

Unit 4: Logistics

Material Management (MM)

MM Organizational Structure

MM - Organizational Structure - MATERIAL MANAGEMENT:

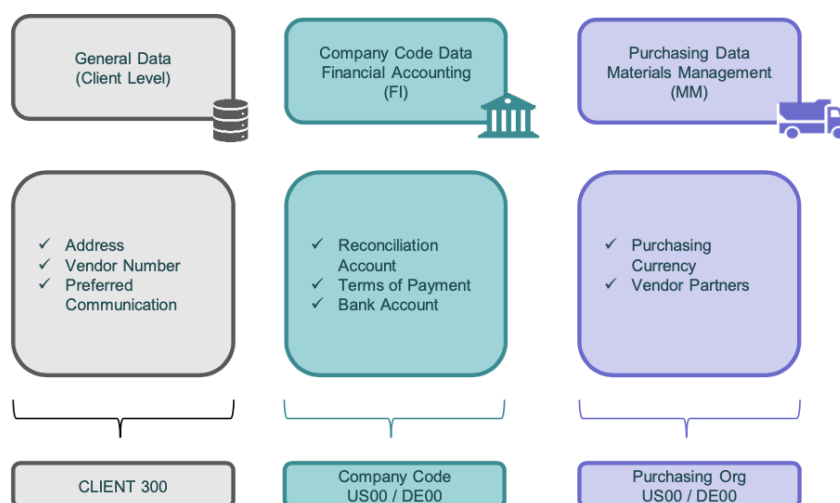
- **Client:** an independent environment in the system.
- **Company Code:** smallest org Unit for which you can maintain a legal set of books.
- **Plant:** operation area or branch with a company (manufacturing, distribution, purchasing or maintenance facility).
- **Storage Location:** an organizational unit allowing differentiation between the various stocks if a material in a plant.

MM - Organizational Structure - PURCHASING:

Purchasing Organization	Purchasing Group
Purchasing organization is where a buying activity for a plant takes place. Organization Unit responsible for procuring services and materials. Negotiates conditions of the purchase with the vendors.	Identification of buyer or group of buyers responsible for certain purchasing activities. Communication channel for vendors.

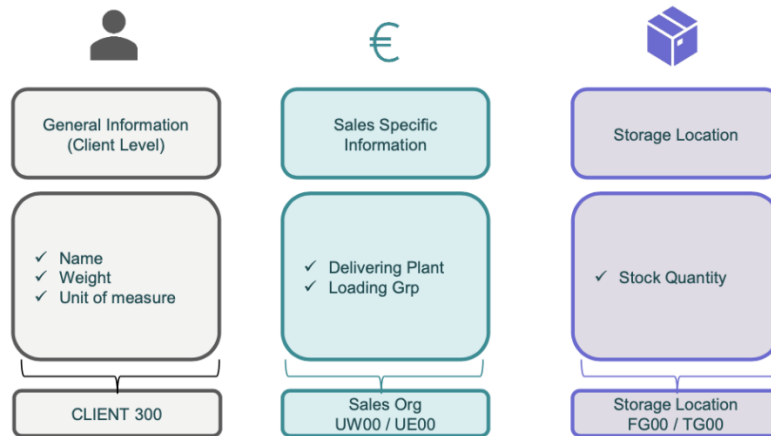
MM Master Data

- a) **Vendor Master Data:** contains all the necessary information needed to business with an external supplier.



- b) **Material Master Data:** contains all the information a company needs to manage about materials. It is used by most components with the SAP System. (Ex: SD, MM, PP, PM, FI/CO and QM)

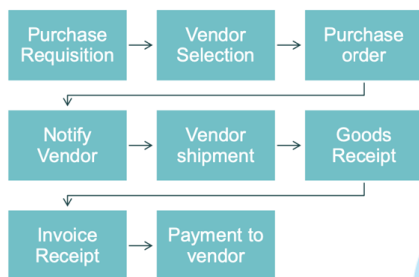




c) **Purchasing information record:** purchase order info record contains the relationship between a vendor and a material. Allows buyers to quickly determine which vendors have offered or supplied specific materials. Can be created Manually and Automatically. Info Records contains information such:

- Pricing and conditions.
- Last purchase order.
- Vendor Evaluation Data.

MM Process: Procure-to-pay Process (P2P)

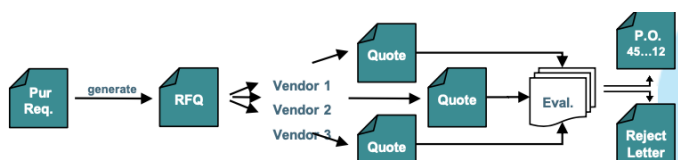


✓ MM – Procurement-To-Pay process - Purchase requisition:

Internal Document to request a specific good or service for a specified time.

The purchasing department can process a requisition to determine the appropriate Source of Supply in different ways:

- ✚ **Internal Sourcing Requirements:** when the requisition for materials could be satisfied by sources within our company
- ✚ **Source List:** record that specifies the allowed means for procuring a material for a certain plant within a given time period
- ✚ **Outlined Agreement:** Requisitions can be satisfied through existing longer-term purchasing agreement (Contracts or Scheduling Agreements)
- ✚ **RFQ (Request For Quotation):** If nothing exist in the system, we may need to submit a request for quotation to our vendors. An RFQ is an invitation to a vendor to submit a bid for the supply of materials or services.



✓ **MM – Procurement-To-Pay process - Vendor selection:**

Vendor evaluation helps purchasing evaluate vendors for sourcing while also enabling the company to monitor vendor relationships through performance scores and criteria you put in place.

- ✚ Allows to establish a scoring range and determine the weight factors of scores for each to evaluate the vendors.
- ✚ Supports a maximum of 99 main criteria and 20 sub criteria for each main:



✓ **MM – Procurement-To-Pay process - Purchase Order:**

A purchase order is a formal request to a vendor for a specific material or service under the stated conditions. **Purchase Orders can be created automatically or manually.** When a Purchase Order is created manually, can be created with no reference or with reference to existing documents in the system, i.e. existing Purchase Orders or existing Purchase Requisitions or referencing to an RFQ. In those cases, it will Inherit prices and conditions from the referenced document.

There are different procurement PO types depending on the usage, i.e.: Standard for Stock or Consumption, Services, Subcontracting, etc...

✓ **MM – Procurement-To-Pay process - Purchase Order Output:**

After creating the PO (Purchase Order,) you need to notify the vendor.

This notification can be done using different ways like E- mail, printed, ...

There are different forms available for vendor notifications:

Once noticed -> The vendor Produces the material requested (if needed) and the shipping process takes place.

✓ **MM – Procurement-To-Pay process - Goods Receipt:**

When we receive the Goods, a Goods movement is registered in the system to evidence the Goods acceptance.

In SAP, Good movements are registered as Movement type by a 3-digit code:

- 101 – goods receipt into warehouse
- 103 – goods receipt into GR blocked stock
- 122 – return delivery to vendor
- 231 – consumption for a sales order
- 561 – initial entry of stock

Destinations for Goods Receipts are usually Warehouse or Quality.

✓ **MM – Procurement-To-Pay process - Invoice Processing:**

During the invoice reception process, a reference to the initial PO is done to validate prices and content is aligned.

The system generates errors in case of discrepancies between purchase order or goods receipt and the invoice.

When an invoice is saved it verifies that the PO and Material Master are updated, and the Accounting Document is created.

After posting the invoice the payment process is initiated within Financial Accounting.

✓ **MM – Procurement-To-Pay process - Payment to Vendor:**

Payment can be done automatically or manually

Some of the main elements in the Payment transaction are:

- Payment Method
- Bank from which they get paid
- ...

A financial accounting document to record the transaction is created.

