



South Carolina Enterprise Information System

Lesson 4: Managing Inventory Processes

STATE INFORMATION
TECHNOLOGY



SC BUDGET AND CONTROL BOARD

Lesson 4 Learning Objectives

- Upon completion of this lesson, you should be able to:
 - Understand integration of Materials Reservations with Funds Reservations and the Budget.
 - Understand impact of open PRs and POs.
 - Understand other year-end considerations for managing inventory.
 - Understand what reports to review at year-end to manage inventory.

Inventory

ECC	Purchase Requisitions / MRP
	*Inventory Replenishment
SRM	Shopping Cart
	*Inventory Consumption *Non-Inventory Procurement

- Inventory is replenished in SAP using PRs. This is the only procurement that produces a Purchase Requisition
- Material Reservations that consume inventory are initiated as a shopping cart in SRM or manually in ECC by the requestor

Material Reservations

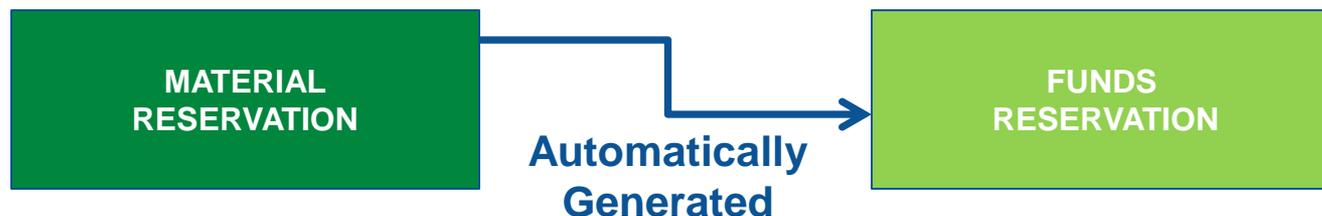
The Inventory process has several steps:

- ① The initial request from the user is done as a “shopping cart” in SRM to consume inventory.

Request by

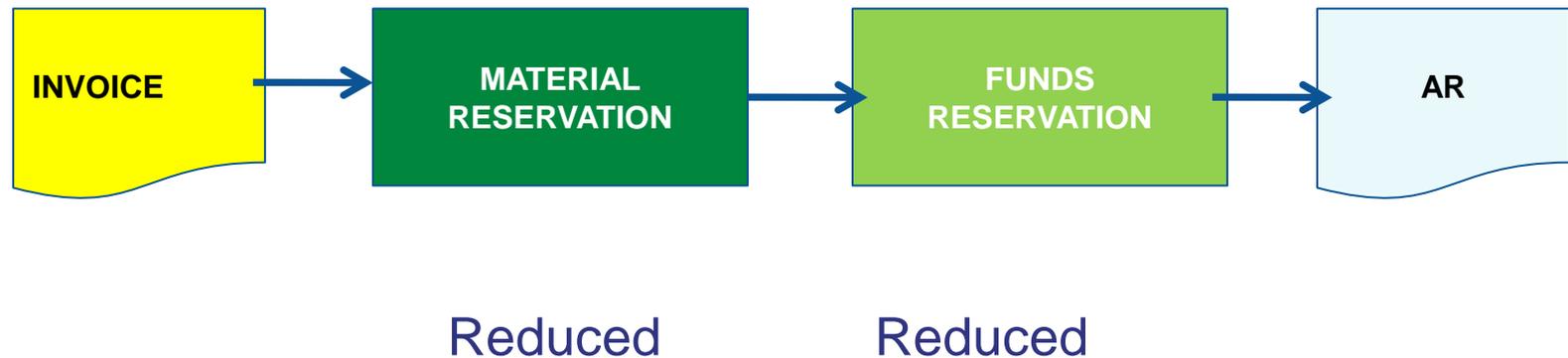


- ② Upon approval of the request, a material reservation is generated in IM ECC with a corresponding funds reservation in FM ECC
 - (Funds Reservation number can be located in the Account Assignment Data of the Material Reservation and vice versa)



Material Reservations cont.

- Upon goods issue to the user the material reservation is reduced which reduces the funds reservation and creates an automatic Due To/Due From (GL 1000000000) if business area and or funds have been crossed.



Material Reservations cont.

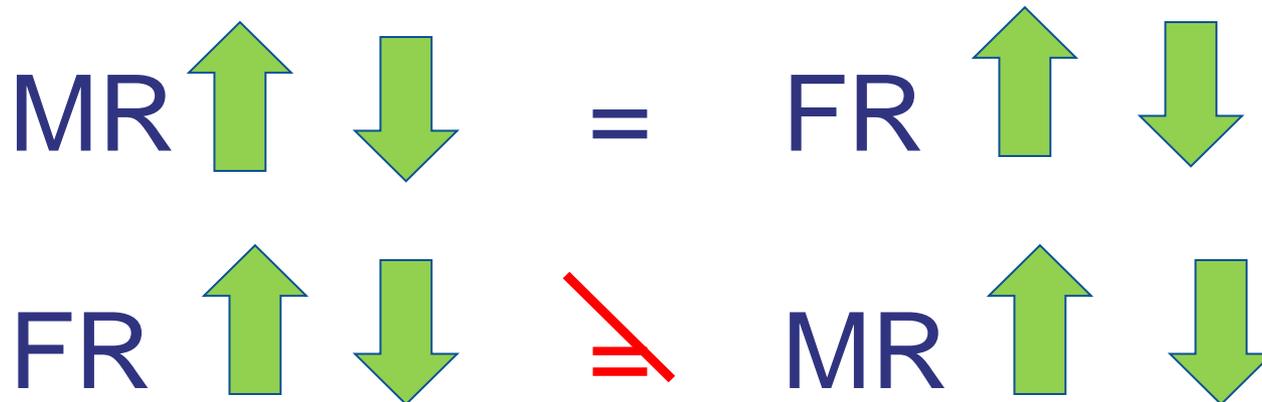
Review Material Reservations & Funds Reservations

- Inventory funds reservations encumber budget just like other funds reservations.
- Funds Reservations have a unique Document Type (MR)
- If you need to release funds for the current year, then you can reduce the material reservation (which automatically reduces the associated funds reservation) by one of the following methods.
 - Reducing Reserved Quantity on the Material Reservation
 - Setting “Delivery Completion” indicator during Goods Issue Transaction
 - Setting Deletion indicator in Material Reservation

These transactions can only be done by a buyer. AP personnel cannot close a material reservation.

Material Reservations cont.

- If the material reservation is adjusted upward or downward, the funds reservation related to inventory will also be automatically adjusted.
- If the funds reservation is adjusted, the material reservation will NOT automatically be adjusted.



Material Reservations cont.

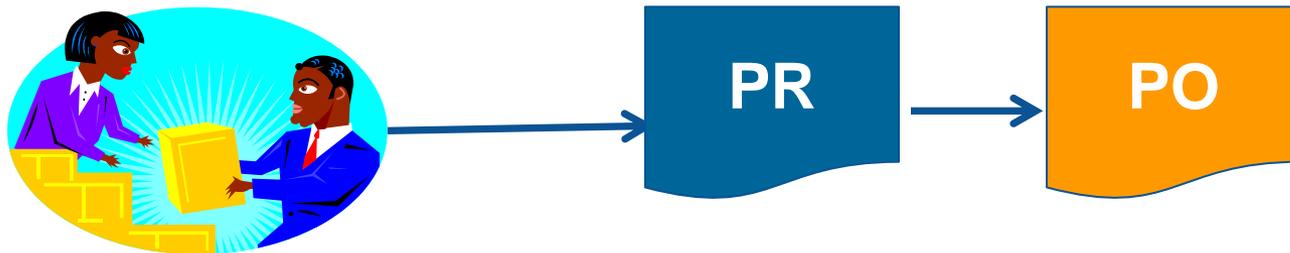
- ☉ Be sure to make adjustments for inventory to the material reservation and NOT the funds reservation!

NOTE: DO NOT Manually Liquidate MR Type Funds Reservations.

- ☉ All material reservations should be adjusted to zero by June 30.

Inventory PR & PO

- Inventory replenishment is done in SCEIS/ECC (not SRM) by using a purchase requisition (PR) and Purchase Order (PO) process.



Inventory PR & PO cont.

- ④ Purchase Requisitions are converted manually to Purchase Orders.
- ④ At year-end, there may be PRs and POs that need to be closed, deleted or carried forward.
- ④ PRs and POs associated with inventory need to be reviewed just like other POs.

Inventory PR & PO cont.

- ① Closing an inventory PR or PO can be done by:
 - procurement staff using ME52N and ME22N and marking the PO indicator “delivery complete”
- ① Closing an inventory PR or PO cannot be done by accounting staff.
- ① Carrying forward a PR or PO can be done by ZFMJ2.

Inventory PR & PO cont.

- At time of conversion from a PR to a PO, the commitment transfers from the PR to the PO.

	PR	\$100	
Create PO	PR	(\$100)	PO \$100
Result	PR	\$-0-	PO \$100

- Likewise, if the PO is deleted, the Commitment transfers from the PO back to the PR.

	PR	\$-0-	PO \$100
Delete PO	PR	\$100	PO (\$100)
Result	PR	\$100	PO \$-0-

Inventory PR & PO cont.

- ④ If you **delete** a **PO** Line item the **PR** is **open** **again** so it also needs to be deleted.
- ④ This only occurs with inventory as there are not PRs created with regular purchases through SRM.
- ④ **Use caution if you delete a PO associated with inventory!**

Inventory PR & PO cont.

- 🌀 If you delete a PO to free up encumbered funds and there was a PR, the funds are still encumbered until you delete the PR.
- 🌀 If you close a PO, the PR is NOT open again.
- 🌀 Closing a PO is recommended over deletion for this reason!!

Year-end Considerations

- ④ Physical inventory count
 - Ensure that all inventory items are counted at least once in the fiscal year
 - Post any inventory adjustments prior to July 16th for 2010
- ④ Inventory scrapping
- ④ Monitor Slowly Moving Stock / Obsolescence / Surplus
- ④ Ensure that goods receipts are posted in a timely manner

Year-end Considerations cont.

- ④ Sales Orders
 - Review all open Sales Orders
 - Review all pending and open Deliveries – these should relate to open Sales Orders
 - Review all open Billing Documents related to Sales Orders – be sure all deliveries have been billed.
- ④ Sales Contracts
 - Review all open Sales Contracts
 - Review all pending and open Billing Documents
- ④ Be sure these items are accurate at year-end for CAFR purposes as CG will make accrual entries based on these open items.

Lesson 4 Summary

- 🌀 You should now be able to:
 - Understand integration of Materials Reservations with Funds Reservations and the Budget.
 - Understand impact of open PRs and POs.
 - Understand other year-end considerations for managing inventory.
 - Understand what reports to review at year-end to manage inventory.