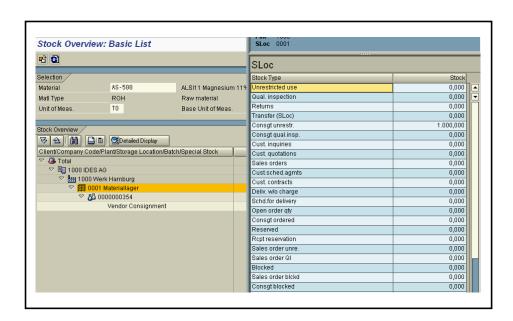


Stock Overview: Con	npany Code/Plan	t/Storage Locatio	n/Batch	MENU:- Logistics-
Database selections  Material  Plant  Storage location  Batch	<b>AS-500</b> 1000	to to to	\$ \$	Materials managemer Inventory managemer Environment- Stock- Stock Overview (MME
✓ Also Select Stock Commitm      ✓ Also Select Stock Commitm     ✓ Special Stock Indicator       Display Version       Display Unit of Measure        No Zero Stock Lines       Decimal Place as per Unit        Selection of Display Levels        Company Code        Plant        Storage Location        Batch        Special Stock	ents	to to		> By selecting the Special stock type the initial screen it the stocks can be displayed > Stocks can be displayed across a Organization Level

MMBE Stock Over View is the Report available for Stock Overview of the Material across all the Organization level

This report can be used as a common report for displaying all the stock types at all Organization Levels





With the stock over view (MMBE) menu the different stocks at different storage location can be viewed.

At storage location level a list total of stocks will be available. With a double click on this stock All the stock types Will be displayed.

# Special Stock in MRP



If the special stock materials can be procured always with the special procurement process, the following settings can be done so that during MRP the purchase requisition with the specific requirements will be generated in the planning run.

SPECIAL STOCK	PREREQUSITES FOR MRP
VENDOR CONSIGNMENT	In MRP2 View of the material master special procurement key for CONSIGNEMTN ("10" ) must be set
CONOICHMENT	CONSIGNEMTN INFO RECORD is must
	In MRP2 View of the material master special procurement key for SUBCONTRACTING ("30" ) must be set
SUBCONTARCTING	At least One source of supply (SUBCONTRACTING INFO RECORD or OUTLINE Purchase agreement with item category "L") should exist
	In SOURCE LIST MRP relevant indicator must be set
	A BOM for the subcontracting item should exist.

### **Additional Information**



### **SUBCONTRACTING**

- 1. In SUB CONTRACTING Process By Products can be managed by maintaining by-products negative quantity. This means
- ➤ In the provision of the components the system ignores the negative component items
- > In the goods receipt for the purchase order, the system automatically posts the receipt of the by-products with movement type 544

  The receipt can still be corrected using the Subsequent Adjustment function
- > Due to the receipt of the by-products, the value of the manufactured material is reduced
- 2. In Subcontracting Orders the components to be provided have to be entered manually Or by having a BOM. But in the creation of outline agreements with Item category "L" The components are not entered. The components are entered during creation of RELEASE ORDER or SCHDULE LINES ONLY
- 3. Materials can be provided directly to the subcontractor from the vendor. In the PO to the vendor the delivery address has to be the one of subcontractor. After the delivery is made to the subcontractor the goods receipt has to be posted with MOVEMENT TYPE "101 O"

### **Additional Information**



### THIRD PARTY PROCESSING

If SD component is not active in the system, third-party orders can be handled completely in Materials Management by entering a third-party order (or a purchase requisition) manually with the item category S and account assignment category X. In this procedure, the activities Entering a sales order and Creating a billing document for the customer are eliminated.

### PIPELINE MATERIAL

Depending on the valuation area it can be decided for every MATERIAL TYPE the PIPELINE movements are mandatory or allowed in the valuation area. If the PIPELINE movements are allowed option is chosen then carrying out both inventory management and PIPELINE movements are possible.

### Additional Information



▶For Further information about handling special stocks refer the SAP Library under

SAP R/3 Application Components  $\rightarrow$  Logistics  $\rightarrow$  Materials Management  $\rightarrow$  Inventory Management (MM-IM)  $\rightarrow$  Managing Special Stocks  $\rightarrow$  (Special stock Types)

- >Certain Special stocks like Consignment stock with Vendor (W) and Returnable transport packaging with customers are handled extensively in Sales &Distribution module (SD-SLS)
- ▶ Refer the SAP Library for more details of the above stock types under

SAP R/3 Application Components → Logistics → Sales & Distribution → Sales (SD-SLS) → Handling Special Business Transactions in sales → Consignment Processing /Returnable transport Packaging

## Test Your Knowledge



- 1. Which statements about the subcontracting process are correct:
  - Choose the correct answer(s).
  - A You must set the special stock indicator O in the purchase order.
  - B You order material for a customer, which is then delivered directly to the customer by the vendor.
  - C The vendor must be entered in the material master record as an eligible manufacturer.
  - D The vendor must be entered in the BOM as an eligible manufacturer.
  - E In the purchase order, use item category L.
  - F You deliver components of the ordered material to the subcontractor.
- 2. Which of the following statements is/are correct?

#### Choose the correct answer(s).

- A The vendor consignment stock is special stock K.
- B In a storage location with the Consignment indicator, you can only store consignment materials.
- C Consignment materials can be stored in all three stock types in each storage location.
- D For a consignment material order, use item category K.
- E The purchase price is credited to the vendors during the goods withdrawal from the warehouse in consignment processing.
- F Liabilities are not settled individually, but collectively over a time period agreed with the vendor.

# Test Your Knowledge



- 3. Which of the following master data can/must you use for pipeline materials?
  - Choose the correct answer(s).
  - □ A Material master record
    - B Vendor master record
  - □ C Purchasing info record
  - □ D Source list
  - □ E BOM (as component)
  - □ F Customer master record
- 4. Which special stocks are managed in SAP systems?
  - Choose the correct answer(s).
  - □ A Stock of material provided to vendor
  - □ B Sales order stock
  - □ C Returnable transport packaging
  - □ D Stock of scrap materials
  - ☐ E Stock in quality inspection
  - □ F GR blocked stock

# Test Your Knowledge



### **Answers**

1. Which statements about the subcontracting process are correct:

Answer: E, F

For the components, you can use materials in the BOM.

2. Which of the following statements is/are correct?

Answer: A, C, D, E, F

3. Which of the following master data can/must you use for pipeline materials?

Answer: A, B, C, D, E

You must have created a material master record with a purchasing info record. To do this, you need a vendor master record. You can use the source list and BOM in connection with the pipeline material.

4. Which special stocks are managed in SAP systems?

Answer: A, B, C