Year-End Physical Inventory Closing (CO400)



Information about Year-End Courses

SCEIS

- → This course, CO400, *Year-End Physical Inventory Closing*, addresses the management and processing of inventory at year-end (before June 30), and also throughout the year.
- → For specific due-dates and other details of inventory year-end requirements, see the course CO500, *Year-End Processes for FY2023*.

Course Learning Objectives



Describe key inventory terms and concepts.

Understand the physical inventory process.

Describe and perform a physical inventory.

Recognize "Slow Moving" and "Dead Stock."

Course Overview

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Lesson 1: Key Terms and Concepts

Lesson 2: Physical Inventory Notes

Lesson 3: Physical Inventory Process

Lesson 4: Slow Moving and Dead Stock

SCEIS Resources and Help

Lesson 1

Key Inventory Terms and Concepts



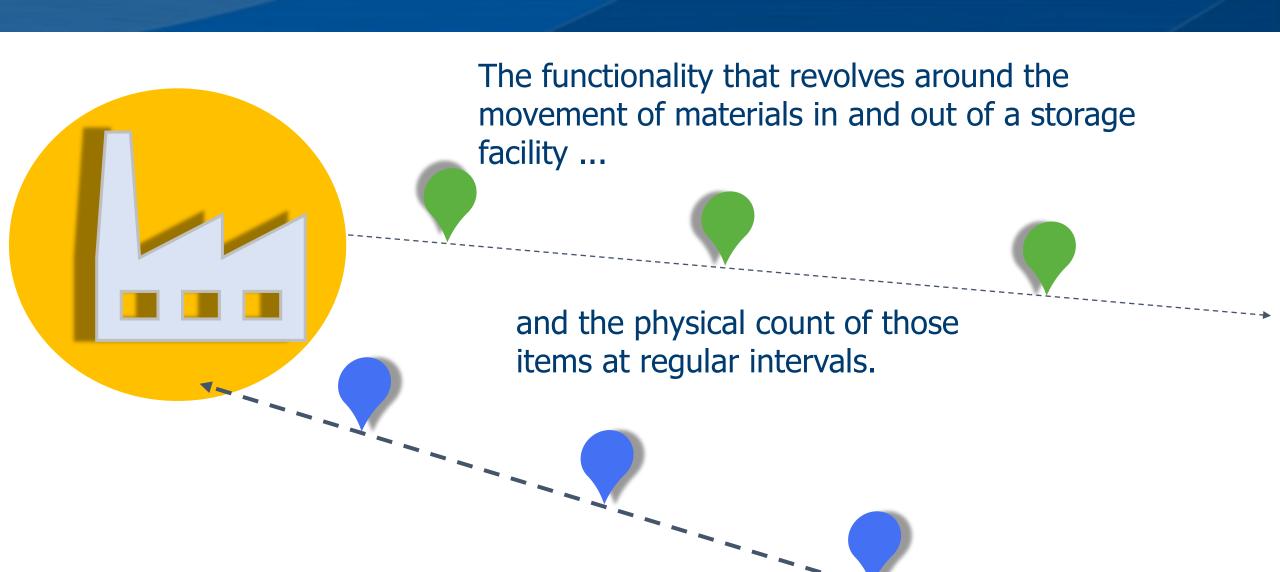
Lesson 1 Learning Objectives



Understand key terms and concepts associated with performing physical inventory.

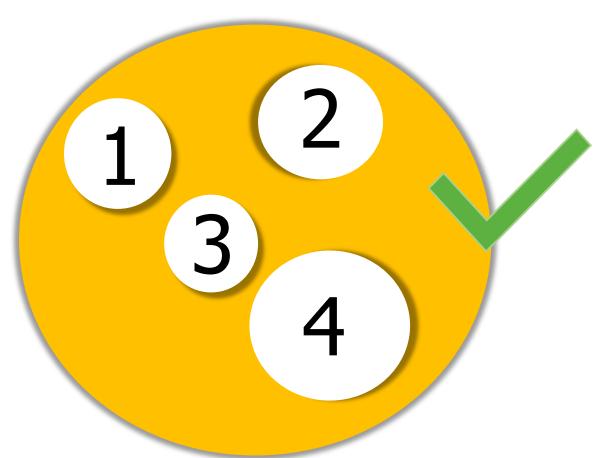
Inventory Management





Physical Inventory Spot Check/Cycle Count

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A count that is performed for a specific item or subset of items.



Overview



SC agencies have 52,000 unique materials in inventory.



maintain inventory for....



Inventory Value

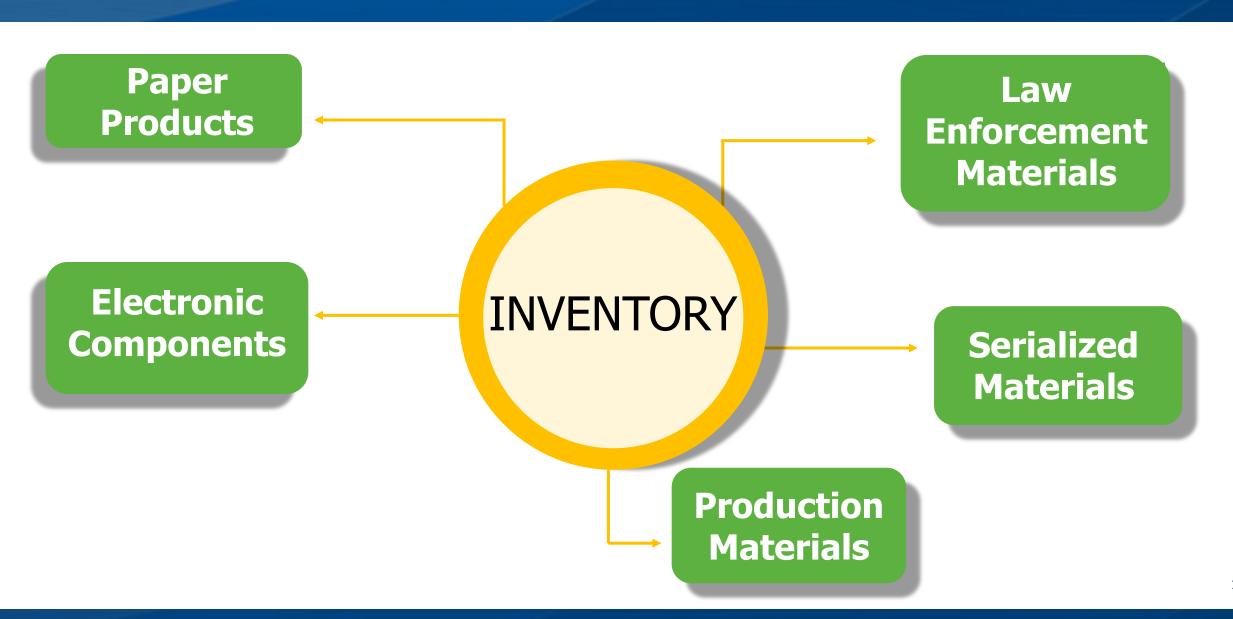
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May 22, 2023

Total inventory value for the state was \$27,559,855.44.

Inventory Examples





Inventory Terms and Concepts



SAP Term	Description
Physical Inventory Document	The physical inventory document is the central element of physical inventory management. It is used to plan and carry out physical inventory and enter count-related information.
Plant	A plant is part of an organizational structure and is the highest organizational unit in the Material Management module. It is a location that holds valued stock. The plant is responsible for planning, procurement and distribution of goods and services to the resources of an organization under one company code.
Storage Location	A storage location is a location within a plant in which inventory is stored. The physical location can be a room, a row of shelves, a racking system, bin, service van, etc.

Inventory Terms & Concepts



SAP Term	Description
Physical Inventory Count	Physical inventory is a process where a business physically counts its entire inventory. In SCEIS, use transaction code MI04 .
Physical Inventory Spot-Check	This is performing a stock count of a specific material or subset of materials using transaction codes MI01 or MI31 .
Physical Inventory Recount	This is performing a <i>recount</i> of stock on-hand and is done when there is a discrepancy in the initial count versus stock on-hand. Use transaction code MI11 .

Inventory Terms & Concepts



SAP Term	Description
Document Date	The document date is the date on which the original physical inventory document was created.
Planned Count Date	This is the date the inventory count is <i>planned</i> to take place. This date determines the fiscal year in which the physical inventory document is posted.
Posting Block	For materials listed in the Physical Inventory Document , the posting block indicates no movements can be posted for the duration of the Inventory Count . The posting block should <i>always</i> be set when creating the inventory document.

Inventory Terms & Concepts



SAP Term	Description
Physical Inventory Post	This is the final inventory posting count in SCEIS. These are the actual on-hand quantities determined during the Physical Inventory count/recount using MI07 .
List of Inventory Differences Report	This report lists the differences between the Physical Inventory count and the stock on-hand quantity. In SCEIS, transaction code MI20 is used to compare the difference.

Inventory Roles



SAP Term	Description
Agency Inventory Administrator	The Inventory Administrator is responsible for physical inventory, scrapping and managing inventory stock. He/she is able to create good issues, receipts and stock transfers.
Agency Inventory Receiver	The Inventory Receiver is responsible for the receipt, verification and recording of materials coming into the warehouse.

Inventory Roles



SAP Term	Description
Agency Inventory Issuer	The Inventory Issuer is responsible for issuing goods and conducting goods movement in SAP.
Agency Inventory Adjuster	The Inventory Adjuster is responsible for conducting quantity adjustments, scrapping and price changes within the agency. At most agencies, it is the responsibility of agency FI personnel to update pricing if cost is amiss.

Lesson 2

Physical Inventory Count Requirements



Lesson 2 Learning Objectives



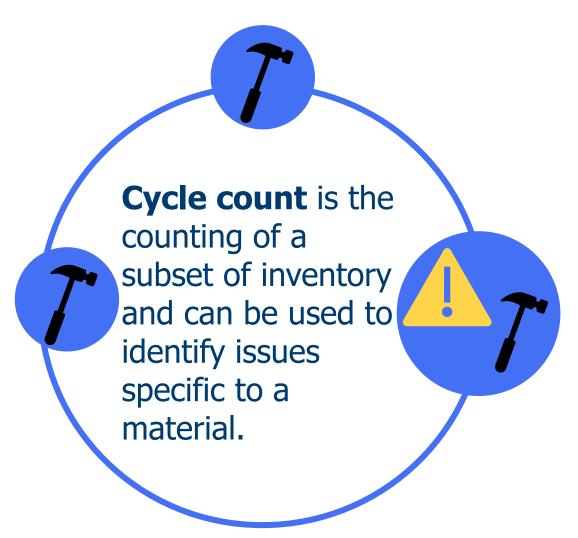
Understand full inventory versus cycle count.

Full Inventory vs Cycle Count

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Full inventory is a count of all materials on-hand.

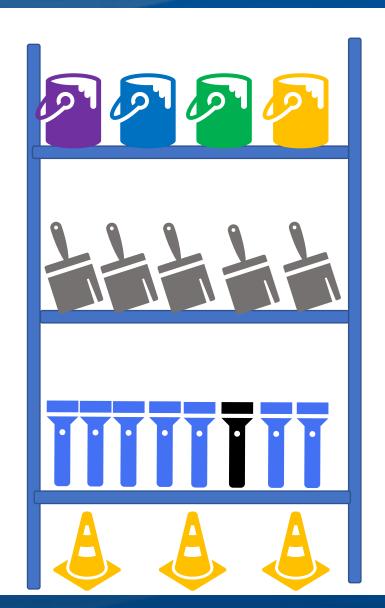








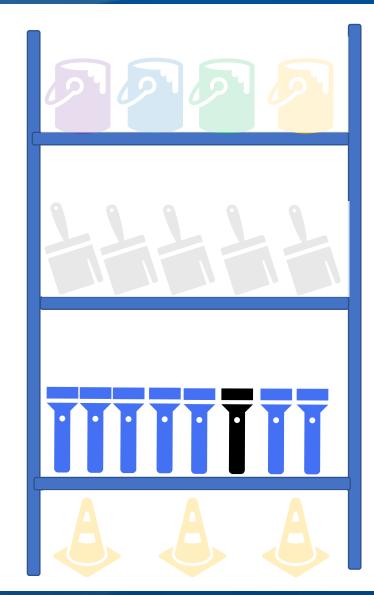
SCEIS



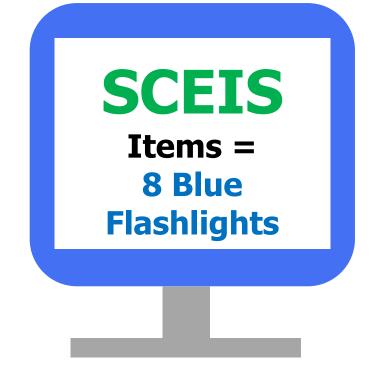


Once actual on-hand items are counted, if a discrepancy exists, a recount must be conducted and a correction must be made in the SCEIS inventory system. This allows inventory to reflect the actual on-hand balance.

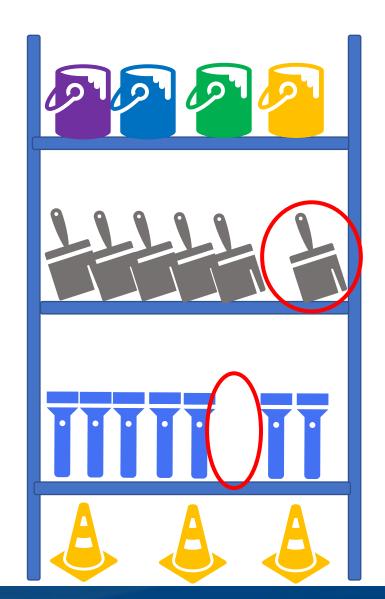




It is important to analyze the reason for differences between counted items versus what is listed in SCEIS.





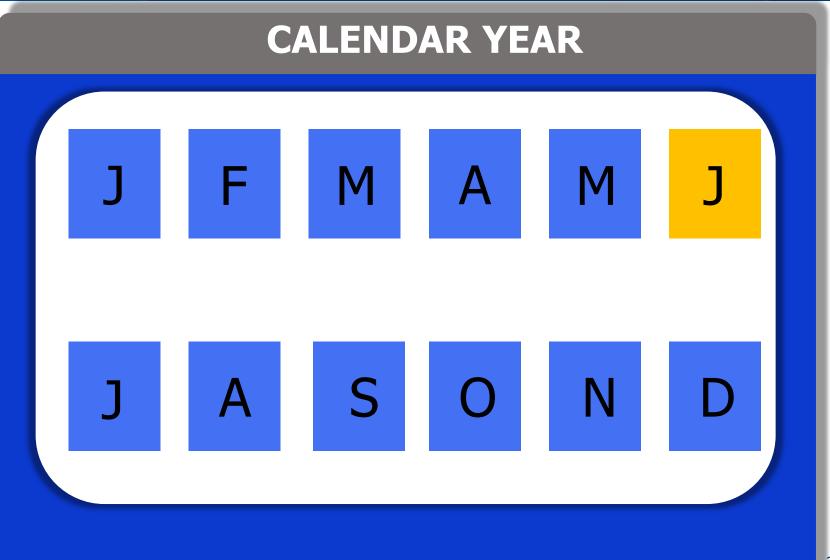




The **overage** in count is as important to evaluate as **shortage**. Both have a financial impact.



Full inventory must be complete at year-end for every inventory material in the warehouse; but inventory can also be counted more often, if needed.







"There is no reporting threshold for inventory, therefore all inventory should be reported at year-end. All auditors go by the best practice that inventory should be done as close to year-end as possible," preferably no earlier than April.

Comptroller General's Office

Lesson 3

Physical Inventory Process



Lesson 3 Learning Objectives



Describe the physical inventory process.

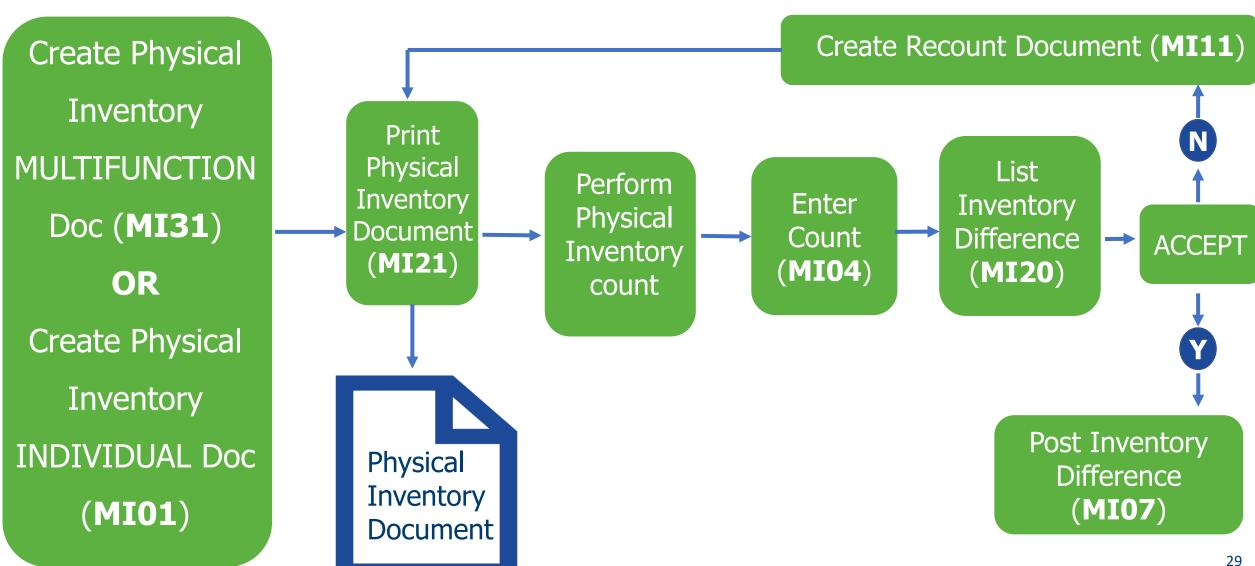
View the inventory movement in MB51.

Conduct a physical inventory reconciliation.

Conduct a physical inventory count.

Recognize
physical
inventory
documents that
have not been
counted.

Physical Inventory Process: Year-End or Periodic



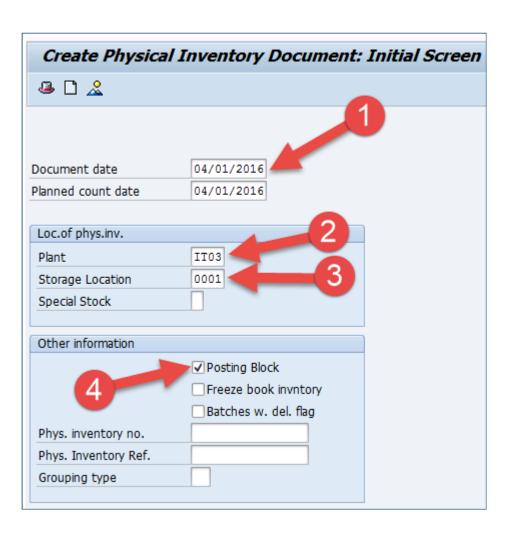
Create Physical Inventory Document – **MI01** (Individual Items)

SCEIS

From the initial screen for function **MI01**:

- 1. Enter the **Document date**.
- 2. Enter the **Plant** (code).
- 3. Enter the **Storage Location**.
- 4. Check the **Posting Block**.

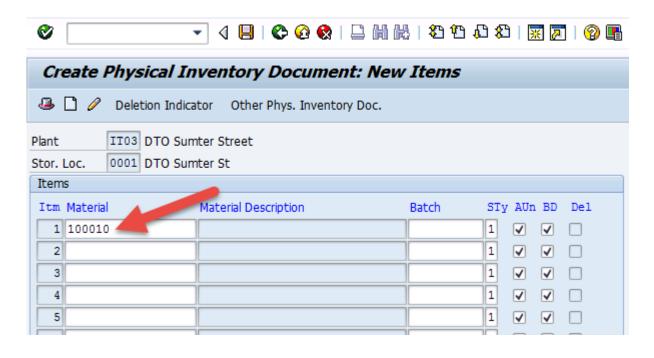
NOTE: Checking the **Posting Block** freezes any movement for the material during inventory.



Create Physical Inventory Document – **MI01** (Individual Items or Subset)

The New Items screen displays.

5. Enter the material master number(s) for the planned count in the **Itm Material** field.



NOTE: Once the document is created a confirmation message will display at the bottom of the screen noting that the Physical inventory document [number] was created.

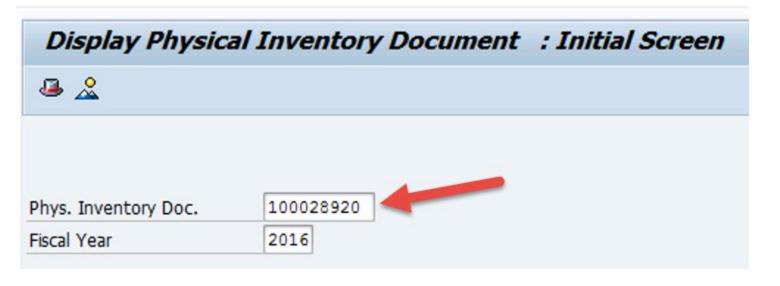
Physical inventory document 100028920 created

Display the Physical Inventory Document – MI03



From the Display Physical Inventory Document: Initial Screen for function **MI03**:

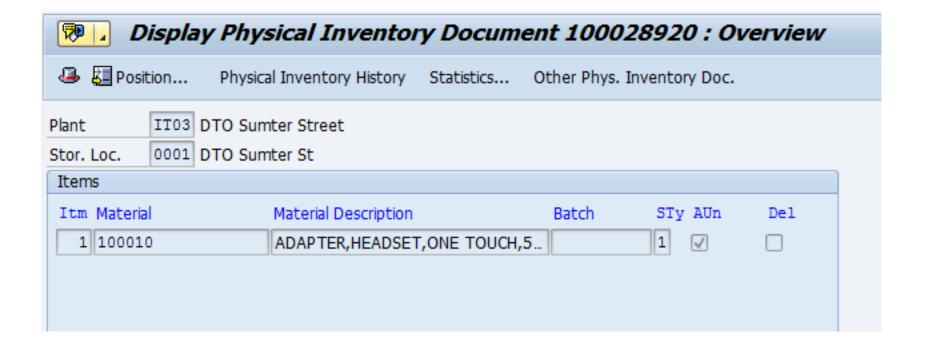
Enter the number of the **Physical Inventory Document** to be displayed.



Display the Physical Inventory Document – MI03

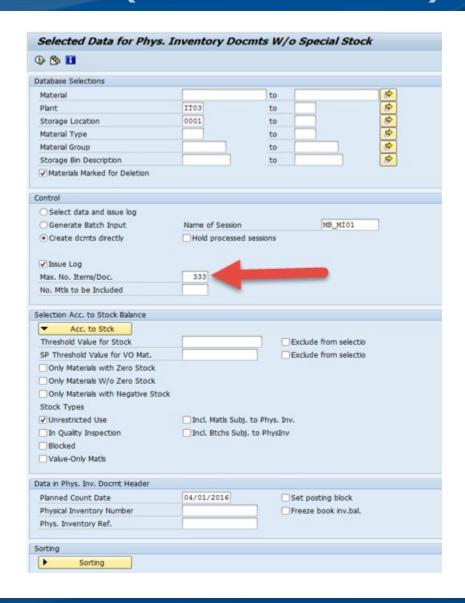


8. View the **Physical Inventory Document**.



Create Physical Inventory Document – **MI31** (Multi-function)





Create the **Physical Inventory Document**.

Note: The maximum number of materials on an inventory document is 333. If there are more than 333, the system will generate enough documents to accommodate the inventory. For example, 999 materials would equate to 3 inventory documents with 3 different inventory document numbers.

Print Physical Inventory Document – MI21 (Count Sheet)



Print the **Physical Inventory Document**.

Print Preview for LOCL Page 00001 of 00001

⊕ Q

: IT03 Plant

Description : DTO Sumter Street

Phys. inv. doc. : 100028880

Created by : RF

Planned count date : 03/16/2016

Phys. inv. reference: Phys. inv. no. :

Itm Material Batch SLoc Stor. bin

Mat. short text Stock type

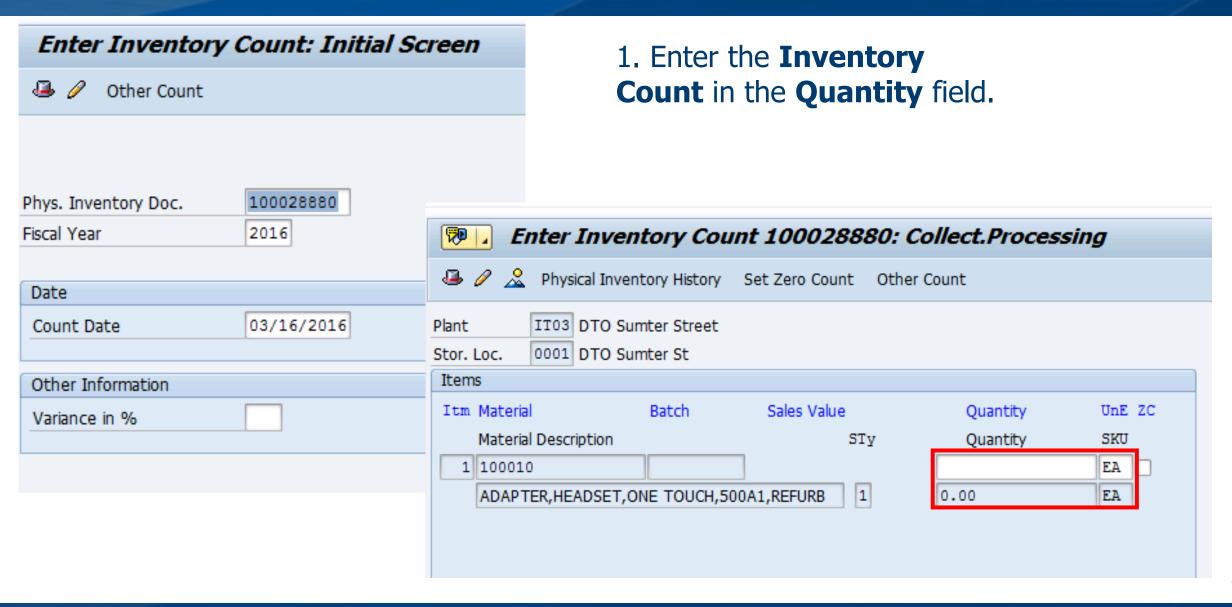
Status of item Counted qty. Un

0001 147 001 100010 ADAPTER, HEADSET, ONE TOUCH, 500A1, REFURB Warehouse

Not yet counted EΑ

Enter Inventory Count – MI04





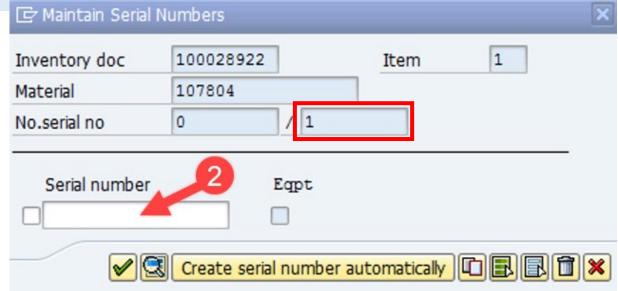
Enter Inventory Count for Serialized Materials – MI04





2. Enter the **Quantity** and **Serial number** for each material on-hand that requires a serial number.

Note: The system will require the serial number of the material master to be entered.



In this example, the quantity is 1 and requires one serial number. Should the quantity be 200 each, 200 unique serial numbers are required.

Enter Inventory Count for Serialized Materials – MM03

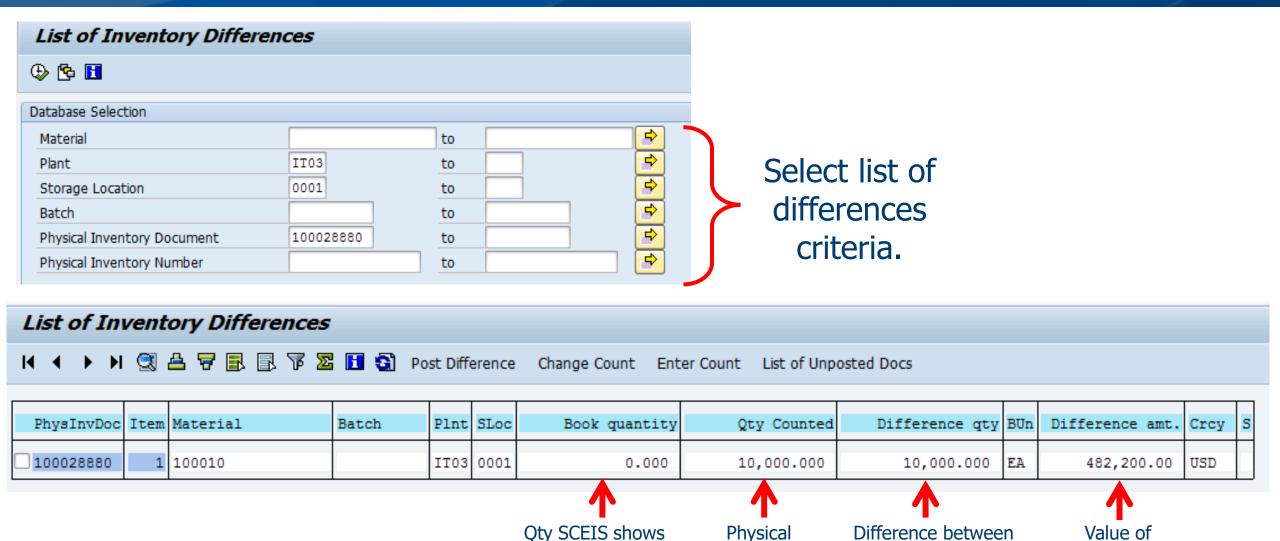


Display I → Additional Data	_	(SC Material Masters)		
//Plant data / stor. 1		or. 2 Accounting 1 Accounting 2 P		
Material 107804	SHOTGU	IN,12 GAUGE,REMINGTON,W/SIGHTS,87		
Plant PS03	DPS High	DPS Highway Patrol Supply		
Stor. Loc. 0001	PA Supply			
Weight/volume				
Gross Weight	0	Weight unit KG		
Net Weight	0			
Volume	0.000	Volume unit		
Size/dimensions				
General plant paramet	ers			
Neg. stocks in plant		Log. handling group		
Serial no. profile	Z003 S rLevel	Distr. profile		
Profit Center		Stock determ. group		

The system knows a serial number is required because when the material master was extended by the AMML they added a serial number profile under the Plant data/stor. 2 tab.

Run the List of Inventory Differences – MI20





in stock

Inventory count

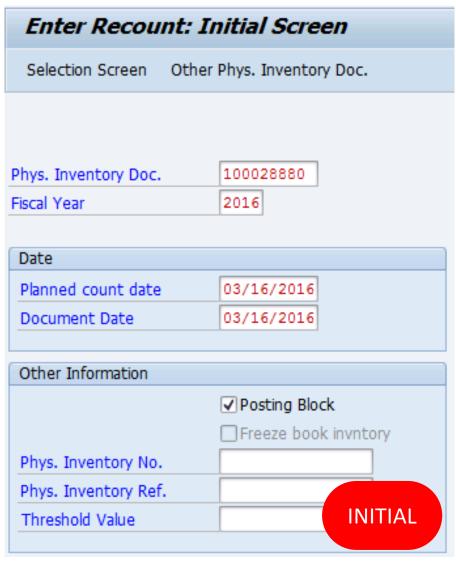
count and stock

shown in SAP

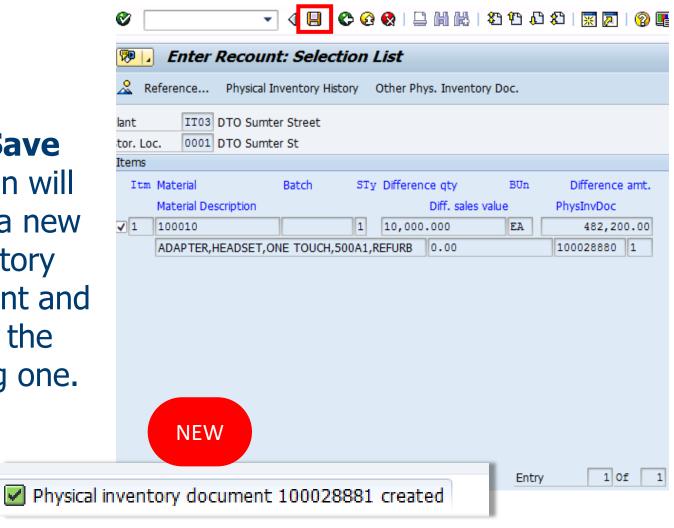
difference

Perform a Recount – MI11



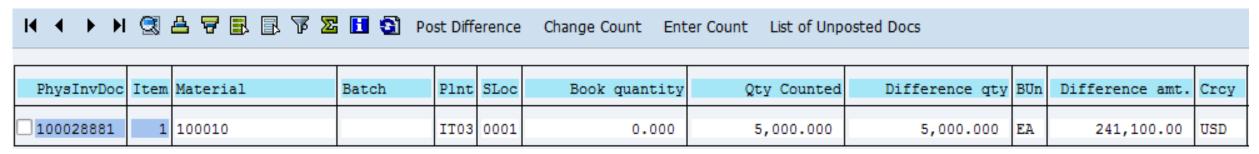


The **Save**function will
create a new
inventory
document and
close the
existing one.



Enter Recount in – **MI04** View the Difference Report – **MI20**

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- 1. Use **MI20** to view the Inventory Difference Report.
- 2. Use **MI04** to view the recount.

Post Inventory Differences – MI07



Use **MI07** to Post Inventory Differences.

Po	st Inventory	Difference:	Initial Screen	
4	Selection Screen	Other Difference		
Dhua	Inventory Doc	100028881		
	Inventory Doc.			
Fiscal	Year	2016		
Date	<u> </u>			
Post	ing Date	03/16/2016		
Oth	er Information			
Thre	Threshold Value			

Note: A 49XXXXXXXX Document Number is created, which is a 701 or 702 inventory movement.

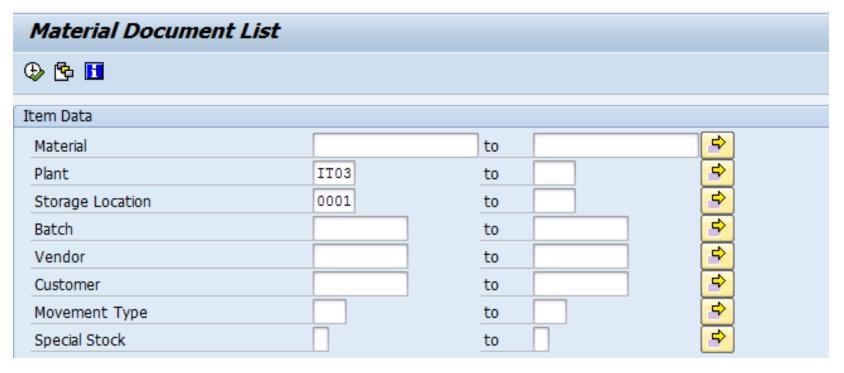
View Inventory Movement in **MB51** by Plant/Storage Location

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NOTE:

701 movement is an *inventory IN* adjustment.

702 movement is an *inventory OUT adjustment*.

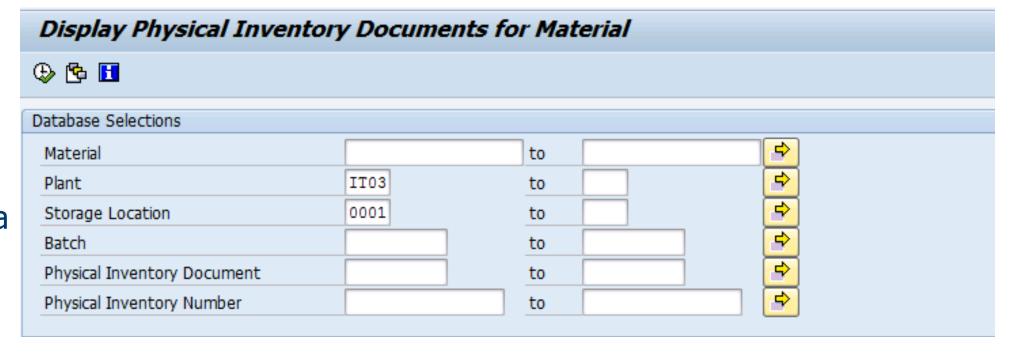


Mater SLoc					Description Pate	on Quantity in UnE EUn	Plnt Name 1
10001	.0		AD	APTER,	HEADSET, ONE	TOUCH, 500A1, REFURB	IT03 DT0 Sumter Street
0001	701	4900	729140	1	03/16/2016	5,000.00 EA	
0001	562	4900	666958	1	07/01/2015	10.00- EA	
0001	562	4900	666157	1	06/27/2015	1.00- EA	
0001	561	4900	666158	1	06/27/2015	1.00 EA	
0001	601	4900	665142	1	06/24/2015	1.00- EA	
0001	601	4900	622527	1	02/09/2015	5.00- EA	

Display OPEN Inventory Documents for Plant/Storage Location – MI22

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Any Document marked "Doc. Active" is not a completed inventory document and has not been posted.



100010		ADAPTER, HEADSET, ONE TOUCH, 500A1, REFURB IT03	0001
100003808	2	2010.12 06/28/2010 06/28/2010 1	
100010721	2	2011.12 06/27/2011 06/27/2011 1	
100014967	2	2012.12 06/25/2012 06/25/2012 1	
100019061	2	2013.12 06/25/2013 06/25/2013 1	
100022683	2	2014.12 06/23/2014 06/23/2014 1	
100026772	2	2015.12 06/25/2015 06/25/2015 1	
100028880	1	2016.09 03/16/2016 03/16/2016 1	Doc. Active

Lesson 4

"Slow Moving" and "Dead" Stock



Lesson 4 Learning Objectives



Describe and identify slow moving inventory in **MC46** by total value and individual material masters.

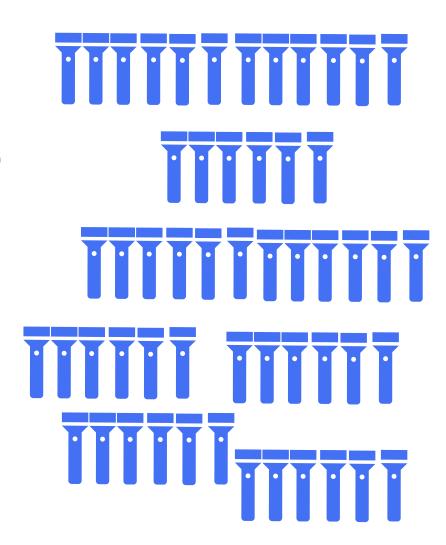
Describe what constitutes dead stock.

Identify dead stock in **MC50**, by total value and individual material impact.





You have completed your inventory and are confident of the outcome. Now is the time to evaluate slow moving inventory.

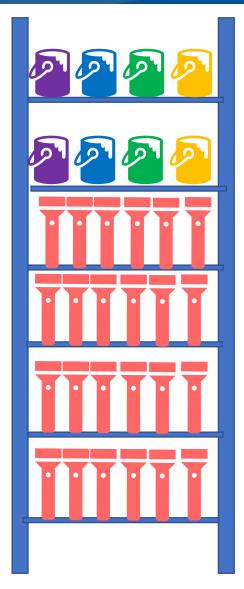


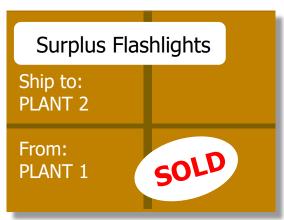
SCEIS

The Slow Moving Inventory report counts the number of days since the last issue of each material.









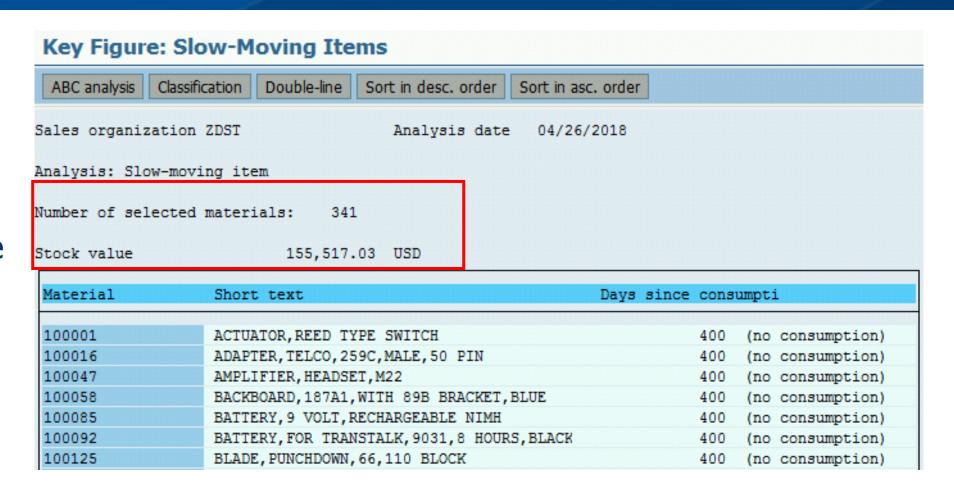
Slow moving inventory:

- Takes up valuable warehouse space.
- Ties up capital.
- Should be monitored.
- Material can be:
 - scrapped.
 - sold to another plant.
 - surplus to SC Surplus Property.

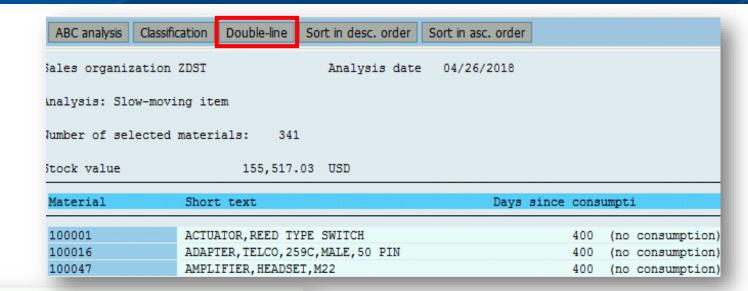


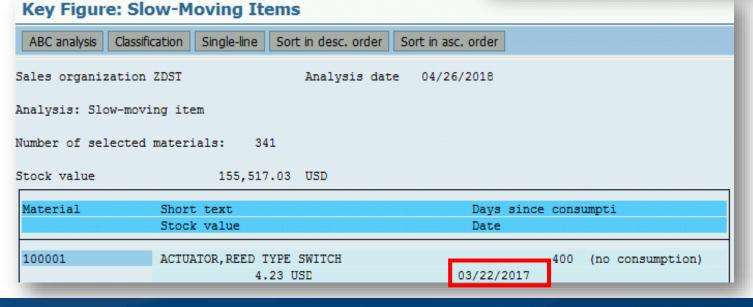
Key Figure: Slow-Moving Items	
Objects to analyze All plants cumulated Sales Organization ZDST to	
Purchasing organization to Plant to	Area to analyze Material to
Period to analyze Period: last consumption 400 Days Daily usage	✓ Materials marked for deletion ✓ Materials kept in stock ☐ Materials with zero stock Material Group to
Use transaction MC46 to show Key Figure: Slow-Moving Items. In this example, 400	Material Type ABC Indicator Purchasing Group MRP Type to MRP Controller Including MRP consumption MRP Area Stock Value
Days is used to search the last consumption.	Scope of ranking list O No restriction No. of days up to last consumption Materials with greatest no. of days O Materials with smallest no. of days

Note the **Stock value** is \$155,517.03 based on using 400 days since the last consumption. There are 341 selected materials that have not been issued within the last 400 days.



Clicking the **Double-line** option at the top of the screen will show the last movement date of a material.



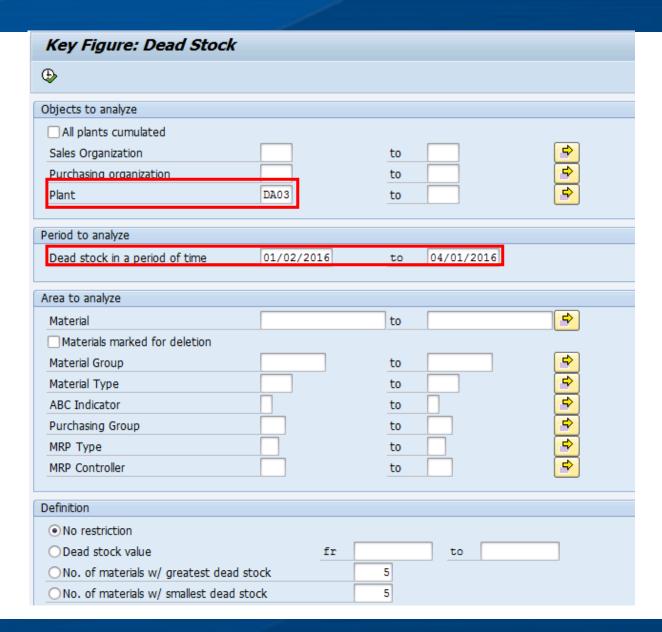


The last date of consumption was 03/22/2017.

Dead Stock – MC50

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Transaction MC50 executes the **Key Figure**: **Dead Stock** report. It indicates the stock level for material over a period and identifies the lowest level reached for the material.



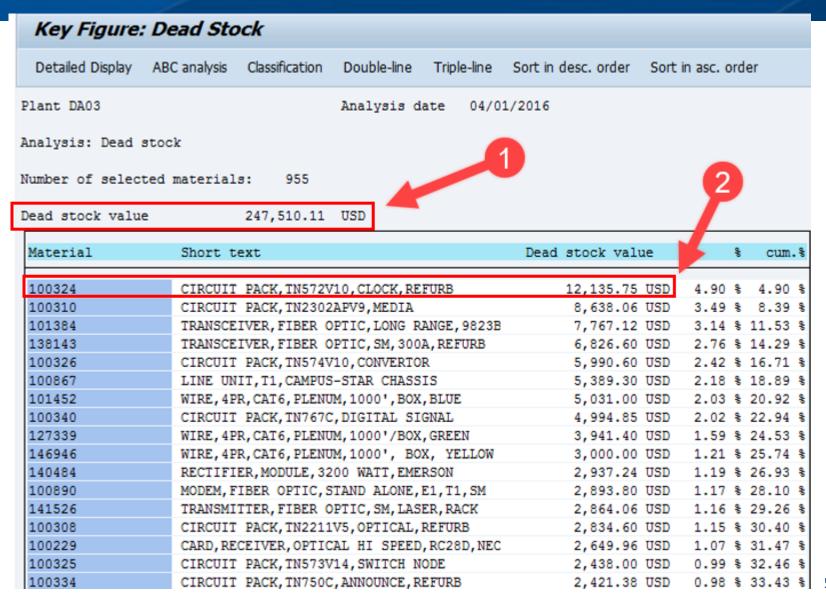
The lowest level is the dead stock quantity. The theory is that stock was not required. This can be searched by **Plant** or **Sales Organization**.

Dead Stock – MC50

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Notice the total **Dead stock value** (1)
and the **Dead stock value** by material (2).

Material 100324 is an example of dead stock value by material.



Course Summary



Course Summary



Describe key inventory terms and concepts.

Understand the physical inventory process.

Describe and perform a physical inventory.

Recognize "Slow Moving" and "Dead Stock."

SCEIS Resources and Help



Any Questions?

SCEIS



Email your questions to the SCEIS Help Desk by Friday, June 2.

SCEIS.HelpDesk@admin.sc.gov

SCEIS will compile the responses, and post them by **June 12** to the SCEIS <u>Fiscal Year-End Guides</u> web page.

https://sceis.sc.gov/page.aspx?id=233

SCEIS Resources and Help



- SCEIS website
 - https://sceis.sc.gov
- SCEIS Updates webpage
 - https://sceis.sc.gov/page.aspx?id=230
- SCEIS Training Schedule
 - https://sceis.sc.gov/page.aspx?id=366
- Contact the SCEIS Service Desk
 - Service Request form: https://sceis.sc.gov/requests
 - Phone: 803-896-0001 (Select option 2 for SCEIS Help.)

