SYMBIOSIS
INSTITUTE OF COMPUTER STUDIES AND RESEARCH

Advanced Business Process Integration Project

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SEM-3RD SEM

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TOPIC- MM LOGISTICS VERIFICATION MODULE

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Introduction:

SAP MM stands for Material Management. The SAP MM (Materials Management) Logistics Verification module is essential for the purpose of overseeing the verification procedures connected to inventory and procurement management. Before products and services are accepted into inventory, it entails verifying and validating their receipt and making sure they adhere to the necessary criteria. The logistics verification procedure makes sure that the products delivered and services obtained match the quantity and quality requirements specified in the purchase order. This module connects with other modules including Finance (FI) and Sales and Distribution (SD) and is a part of SAP's larger Materials Management (MM) module.

Process Flow Diagram:

This diagram illustrates the SAP MM (Materials Management) process flow, which outlines the key steps involved in procuring and managing materials within an organization using SAP software.

SAP MM PROCESS FLOW

Determination of Requirements

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Source Determination

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Vendor Selection and Comparison of Quotations

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Purchase Order Processing

▼

Purchase Order Follow-Up

▼

Goods Receiving and Inventory Management

▼

Invoice Verification

Step-by-Step Explanation:

1. **Determination of Requirements:**
• Determining the organization's material or service needs is the first step in this process.
• A variety of methods, including production scheduling, sales orders, and internal requisitions, are commonly used to generate requirements.
• The type, quantity, and timeliness of the materials required are then ascertained by analysing these criteria.

2. **Source Determination:**
- The system finds possible suppliers for the materials after the specifications are specified.
- This could entail determining current suppliers, looking for new ones, or assessing internal resources (such production capacity).

   When determining a source, the system takes into account variables including price, quality, delivery time, and supplier dependability.

3. **Vendor Selection and Comparison of Quotations:**
- Based on the identified sources, a list of potential vendors is created.
- Requests for quotations (RFQs) are sent to these vendors to obtain pricing and delivery information.
- The received quotations are compared and evaluated to select the most suitable vendor based on factors like price, quality, payment terms, and delivery lead time.

4. **Purchase Order Processing:**
- Once a vendor is selected, a formal purchase order (PO) is created and sent to the vendor.
- The PO outlines the specific items, quantities, prices, delivery terms, and payment conditions agreed upon.
- The system generates the PO, which may require approval from authorized personnel based on the organization's procurement policies.

5. **Purchase Order Follow-Up:**
- This step involves monitoring the status of purchase orders to ensure timely delivery of materials.
- It includes activities like tracking order confirmations, following up on delayed shipments, and communicating with vendors regarding any discrepancies or issues.

6. **Goods Receiving and Inventory Management:**

- Upon receipt of the materials, the goods are inspected for quantity, quality, and damage.

- The received goods are then recorded in the system, updating inventory levels accordingly.

- The system may generate incoming inspection documents or quality notifications if required.

7. **Invoice Verification:**

- When the goods are received and accepted, the vendor's invoice is received and verified against the purchase order and goods receipt.

- Any discrepancies between the invoice and the PO or GR are investigated and resolved.

- Once verified, the invoice is approved for payment, and the accounting entries are generated.

Step-by Step Process in SAP for MM- Logistics Verification with screenshots

1. **Create a Warehouse:**
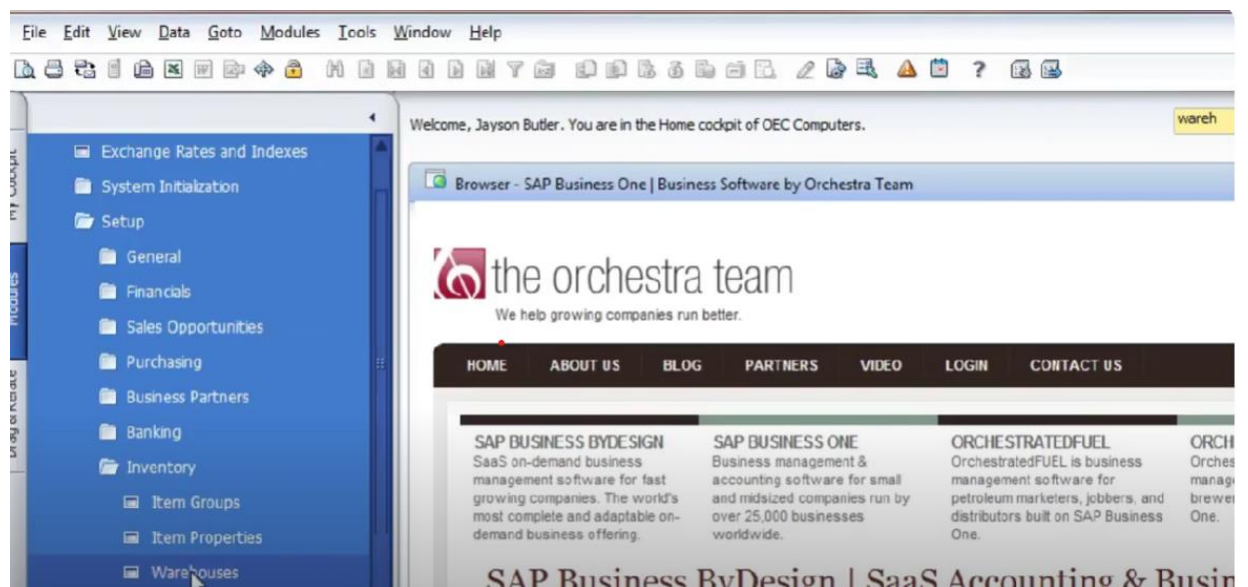
a**.** Access the Warehouses Module
- Open SAP Software.
- Navigate to the "Home" module.
- Locate the "Inventory" module in the left-hand menu.
- Under that, locate the "Warehouses" module in the left-hand menu.
- Click on "Warehouses" to open the warehouse management screen.

b. Create a New Warehouse
- Look for a button or option to create a new warehouse. This might be labeled "New," "Create," or something similar.
- Click on the "Create" button to initiate the warehouse creation process.

c. Enter Warehouse Details
- A new form or screen will appear for entering warehouse information.
- Provide the following details:
    - Warehouse Code: Assign a unique code for the warehouse (e.g., WH01, WH02).
    - Warehouse Name: Enter a descriptive name (e.g., Main Warehouse, Distribution Center).
    - Address: Input the physical address of the warehouse, including street, city, state, zip code, and country.
    - Contact Information: Provide contact details like phone number,

email, and contact person.

- o Default Storage Location: Specify the default storage location within the warehouse.

 d.<u>Save the Warehouse:</u>
- Click the "Save" or "OK" button to create the warehouse.

SAP warehouse creation and management is essential for maximising inventory control, enhancing supply chain effectiveness, and guaranteeing precise order fulfilment. Improved control, reporting, and integration with other business processes are made possible by it, which eventually helps your operations develop and run more smoothly.

2. **Creating Items:**

SAP Business One: Item Creation
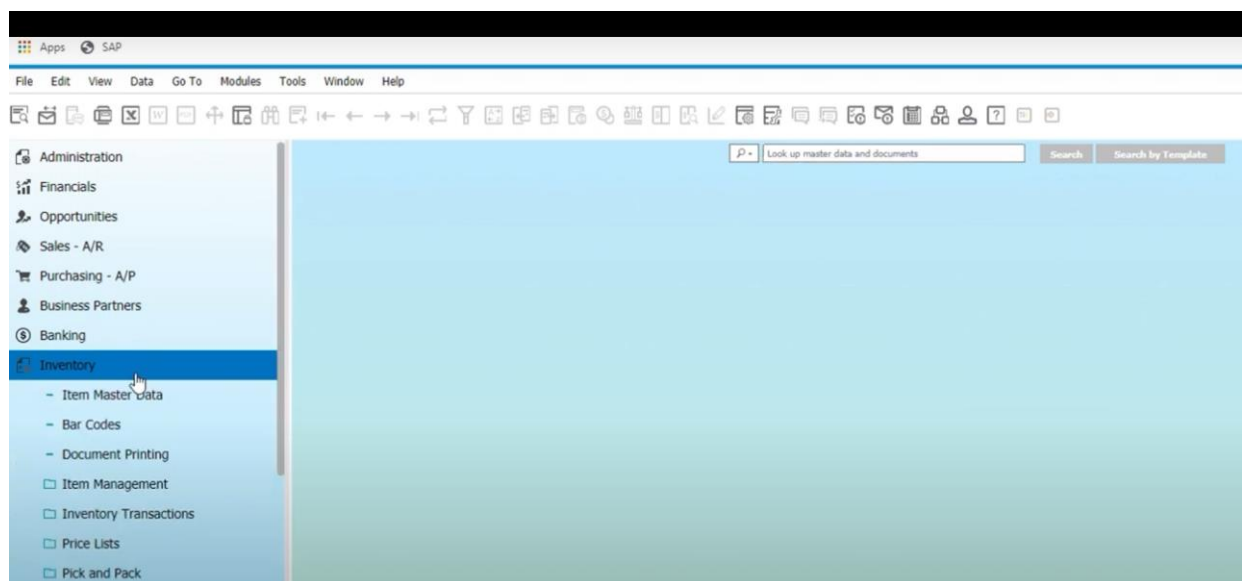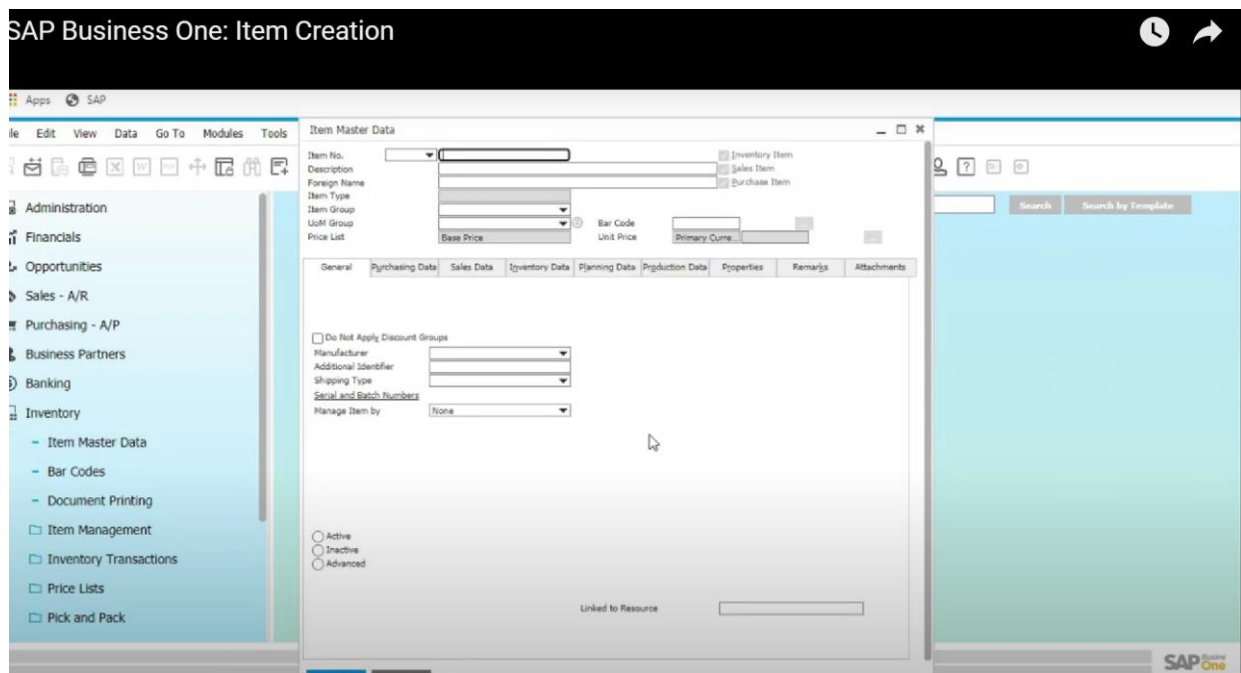
a. Access the Item Master Data Screen:
- In the SAP menu on the left, navigate to "Inventory" and then select "Item Master Data."

b. Create a New Item:
- Click on the "New" or "Create" button (usually located at the top left of the screen) to initiate the item creation process.

c. Enter Item Details:
- The "Item Master Data" window will open. Here, you'll need to fill in the following information:
  - Item Code: Assign a unique code for the item (e.g., P001, S002).
  - Item Name: Provide a descriptive name for the item (e.g., Product A, Service B).
  - Item Type: Select the appropriate item type (e.g., product, service, asset).
  - Description: Add a detailed description of the item.
  - Price List: Define the item's pricing details (if applicable).
  - Inventory Data: Specify inventory-related information like the default warehouse, reorder point, and lead time.
  - Purchasing Data: Enter purchasing-related details if the item is procured from suppliers (e.g., purchase price, vendor).
  - Sales Data: Provide sales-related information like sales price, sales unit of measure.

The foundation of many business operations is a well-maintained item master, which also supplies the data required for effective operations, precise financial reporting, and well-informed decision making.

3. Creating Vendors:
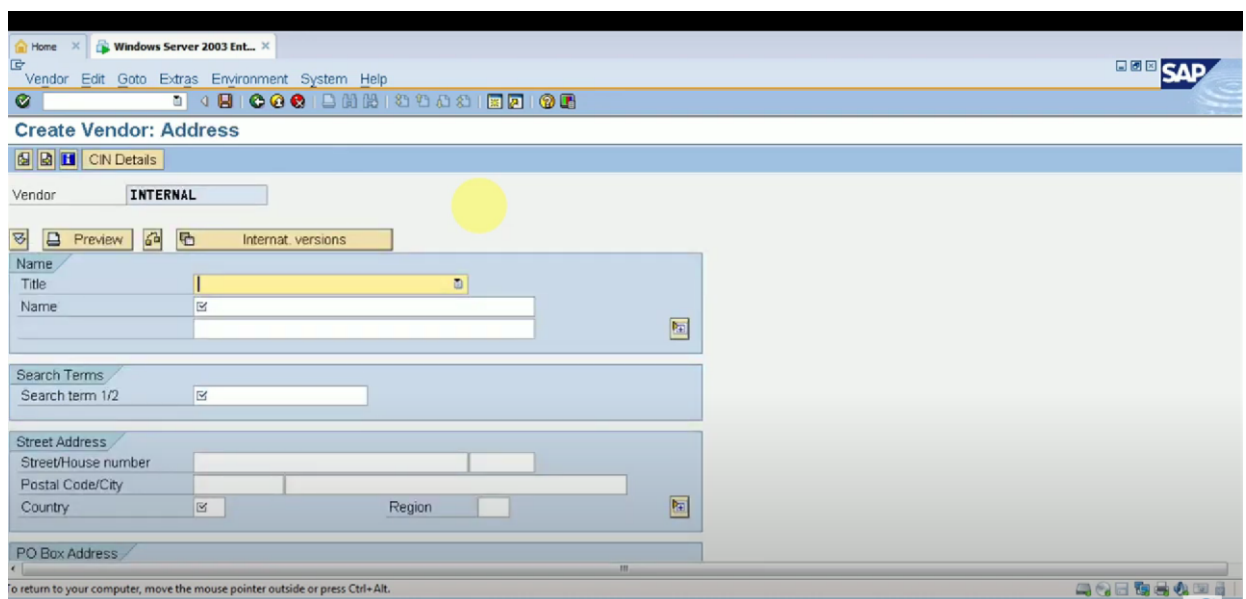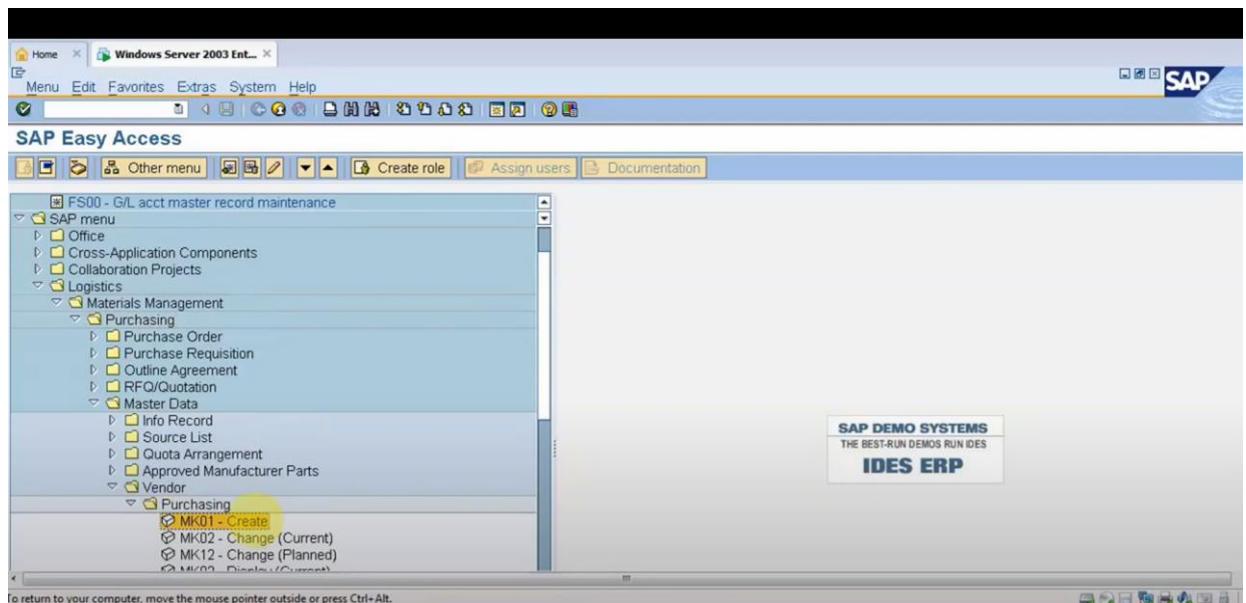
Steps to create vendors:

1. To create vendors, go the master data, vendor, purchasing create option

2. Enter Vendor Details like:

- o Vendor Number: The system might assign a number automatically or you might need to enter it manually depending on your system configuration.
- o Name: Enter the full legal name of the vendor.
- o Search Term: Enter a search term for easy identification.
- o Company Code: Assign the company code to which the vendor belongs.
- o Vendor Account Group: Select the appropriate account group based

on the vendor's type (e.g., general vendor, service provider).

3. Enter Address Details
- Input the vendor's address, including:
    o Street address
    o House number
    o Postal code
    o City
    o Country
    o Region

4.Click on Save

Companies may improve financial management, expedite procurement procedures, and make wise business decisions by keeping complete and accurate vendor data in SAP.

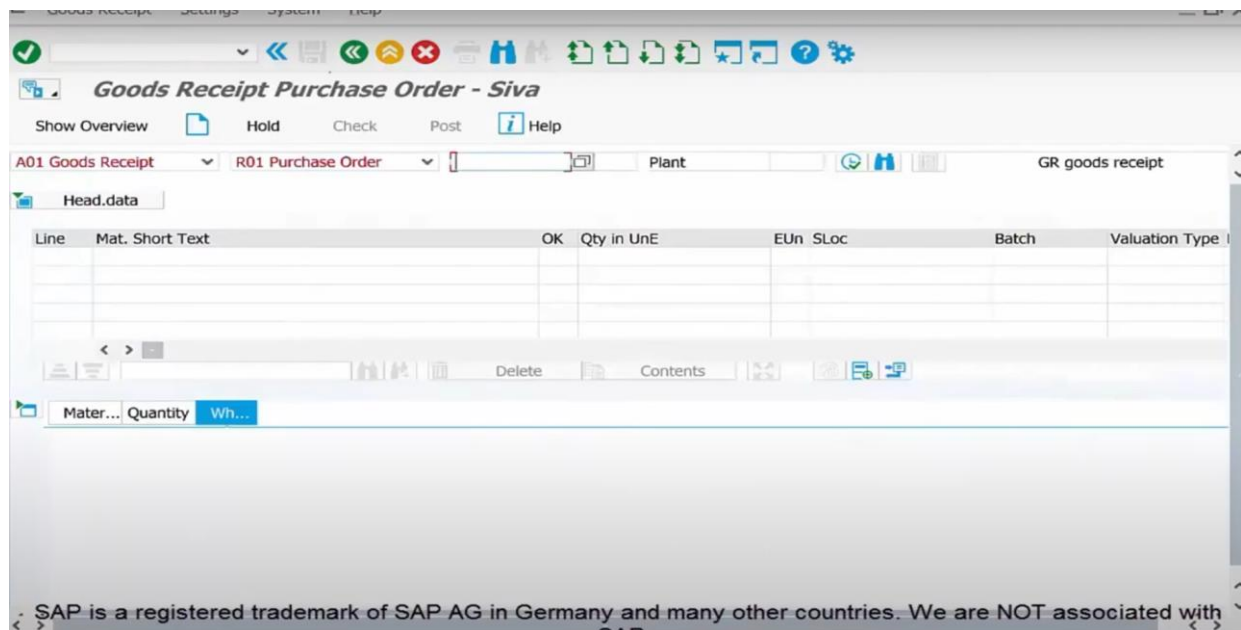## 4. **Create Purchase Order:**
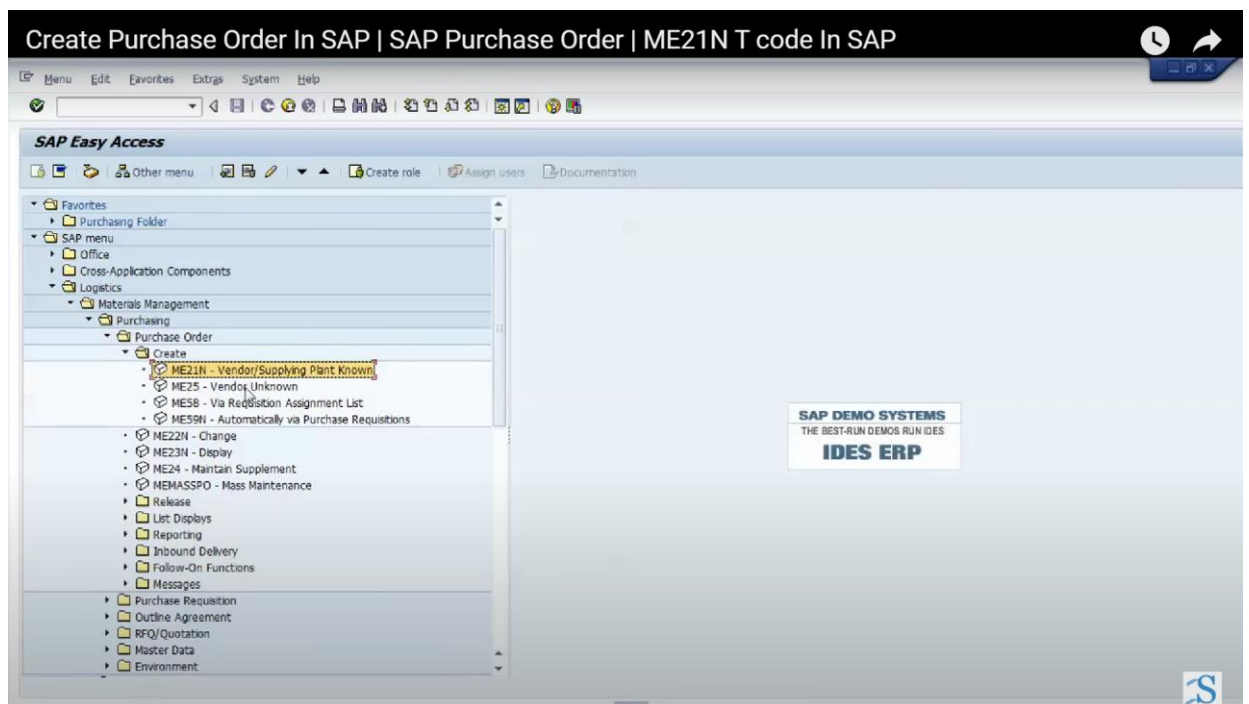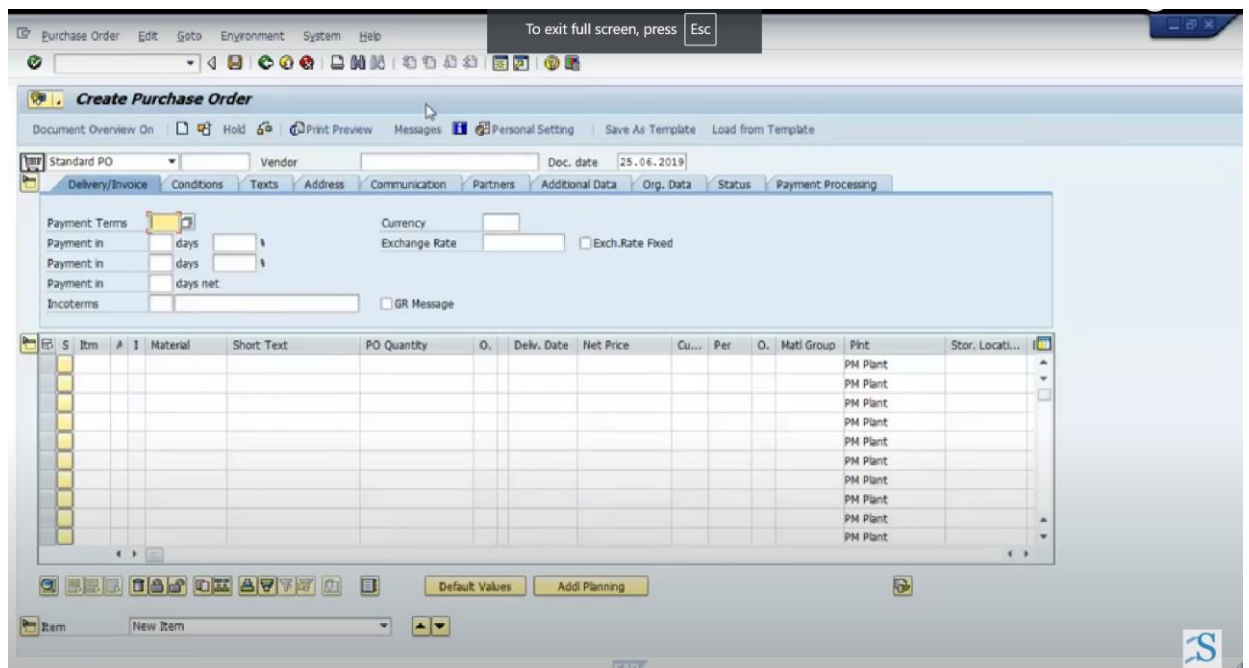
Steps to create purchase order in SAP:

1. Go to Material Management Module.
2. Click on Purchases
3. Click on Purchase Order
4. Click on New or Create
5. Enter all the relevant details like:
   - Vendor: Select the vendor from whom you're purchasing.
   - Purchasing Organization: Specify the organizational unit responsible for purchasing.
   - Document Date: Set the date of the purchase order.
   - Delivery Date: Specify the desired delivery date.
   - Payment Terms: Choose the payment terms agreed upon with the vendor.
6. Enter Item Data:
   - Material: Input the material number or search for the required item.
   - Plant: Specify the plant where the material will be used.
   - Quantity: Enter the quantity to be ordered.
   - Price: Specify the agreed-upon price per unit.
   - Delivery Date: Indicate the desired delivery date for the item.
7. Review and Save

A formal document that a buyer issues to a supplier in order to request products or services is called a purchase order (PO). It provides information such as products, amounts, costs, terms of delivery, and terms of payment. Purchase orders (POs) are legally binding agreements that are crucial for inventory management, financial control, and purchase monitoring.

5. **Create Goods Receipt:**

After a purchase order is created, a goods receipt order is created where the following information is entered:

- Specifies the type of goods receipt (e.g., A01 for standard goods receipt).
- Reference Document: Typically, the purchase order number against which the goods are being received.
- Material: Identifies the specific item being received.
- Quantity: Specifies the amount of the material received.
- Movement Type: Defines the type of goods movement (e.g., 101 for goods receipt for purchase order).
- Receiving Storage Location: Determines where the goods will be stored.
- Valuation Type: Determines how the material is valued (e.g., standard price, moving average price).
- Vendor: The supplier from whom the goods are received.
- Goods Movement Date: The date of the goods receipt.

A crucial step in SAP that signifies the official acceptance of products or services from a vendor is the goods receipt procedure. By precisely and promptly processing goods receipts, it acts as a crucial link between inventory management and procurement. Companies can support entire supply chain operations, guarantee financial accuracy, and maintain effective inventory management.

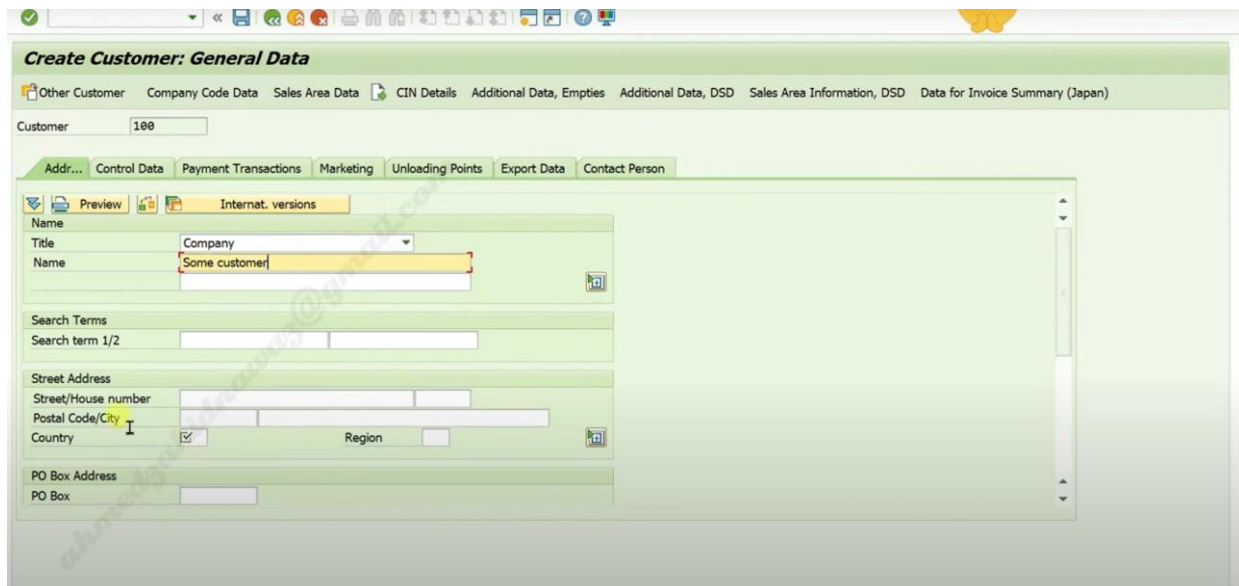## 6. **Create a Purchase Invoice:**
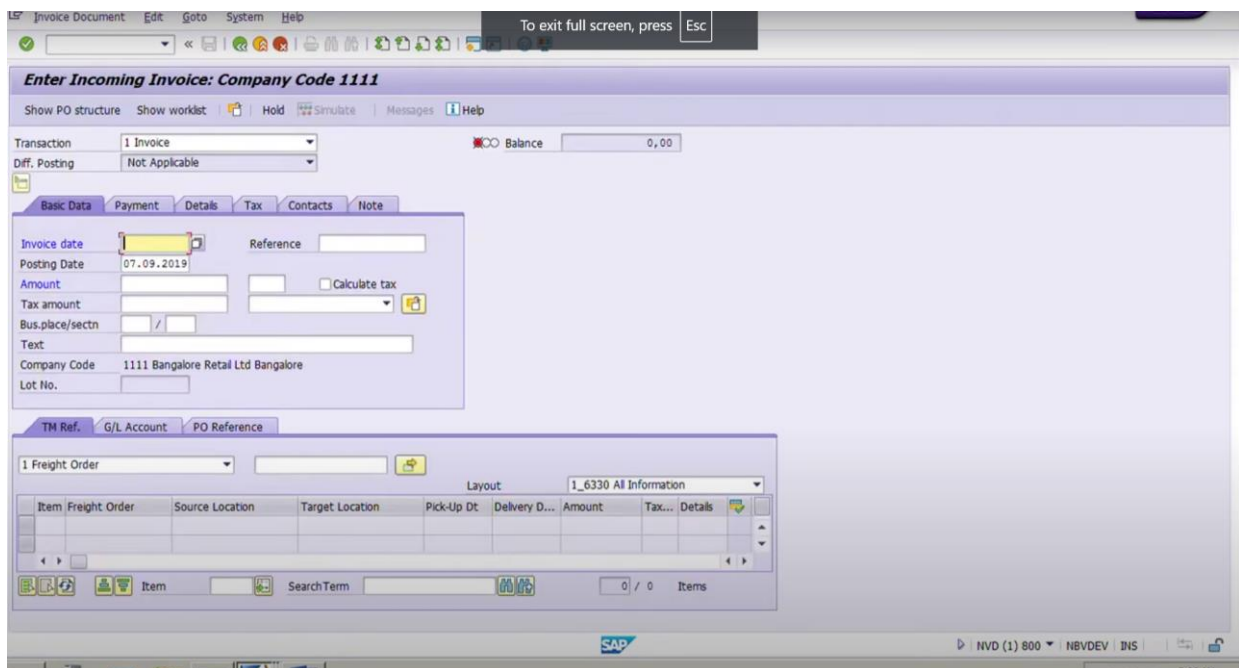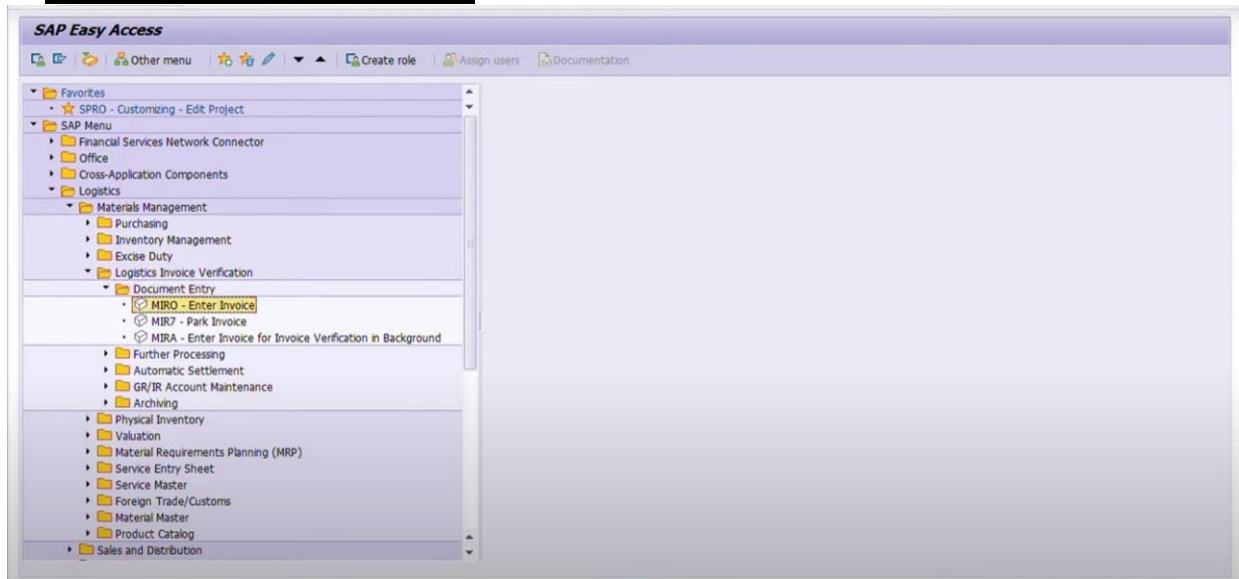
Steps to create Purchase Invoice in SAP:

1. In the SAP screen, enter 'MIRO' in the command field and press Enter.
2. Enter Invoice Information like
   a. Document Type:
      o Choose the appropriate document type from the dropdown menu (e.g., RE for regular invoice).
   b. Invoice Date:
      o Enter the date of the invoice received from the vendor.
   c. Reference:
      o Enter the vendor invoice number or any relevant reference.
   d. Company Code:
      o Enter the company code where the invoice will be recorded.

e. Fiscal Year:
- o Enter the fiscal year for the invoice.

3. Invoice Item Data:
a. Purchase Order Number:
- o Enter the purchase order number against which the invoice is being recorded.
b. Goods Receipt Number (if applicable):
- o Enter the goods receipt number if the invoice is based on goods receipt.
c. Vendor:
- o The vendor information should automatically populate based on the purchase order. Verify or enter the vendor if needed.
d. Amount:
- o Enter the invoice amount in the currency specified.
e. Tax Code:
- o Enter the appropriate tax code if taxes are applicable.

4. Verify all the details and click on Post or Send Option

In order to ensure proper accounting and financial reporting, a purchase invoice is essential for capturing and documenting transactions between buyers and sellers. It makes inventory management, payment processing, and regulatory compliance easier. It also helps with financial planning, audit trails,etc.
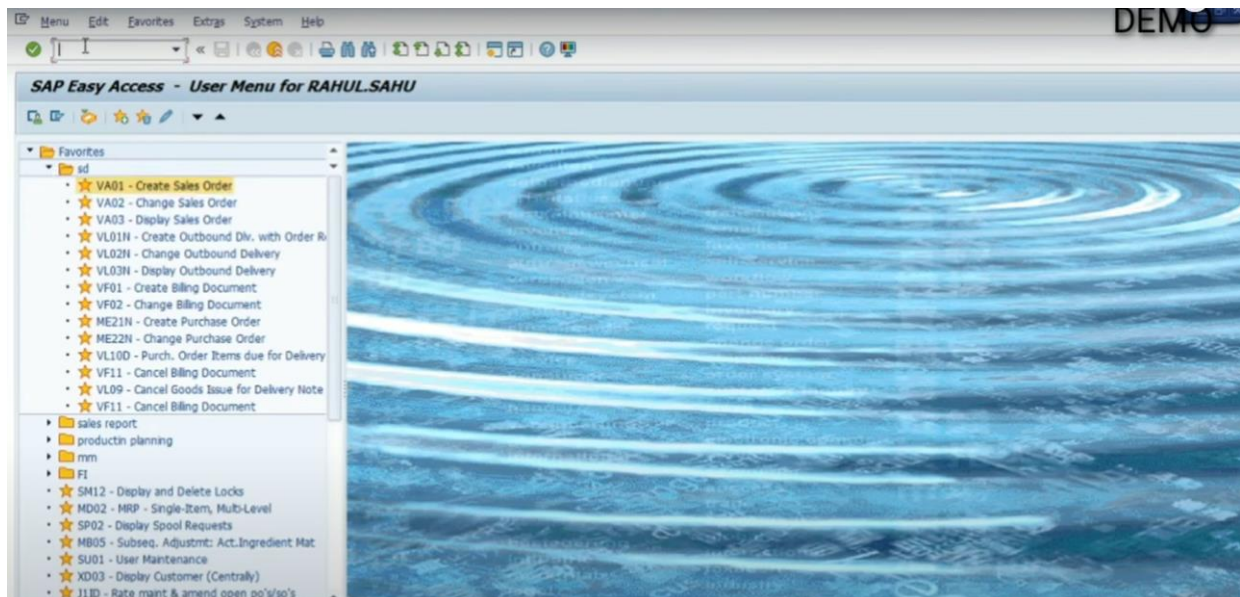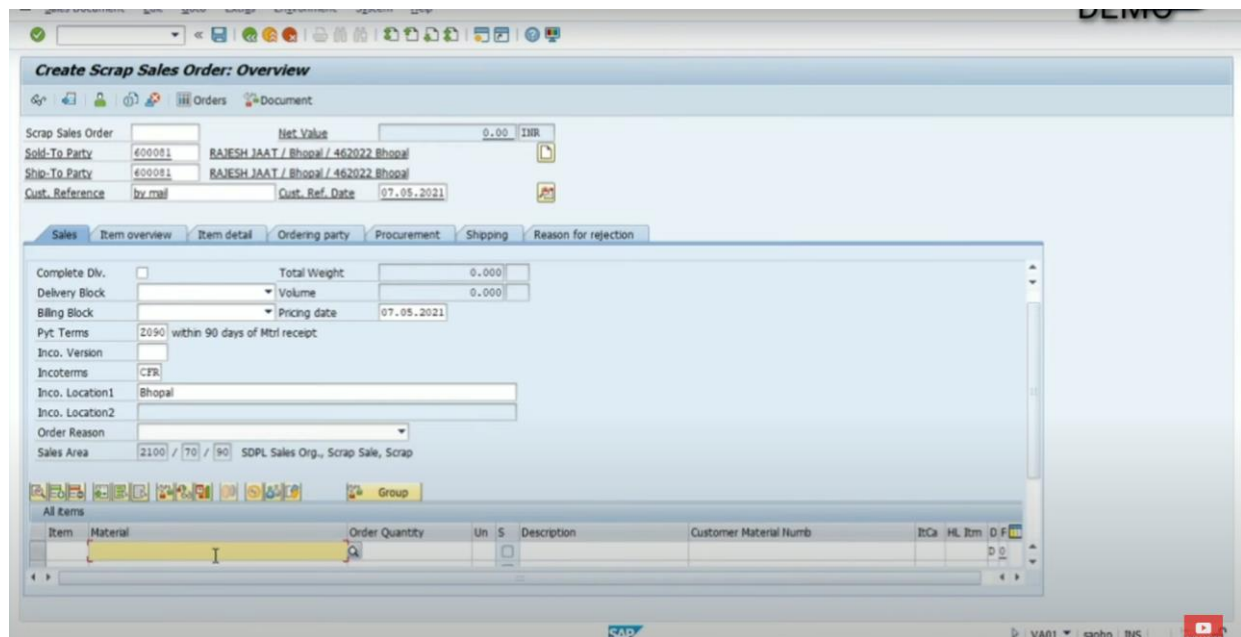
7. **Create a Customer:**

Steps¨to create customer:
1. Type 'XD01' in SAP.
2. This will open the create customer table
3. Enter all the relevant details like:
- Type of Customer- If the customer is an individual or a company
- Name- The name of the customer
- Address: The address of the customer(Billing Address and Shipping Address)
- Contact: The contact information of the person

4. Click on 'Create'

In order to streamline the order management, billing, and delivery procedures in SAP, a client must first be created. By centralising client data, it improves overall financial and relationship management within the system and guarantees proper transaction handling.
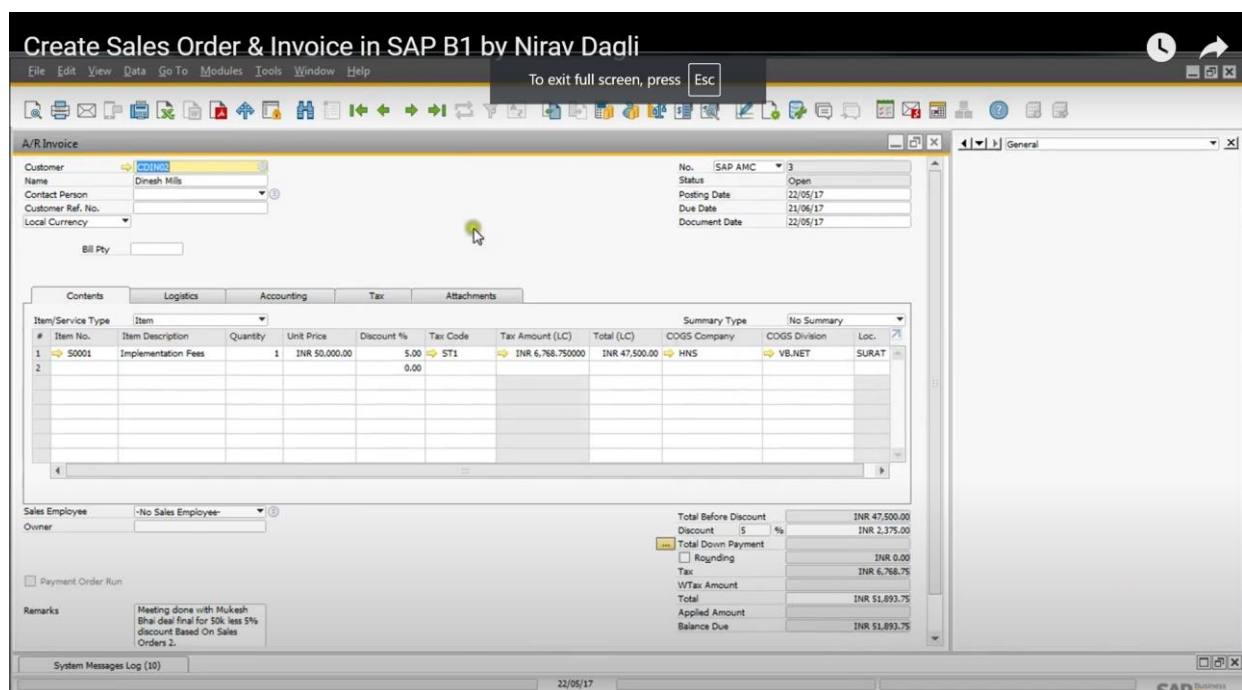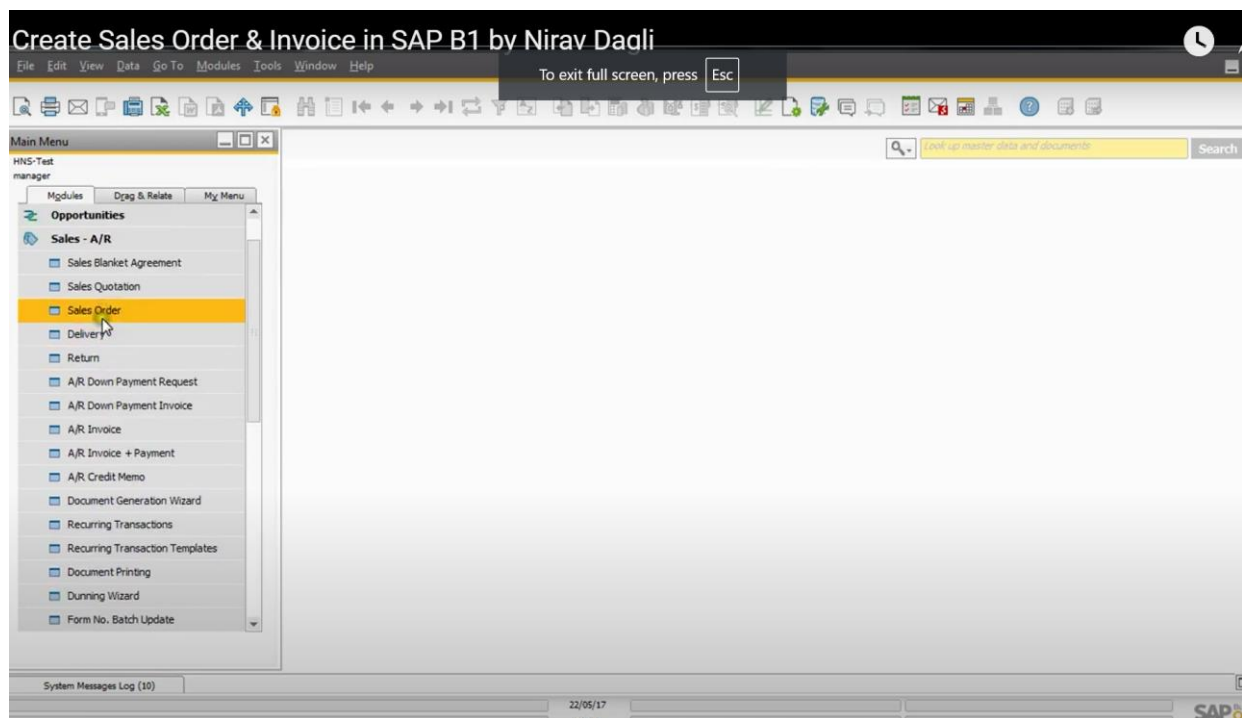
8. **Create a Sales Order:**

Steps to create a Sales Order

1. Go to SAP Inventory module.
2. Click on 'Sales' Module
3. Under Sales, click on 'Sales Order'.
4. Click on 'Create' option
5. Enter the following details:
   - Sales Order Number: Unique identifier for the sales order.
   - Customer Number: Identification of the customer placing the order.
   - Order Date: Date when the order was created.
   - Delivery Date: Expected delivery date for the order.
   - Shipping and Billing Addresses: Addresses for shipping and billing.
   - Payment Terms: Agreed-upon payment terms.
   - Sales Person: Responsible sales representative.
   - Order Type: Indicates the type of sales order (standard, quotation, etc.).
   - Material Number: Product or service being ordered.
   - Quantity: Number of units ordered.
   - Unit of Measure: Unit in which the quantity is expressed.
   - Price: Unit price of the product or service.
   - Delivery Date: Expected delivery date for the item.
   - Plant: Plant responsible for fulfilling the order.
   - Shipping Conditions: Terms of shipment (if applicable)
   - Taxes: Applicable taxes on the item.
6. Save the details

Accurately organising and tracking consumer transactions requires creating a sales order in SAP. It makes order processing, inventory control, and billing easier and guarantees that client needs are satisfied quickly. It also aids in keeping records for customer service and financial reporting.

9. **Create a Sales Invoice:**


Steps to create a sales invoice:

1. Go to the 'Inventory' Module
2. Click on 'Sales' Menu
3. Click on the Sales Order for which you want to create an invoice for.
4. There will be an option to create an Invoice. The details to be entered in an invoice are as follows:
   - Invoice Number: A unique identifier for the invoice.
   - Invoice Date: The date when the invoice is issued.

- Due Date: The date by which payment should be made.
- Company Name: The name of the company issuing the invoice.
- Company Address: The physical address of the company.
- Contact Information: Phone number, email address, and other relevant contact details.
- Customer Name: The name of the individual or company receiving the invoice.
- Customer Address: The address of the customer.
- Contact Information: Phone number, email address, and other relevant contact details.
- Description of Goods/Services: A detailed description of each item or service provided.
- Quantity: The amount of each item or service.
- Unit Price: The price per unit of each item or service.
- Total Price: The total amount for each line item (Quantity x Unit Price).
- Tax Rate: The applicable tax rate (e.g., VAT, GST).
- Tax Amount: The amount of tax applied to each line item or to the total invoice.
- Subtotal: The total amount before taxes and additional charges.
- Tax Total: The total amount of taxes.
- Discounts: Any discounts applied to the invoice.
- Shipping/Handling Charges: Any additional charges for shipping or handling.
- Grand Total: The total amount due including taxes, discounts, and additional charges.
- Payment Method: Accepted methods of payment (e.g., bank transfer, credit card).

To ensure correct revenue recognition and to formalise the billing process, a sales invoice must be created in SAP. It keeps an open audit trail, helps with payment collection, and makes financial record generation easier. This procedure aids in the management of accounts receivable and guarantees adherence to financial rules.

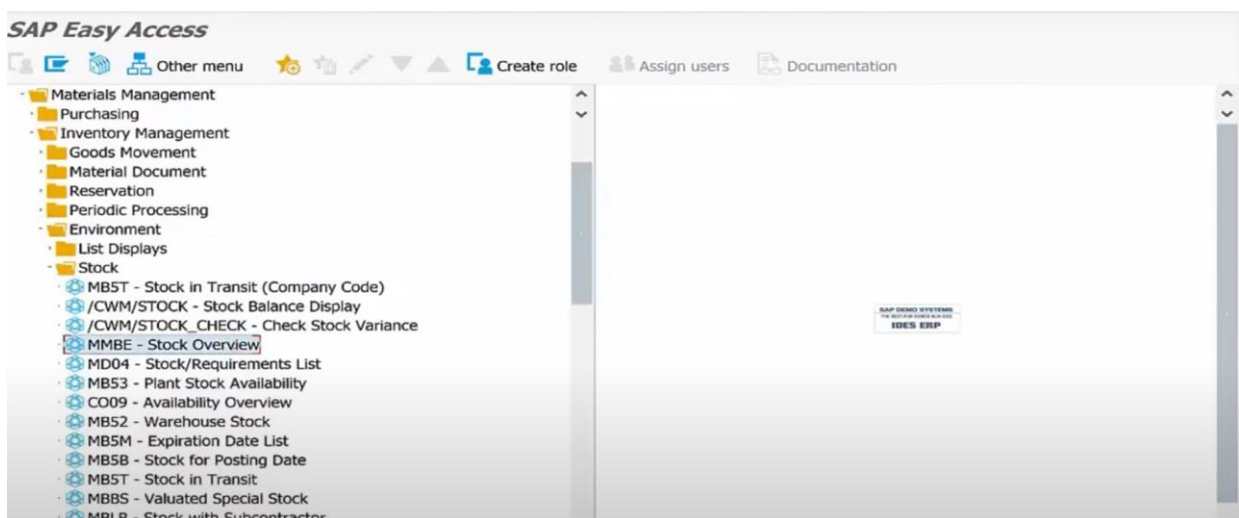## 10. **Transfer of Stock from one Warehouse to another:**
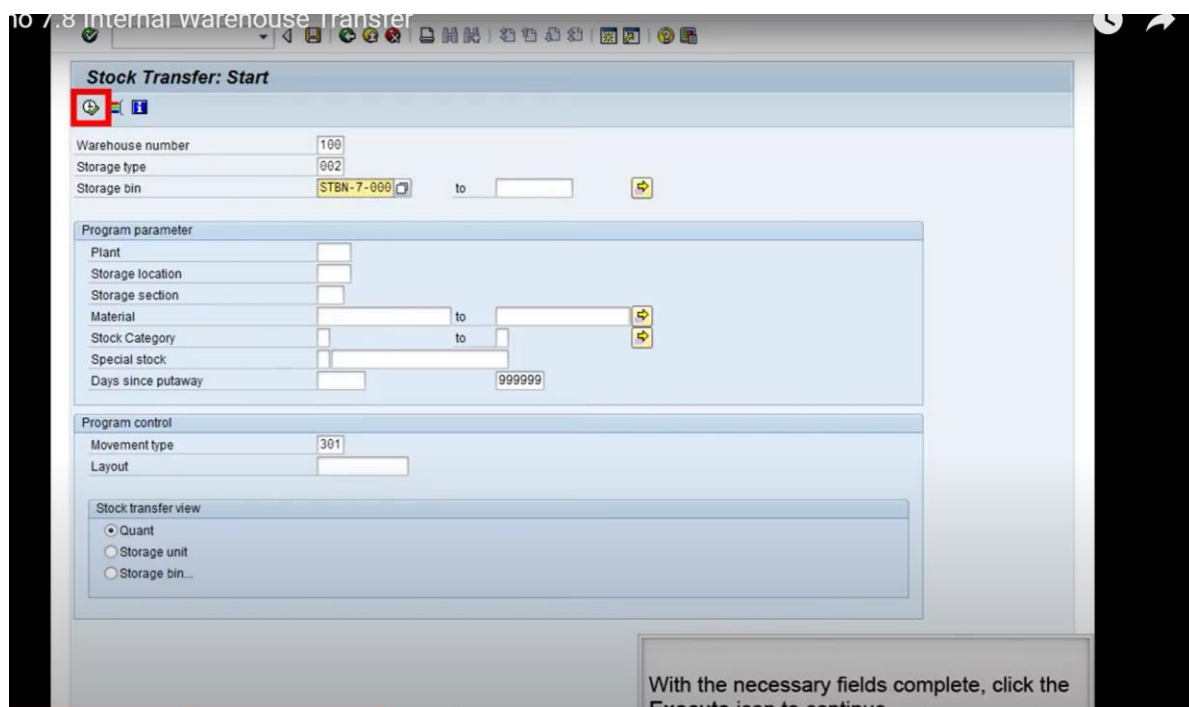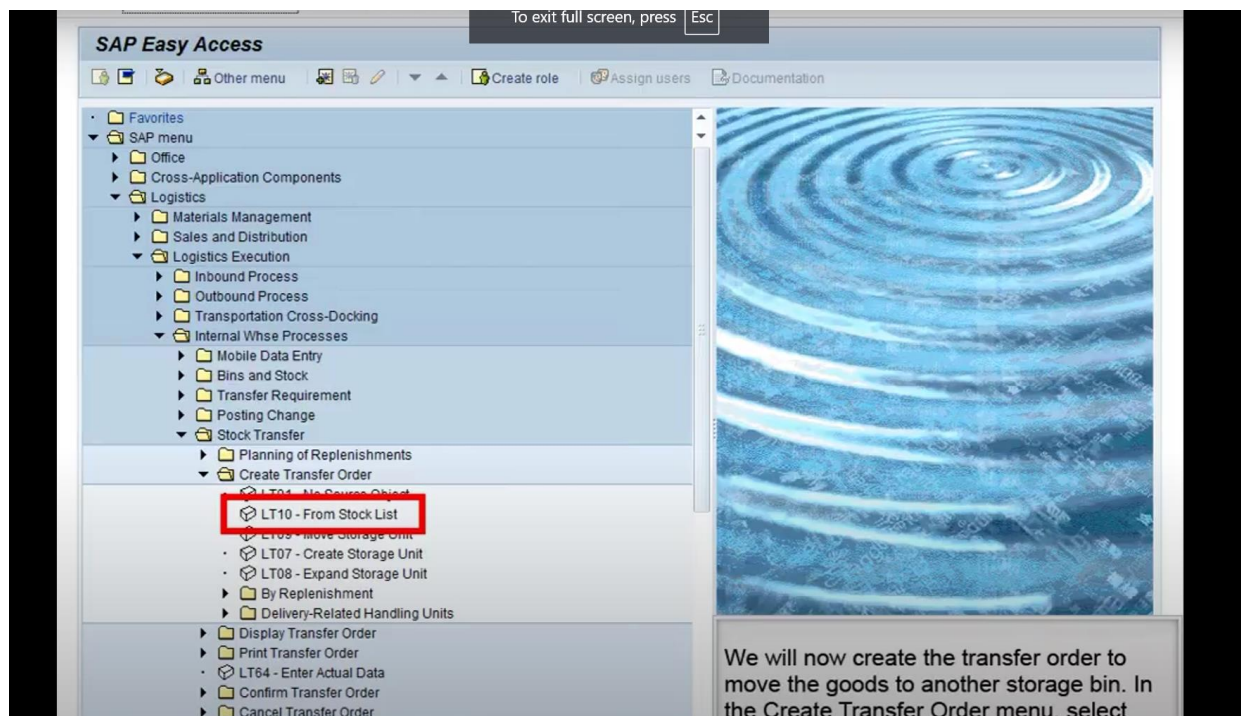
Steps to do transfer of stock between storage location in SAP:

1. Enter the Transaction Type: For stock transfer between storage locations, use transaction type 311 (Stock Transfer - Storage Location to Storage Location).
2. Enter the Document Date and Posting Date.
3. Enter the Details:
   - Plant: Specify the plant from which stock is being transferred.
   - From Storage Location: Enter the source storage location.

- To Storage Location: Enter the destination storage location.
- Material: Enter the material code.
- Quantity: Specify the quantity to be transferred.
4. Review and Post: Check the details and post the document.
5. View Stock Overview: Use these transactions to verify that the stock has been updated in the new storage location.

In SAP, stock transfers between warehouses are essential to supply chain efficiency and inventory management optimisation. It aids in lowering excess stock, increasing stock availability, and keeping balanced inventory levels across locations. Furthermore, it facilitates precise reporting and aids in efficiently satisfying customer requests by matching inventory to demand.

11. Check Inventory Adjustment:

Steps to check inventory management:
1. Access the SAP screen.

2. Navigate to the Materials Management module.
3. Select the Inventory Management option.
4. Choose one of the following options to view inventory information:
- Stock Overview: Provides a general overview of stock levels across the entire system.
- Stock/Requirements List: Displays a list of materials along with their stock levels and planned requirements.
- Warehouse Stock: Shows the stock levels for a specific warehouse.

Inventory management is a critical function within SAP, impacting various business processes. It helps organizations achieve operational efficiency, cost savings, and improved customer satisfaction.

T-codes for the Logistics verification module:

No.	T-Codes	Description
1	MIRO	Enter Incoming Invoice
2	MR21	Price Change
3	MIR7	Park Invoice
4	MRBR	Release Blocked Invoices
5	MR8M	Cancel Invoice Document
6	MRRL	Evaluated Receipt Settlement
7	MIR6	Invoice Overview
8	MIR5	Display List of Invoice Documents
9	MRIS	Settle Invoicing Plan
10	MRHR	Enter Invoice
11	MRNB	Revaluation
12	OLMRLIST	Maintain List Variant
13	MR01	Process Incoming Invoice
14	MIRA	Fast Invoice Entry
15	MR02	Process Blocked Invoices
16	MRDC	Automatic Delivery Cost Settlement
17	MRRS	Evaluated Receipt Settlement
18	MRBP	Invoice Verification in Background
19	MR08	Cancel Invoice Document
20	MR42	Change Parked Invoice
21	MRHG	Enter Credit Memo
22	MR41	Park Invoice
23	MRA3	Display Archived Invoice Documents
24	MR43	Display Parked Invoice
25	MR44	Post Parked Document
26	MR00	Invoice Verification