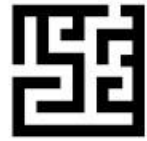


Material Price Changes in Inventory Valuation

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



Business Scenario

- The Procurement Team wants to know the process for Material price changes into SAP system as those are changed over a period of time due to changes in the market price
- For example, the company has **125 pieces** in stock for **Semi-Finished products i.e., Hammer head** with a stock value of **£5,000**
- The material is maintained with the valuation method “**Standard Price**”, and the price is **£40 per piece**
- The market price of Hammer head has since been increased to **£45 per piece**, and the company would like to update its stock valuation per the current market price



Material Prices Change

- Material Prices Change is a process that is required by the Companies to update its stock valuation per the current market price
- Valuation prices can be changed based on business requirements for three scenarios:
 - **A price change during the current posting period**
 - **A price change during the previous posting period and changes not carried over to the current period**
 - **A price change during the previous posting period or year and changes carried over to the current period (Configuration required)**
- To change the material price doesn't involve changing the material master record; it's an accounting transaction in which the total stock for a valuation area is revaluated
- **This scenario is required primarily when materials are valued with standard price control**

Split Valuation in Inventory Valuation

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



Business Scenario

- The Procurement Team wants to value a Raw material stocks separately as those are procured from two different countries i.e., UK and US



Split Valuation

- Split Valuation enables to value sub-stocks or part of the total stock of a material separately or in different ways
- Here are the number of reason why an Organization would require to do this:
 - **The material has different origins (i.e., comes from different countries)**
 - **The material is acquired via different types of procurement (i.e., external procurement vs. internal procurement)**
 - **The material has different categories of quality (i.e., damaged, poor quality, or good quality)**
- Split valuation is used only with the moving average price control, and materials subjected to split valuation can be valued only via the moving average price method
- In order to implement split valuation functionality, we need to create additional material master accounting data and customize valuation categories and valuation types



Split Valuation - Example

- For example, our company's Raw Material i.e., Steel sheet is procured from a Vendor located in UK and it is also procured from a Vendor based in US, so the material is designated for split valuation based on the origin of material
- From **UK Vendor**, Plant UKPL has procured **50 pieces of the Raw material** at a price of **£12** per piece and from **US Vendor**, Plant UKPL has procured **50 pieces of the same material** at a price of **£16 (\$21.74)**
- While posting the purchase order or goods receipt, the appropriate valuation type (either UK or USA) needs to be selected for each vendor
- After that, you can see the total stock quantity and stock value at Plant UKPL, and you can also see the material valuation based on the origin of the material
- The **stock value** of the material procured from the **UK is £600**, and the valuation price is £12 per piece
- The **stock value** of the material procured from **US is £800 (\$1087.14)**, and the valuation price is £16 (\$21.74) per piece
- The stock quantities and stock values of split-value materials are cumulated at the valuation area level
- **Note:** The existing material master data that does not have any Purchase order can be extended multiple time as per the Valuation types