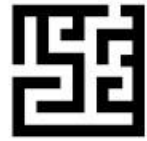



Physical Inventory Management Processes (Inventory Count) in Inventory Management

SAP S/4HANA Sourcing and Procurement (Configuration and End-User)




Business Scenario

- The Procurement Team wants to know the process on SAP system for physically verifying and establishing the correct stock quantities on hand in storage locations
- In case of any differences in the stock quantities recorded into SAP system and physical stock, then those differences should be posted in the system



Physical Inventory Management Processes (Inventory Count) in Inventory Management

- Physical Inventory Management is the process of physically counting the inventory stock in the storage locations to verify that the system inventory stock and physical inventory stock quantities are equal and do not have any differences
- If there are any differences in the stock quantities, then these should be posted into the system
- Many countries require by law that companies take a physical inventory of their material stocks
- This physical inventory checks the material stocks for the current assets shown in the company's financial statement
- It's also important for internal reasons to establish the correct stock quantities on hand. Incorrect stock data leads to faulty availability figures
- The stock check in the system and physically is carried out for all the stock types by counting the quantities in unrestricted-use stock, blocked stock, quality-inspection stock, and special stock



Physical Inventory Management Processes (Inventory Count) in Inventory Management

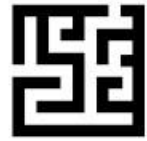
- The physical inventory management process can be divided into three phases:
 - **Physical inventory preparation**
 - This phase includes creating physical inventory documents, blocking material for posting, and printing and distributing physical inventory documents
 - **Create a Physical inventory document – T-code: MI01**
 - **Menu path:** SAP Easy Access -> Logistics -> Materials Management -> Physical Inventory -> Physical Inventory Document -> Create
 - **Physical inventory count**
 - This phase includes physically counting stock and entering the inventory count in the system
 - **Enter the Physical inventory count – T-code: MI04**
 - **Menu path:** SAP Easy Access -> Logistics -> Materials Management -> Physical Inventory -> Inventory Count -> Enter
 - **Physical inventory check**
 - In this phase, the physical count result is checked. **If required, a recount can be initiated**; otherwise, differences are accepted and posted. System stock is corrected after **posting the differences**
 - **Recount – T-code: MI11**
 - **Menu path:** SAP Easy Access -> Logistics -> Materials Management -> Physical Inventory -> Physical Inventory Document -> Recount
 - **Post the difference – T-code: MI07**
 - **Menu path:** SAP Easy Access -> Logistics -> Materials Management -> Physical Inventory -> Difference -> Post

Physical Inventory Methods (Cycle Counting Method)

in

Inventory Management

SAP S/4HANA Sourcing and Procurement (Configuration and End-User)



Business Scenario

- The Procurement Team wants to know if the physical inventory stock can be counted at regular intervals within a fiscal year



Physical Inventory Methods (Cycle Counting Method)

- The **cycle counting method** is one of the most preferred physical inventory methods that can be used to count the materials at regular intervals within a fiscal year
- These intervals depend on the cycle counting indicator set for each material
- With this method, all materials to be included in the inventory count are classified into different cycle categories such as A, B, C, and D. Each cycle category has a different time interval assigned to it
- The other physical methods are:
 - **Periodic inventory**
 - All company stocks are physically counted on the balance sheet key date. Every material has to be counted, and the entire storage location must be blocked for materials movement
 - **Continuous inventory**
 - Stocks are counted throughout the fiscal year. Every material is counted at least once during the fiscal year
 - **Inventory sampling**
 - Randomly selected company stocks are physically counted on the balance sheet key date
 - If the variances between the result of the count and the book inventory balances are small, it's presumed that the book inventory balances for other stocks are correct



Physical Inventory Methods (Cycle Counting Method)

- **Set Cycle-Counting Indicator / ABC Analysis for Cycle Counting (Physical Inventory)**
 - **Transaction code:** MIBC
 - **Menu path:** SAP Easy Access -> Logistics -> Materials Management -> Physical Inventory -> Special Procedures -> Cycle Counting -> Set Cycle-Counting Indicator
- **Create Physical Inventory Documents for Cycle Counting**
 - **Transaction code:** MICN
 - **Menu path:** SAP Easy Access -> Logistics -> Materials Management -> Physical Inventory -> Special Procedures -> Create Physical Inventory Documents
- **Batch Input Session – T-code: SM35**
 - **Menu path:** Top Menu -> Accounting -> System -> Services -> Batch Input -> Session