



CONSTRUCTION MATERIALS MANAGEMENT

(COTM 5293)

3. MATERIALS PROCUREMENT

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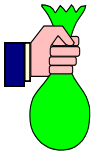
Material Procurement

- After material planning, purchasing is to be done. Purchasing department buys material based on the purchase requisitions from user departments and stores departments and annual production plan.

Materials Management Overview

What is Materials Management ?





Procurement

- Requisition Planning
- Purchase Requisitions
- RFQs
- Contracts
- Purchase Orders

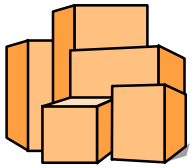
MM Master Data

- Materials
- Vendors
- Information Records

Inventory Management

- Receiving
- Disbursement
- Physical Inventory (Raw Material, Semi Finished Goods, Finished Goods)





The Material Management module comprises of procurement and the inventory management functions .

Purchasing Organization and Group

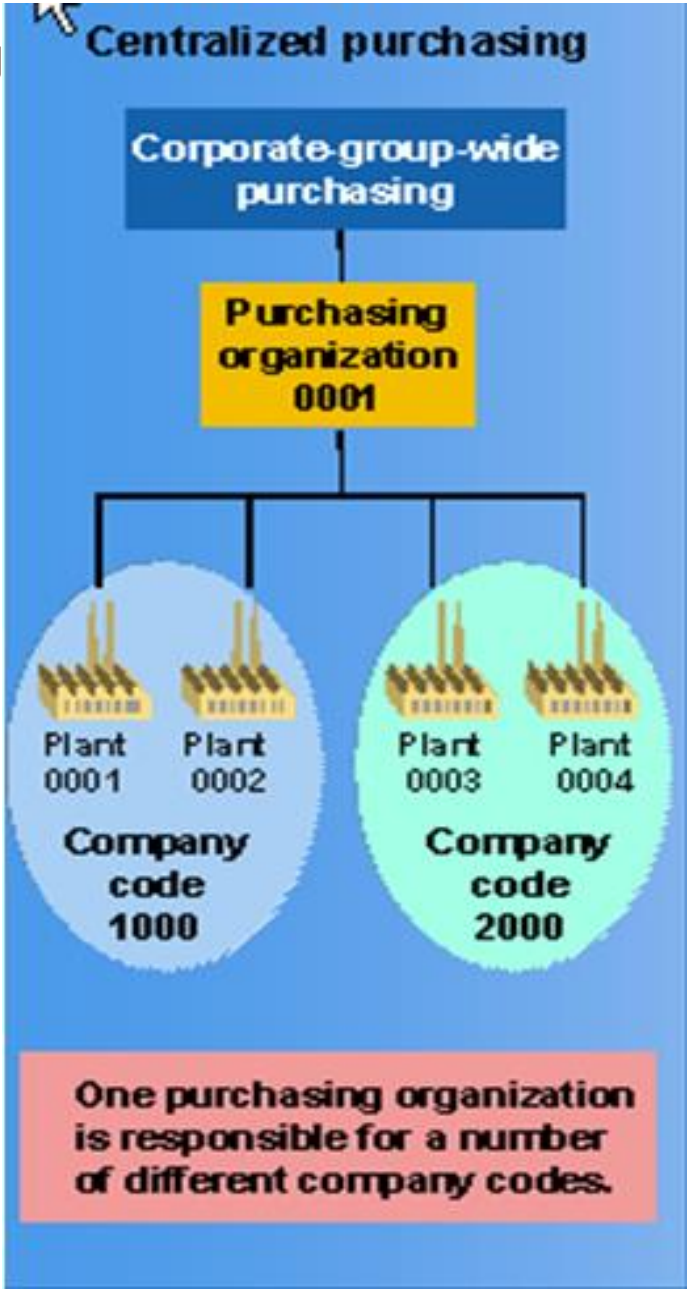
- Purchasing organization subdivides an enterprise according to the requirements of Purchasing.
- Purchasing organization procures materials and services, negotiates conditions of purchase with vendors, and bears legal responsibility for such transactions.
- Purchasing group is the key for a buyer or group of buyers responsible for certain purchasing activities.
- Usually the principal channel for a company's dealings with its vendors



Organisational Elements in MM Purchasing

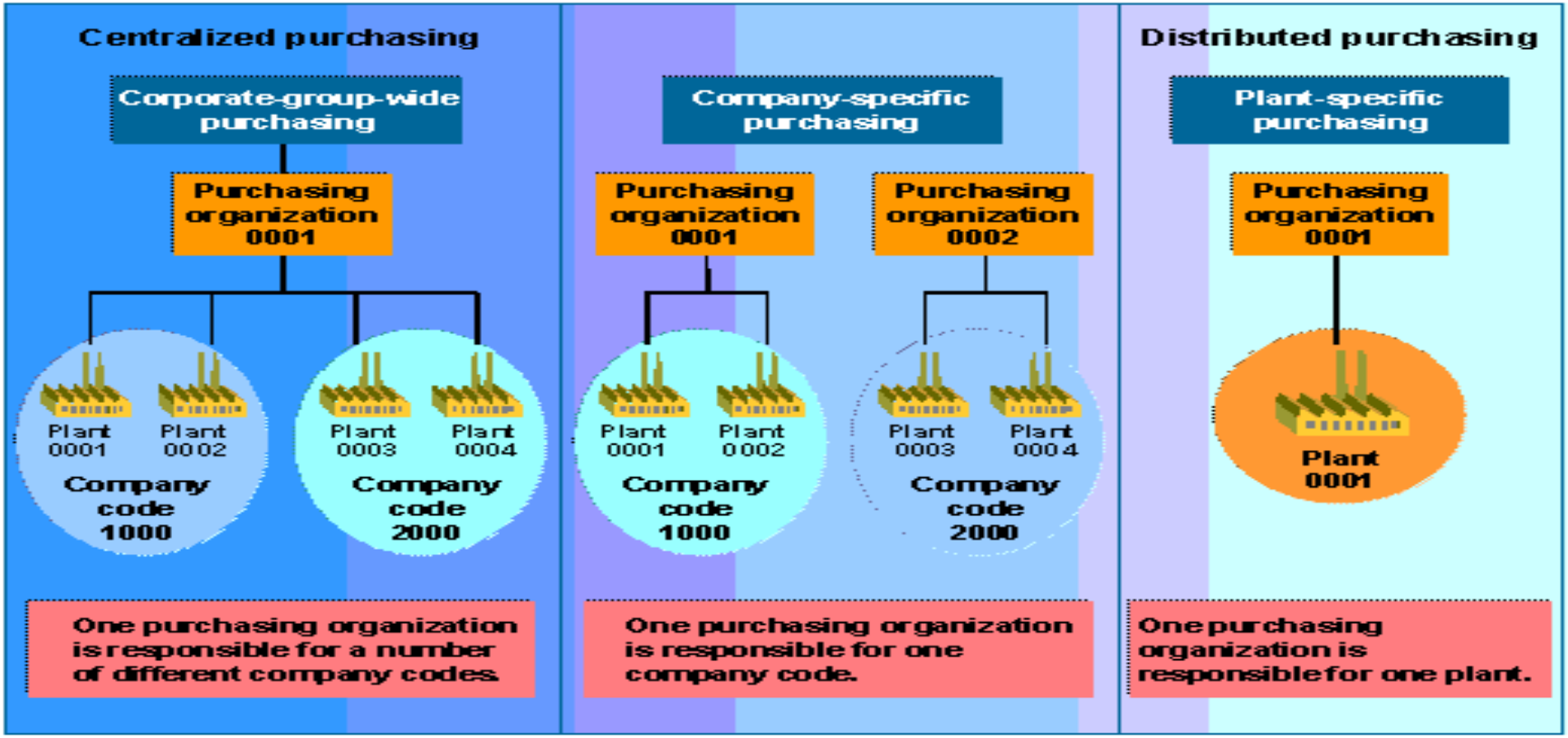
❑**Purchasing Organization:**

An organizational unit responsible for procuring materials or services for one or more plants and for negotiating general conditions of purchase with vendors. The purchasing organization assumes legal responsibility for all external purchase transactions.



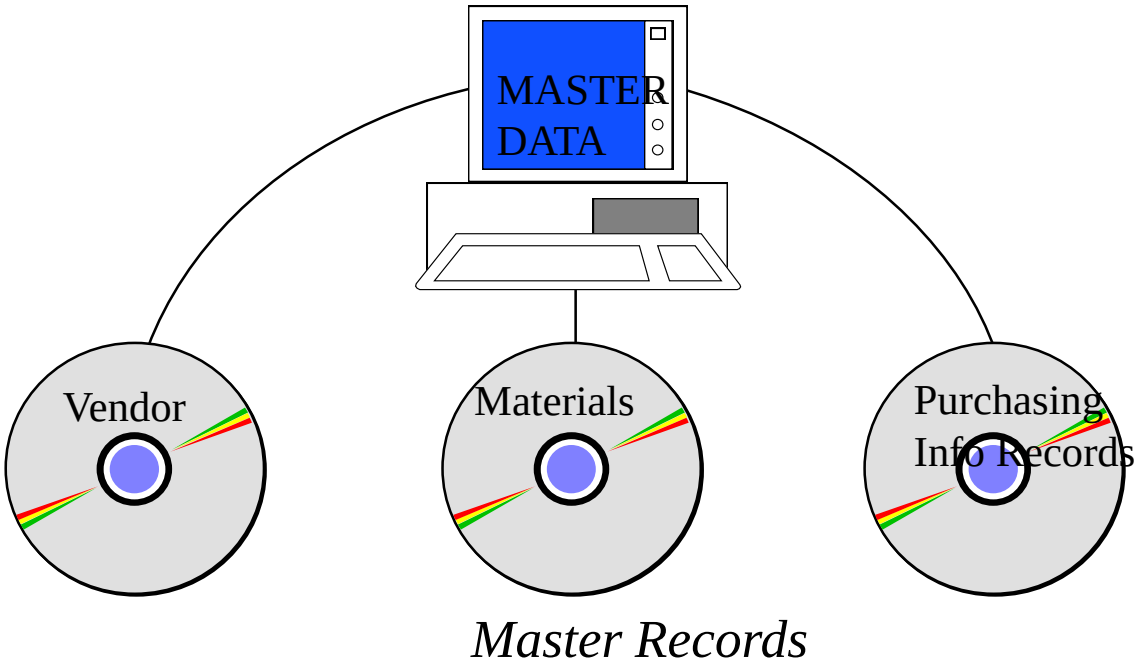
Centralized Vs Decentralized Purchasing

- You can organize your purchasing function in the following ways:
  - Centralized purchasing, with just one purchasing organization
  - Distributed purchasing, with a number of different purchasing organizations each responsible for different Items



Master Data

The processes of Material Procurement are based on various types of Master Data which are stored in Master Records.

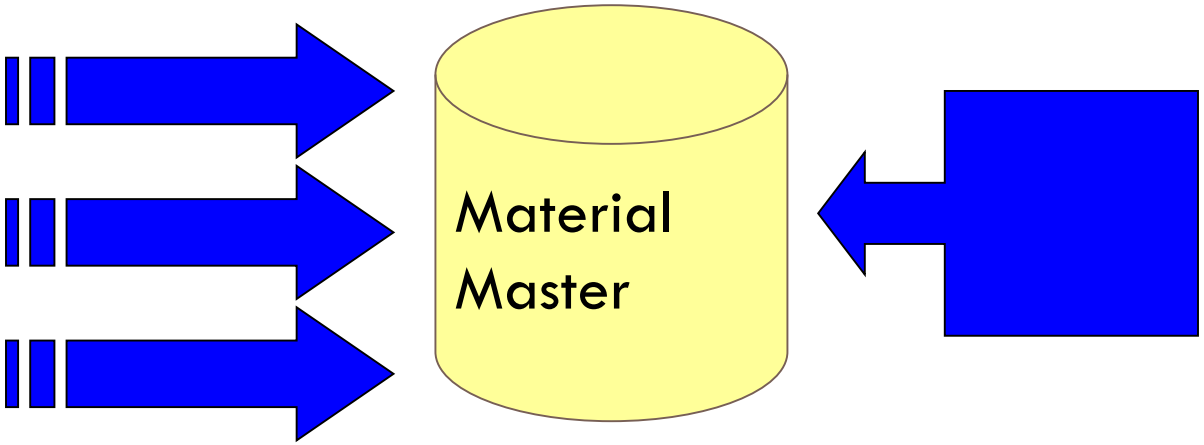


1. Material Master
2. Vendor Master
3. Service masters
4. Purchasing Info Records
5. Source Lists
6. Price Conditions
7. Vendor Evaluation
8. Bills of Materials (BOMs)

Master Data is a shared source of information that all departments can access and utilize to perform their jobs.

Material Master Data

Basic Data 1
Basic Data 2
Classification
Sales: Sales Org. Data 1
Sales: Sales Org. Data 2
Sales: General/Plant Data
Foreign Trade: Export Data
Sales Text
Purchasing
Foreign Trade: Import Data
Purchase Order Text
MRP 1
MRP 2
MRP 3
MRP 4
Forecasting
General Plant Data / Storage 1
General Plant Data / Storage 2
Warehouse Management 1
Warehouse Management 2
Quality Management
Accounting 1
Accounting 2
Costing 1
Costing 2



- The material master contains information on all the materials that a company procures, produces, stores, and sells.
- The material master is used by all components in the SAP Logistics System
- Different departments in a company work with the same material, so data in a material master record is subdivided in the form of user departments.
- Material description and Base unit of measure appear in all user departments.

Use of material master in Material Management

- In Purchasing for ordering materials.
- In Inventory Management for goods movement postings and physical inventory
- In Logistics Invoice Verification for posting invoices
- In FI for maintaining value of material.

Material Master Key points

- The Material Master is used by several areas of the system in addition to Inventory. Some of these are Purchasing, Manufacturing, and Despatch.
- Material masters must be created for all stocked materials, and can optionally be created for some non-stocked items (eg. Services).
- Raw Materials, Stocked Intermediates, Spare Parts and Maintenance Spares will definitely be in the SAP material master database.
- Services and other non-inventoried items could be part of the SAP material master database. These will be confirmed as part of the BBP phase of the project.

Material Master Views

Basic data1

Purchasing

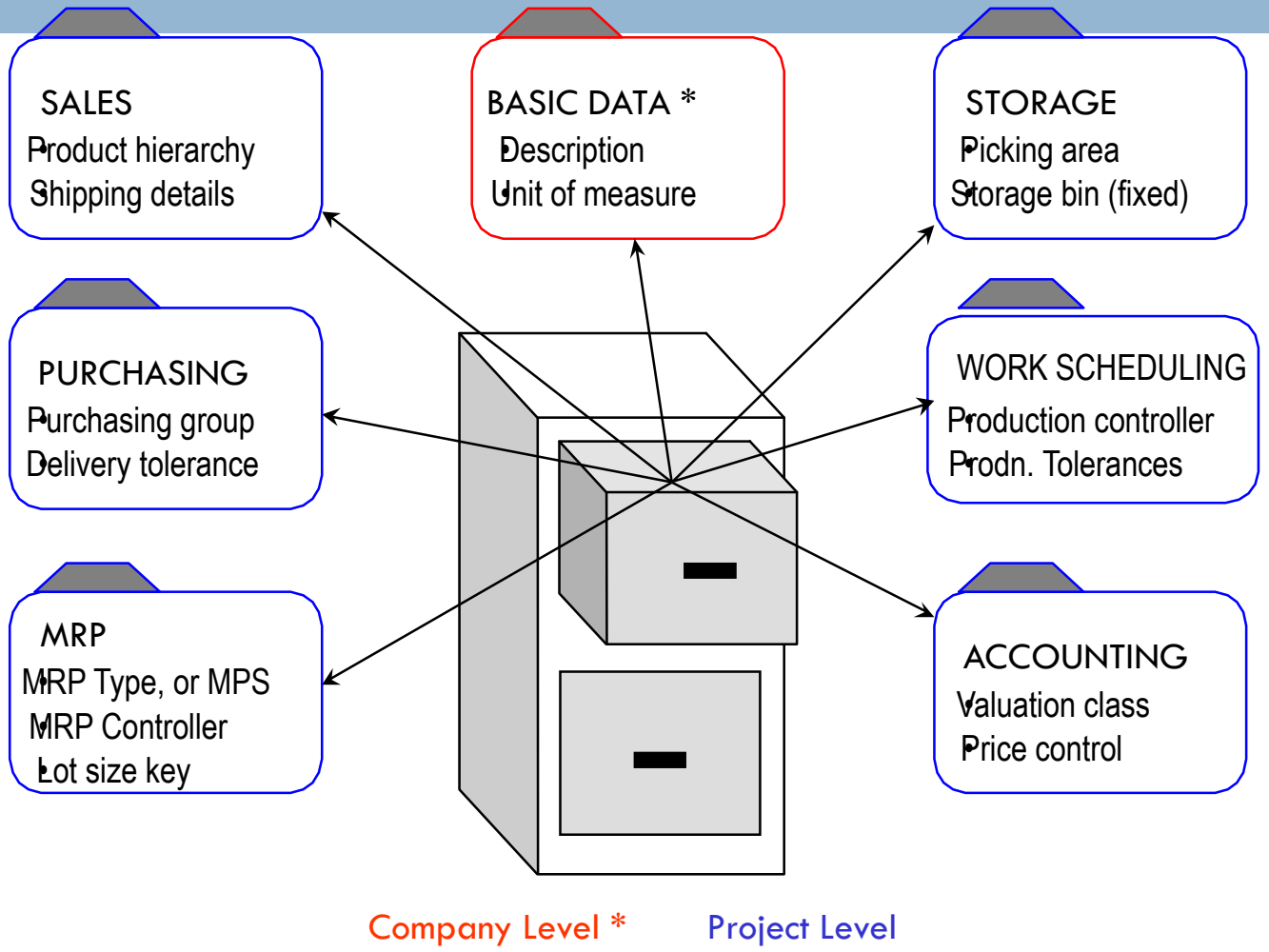
Purchase order text

Storage 1

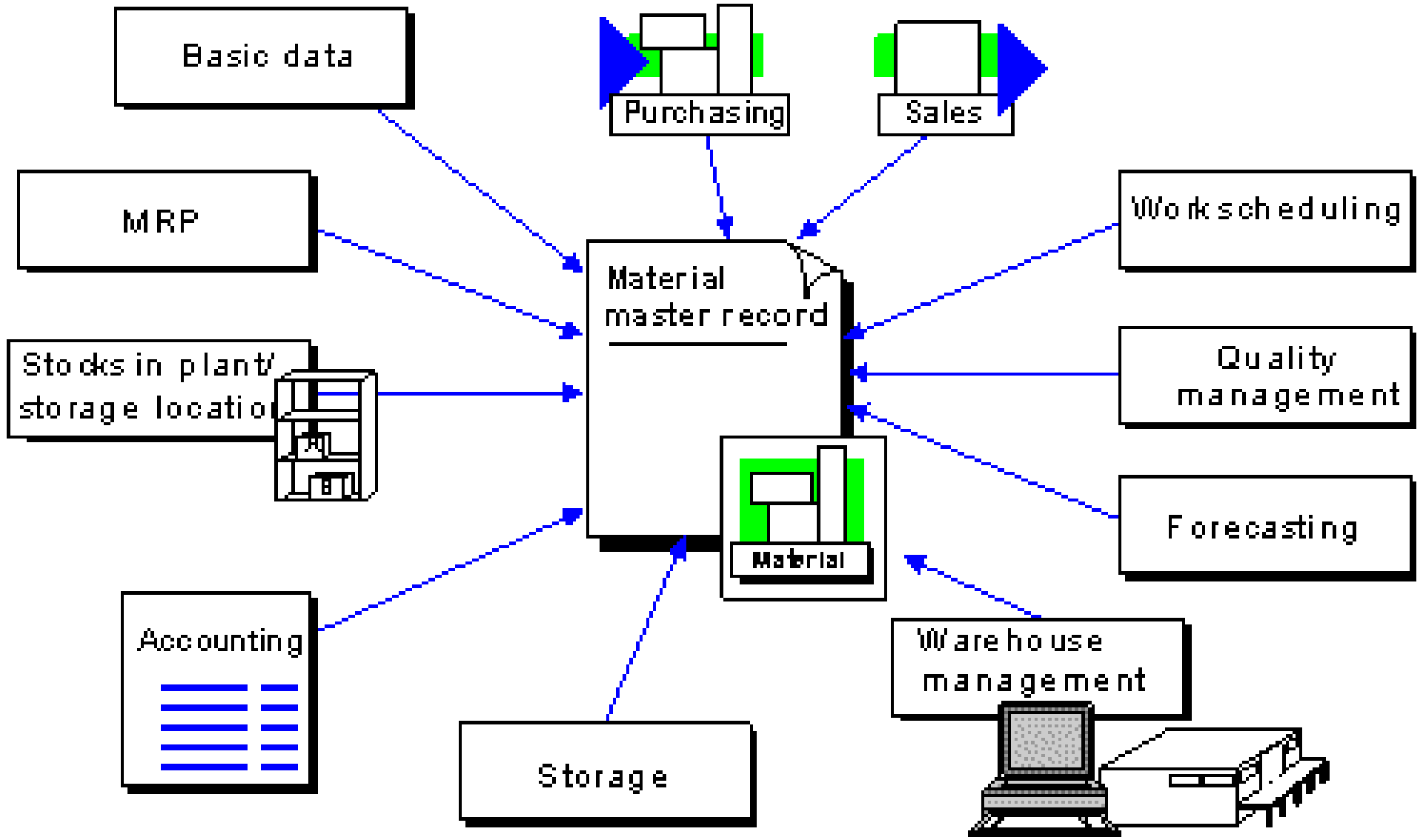
Storage 2

Accounting 1

Accounting 2



User departments using same material master

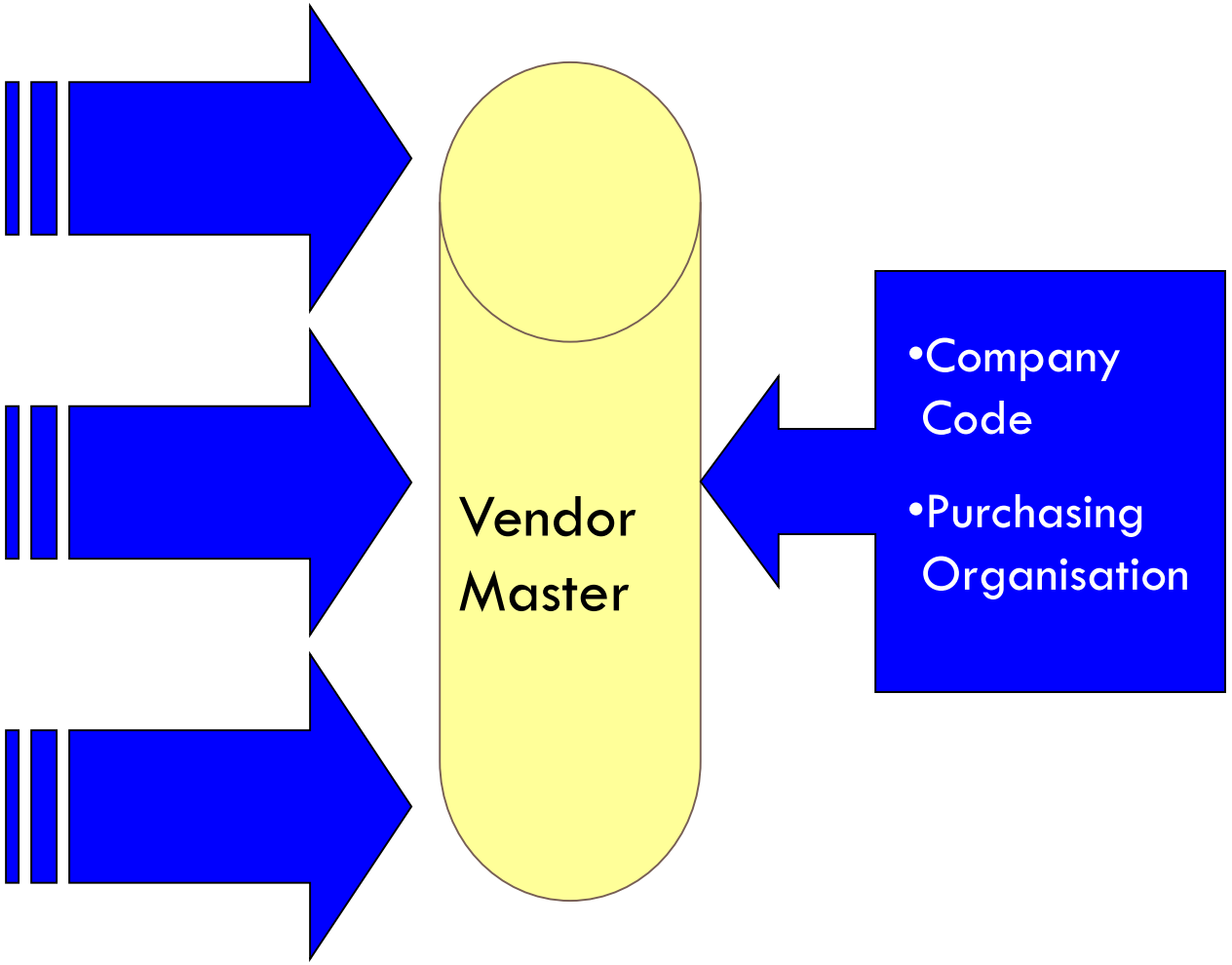


Vendor Master Data

General Data
Address
Control
Payment transactions

Company Code Data
Accounting info
Payment transactions
Correspondence
Withholding tax

Purchasing Organisation Data
Purchasing data
Partner functions

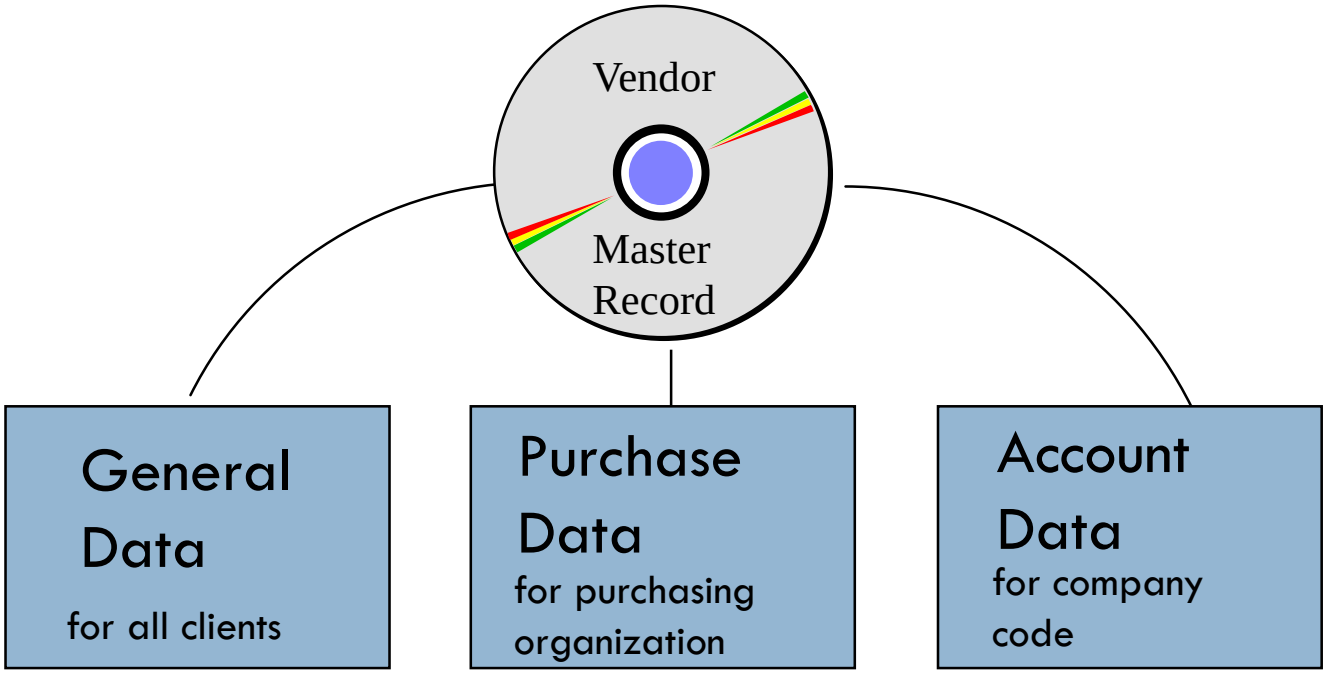


Concept of vendor master in Materials Management

- vendor master record is maintained by both Accounting and Purchasing.
- A vendor can be a one time vendor or regular vendor
- A vendor master record contains the vendor's name and address, as well as data such as:
  - the currency used for ordering from the vendor
  - terms of payment
  - names of important contact persons (sales staff)

A Vendor Master Record stores information pertinent to a company's vendors.

It contains 3 different types of Data which are used to support both Materials Management and Finance activities



Maintaining Partners

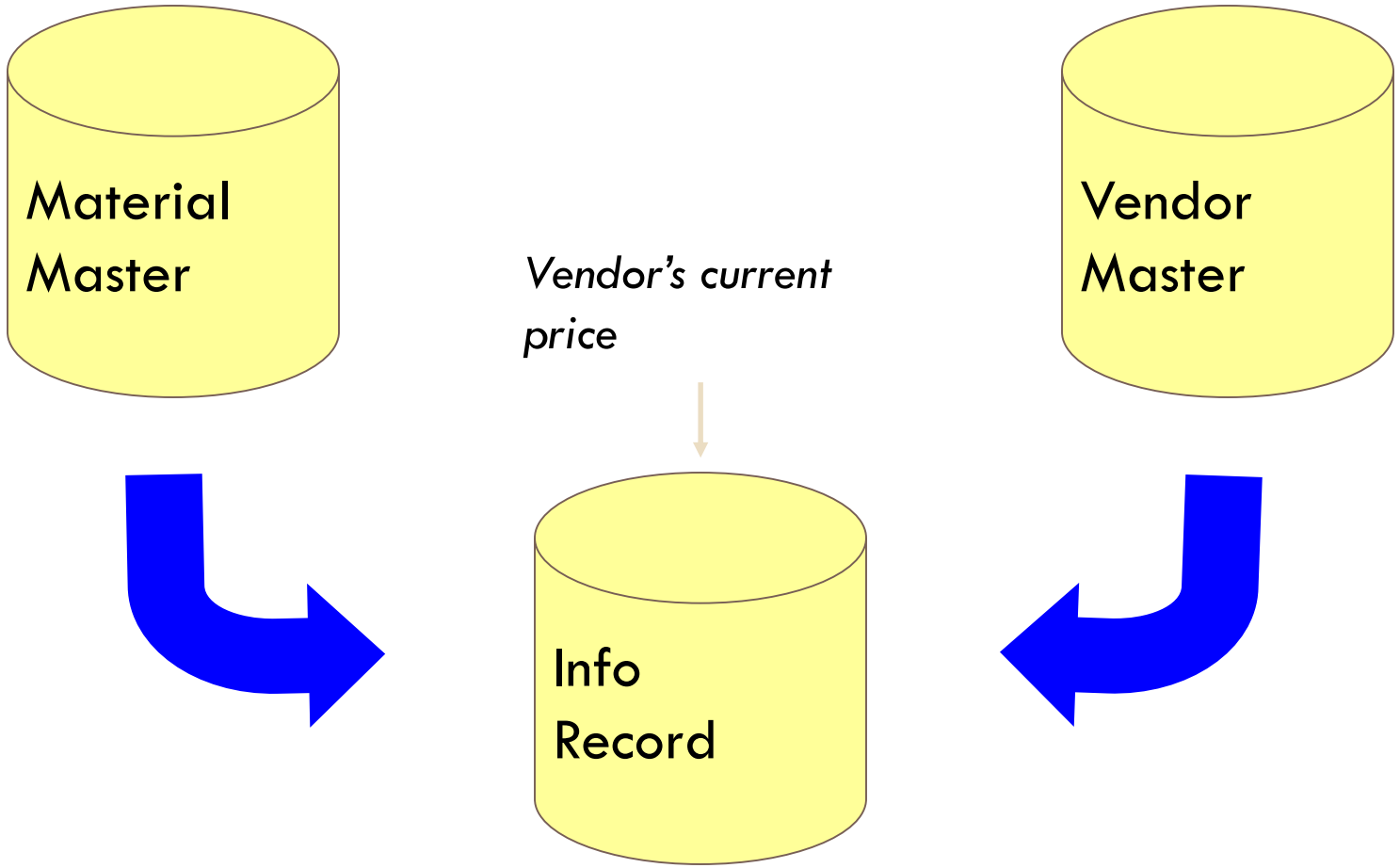
- The business partner "vendor" can assume different roles in its dealings with another enterprise. Accordingly, in a procurement transaction, the vendor is first the order recipient, then the supplier of goods, then the invoicing party, and finally the payee. One or more of these roles may involve different vendor master records.

- The following partner roles are defined in the standard system:
  - Vendor
  - Order recipient
  - Goods supplier
  - Invoicing party
  - Payee

Service Master Record

- Contains the description of a service
- Serves as a source of data when creating service specifications
- Contains the following:
  - Service number and service category
  - Descriptive texts
  - Base unit of measure
  - Material group
  - Valuation class

Info Records



To allow the assignment of product requirements to sources of supply, specific product and supplier information is combined and stored as one *Purchasing Info Record*.

Concept of Purchasing info Record

- An info record represents a material-vendor relationship.
- The info record contains concise information about a vendor and a material that you already procure from that vendor.
- Info records are created automatically when you order a material. You can also create, change, and delete info records.
- Use of Purchasing info record in PO creation
  - Net price for the item will be defaulted in PO
  - All the pricing conditions will be defaulted

Info Records - Key points

- Purchasing Info Records contain information on a specific material and vendor supplying the material including:
  - Prices and conditions for the relevant purchasing organization or plant
  - Tolerance limits for over deliveries and under deliveries.
- The info record allows buyers to quickly determine:
  - Which materials have been previously offered or supplied by a specific vendor.
  - Which vendors have offered or supplied a specific material.
- Used as default data in documents
- Can be valid for all plants or a single plant
- Ordering data updated automatically in the info record

Concept of source list in SAP

- A source list specifies the possible sources of supply for a material over a given period of time
- It shows the time period in which a material may be ordered from a given vendor
- Uses of source list
  - Fixed vendor
  - Vendor blocking
  - Auto PO creation

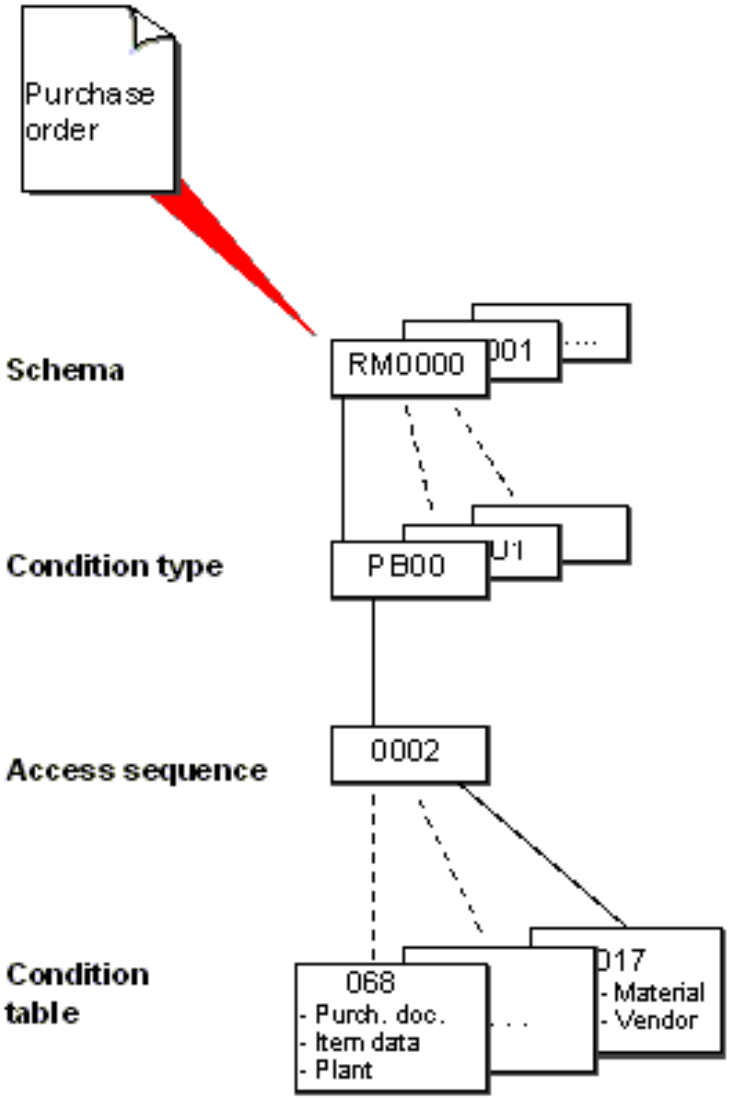
Condition Technique

The most important elements in price determination are the following:
Condition Type: Condition types represent price factors in the system.

Condition Table: A condition table consists of one or more condition keys and a data part.

Access Sequence: An access sequence is a search strategy by means of which the system searches for valid records in various condition tables.

Calculation Schema : A calculation schema groups together all condition types that play a part in calculating the price.





Thank You