D. Analysis inventory discrepancies and documentation

Responsible: Physical inventory manager (PIM)

Control: IAC.03.07

- Inventory discrepancies above the threshold defined in the site procedure are **analyzed and explained**.
- A memorandum of inventory is send to Finance Responsible Assigned including
    - **Summary description of physical inventory operation** (date, participant, scope of physical inventory)
    - A list of the people who participated to the count
    - **Explanation of inventory discrepancies above threshold**
    - A signature (hand written or by mail) of the report by all the people having responsibilities in the count (supervisors of counting team and of key-punching team, inventory manager)
- The PIM updates the **inventory count calendar** and send it to the FRA. It is the responsibility of the FRA to record that document **in the group repository**

Adjustments are analyzed in accordance with the value of the adjustment and type of item involved, in order to:

- Identify failures in the control systems so that improvements can be made,
- Reduce similar discrepancies in the future,
- Ensure that the proper adjustment was made,
- Evaluate indicators of trends or system problems for corrective action,
- Detect negligence, abuse, or theft

Timely investigation of inventory adjustments is essential. Delay increases the complexities of adequate research and reduces the probability of conclusive findings.
To make the analysis, it is necessary to use the material document history to look for anomalies for the product and batch under investigation with MB5 1 - Material Document List
The following plan gives an example of the main inventory movements that can create discrepancies and the main actions that could be taken to avoid them:

1 Reception: Movement type: **101-102** *Goods receipt for purchase order into warehouse/stores*

- Raw materials: Compare reception in SAP with delivery notes
- Finished products: Check process orders-WP2/Cost Collectors-PF2

2 Consumption in process orders: Movement type: **261-262**

- Check production orders in which the material is consumed

Question 1

- Are production declaration made at standard quantity?

=> If yes, it can create under or over consumption :

Action

- Review standard unit consumption in BOM
- Organize regular check in process orders and if necessary adjust the consumption through a process order

Question 2

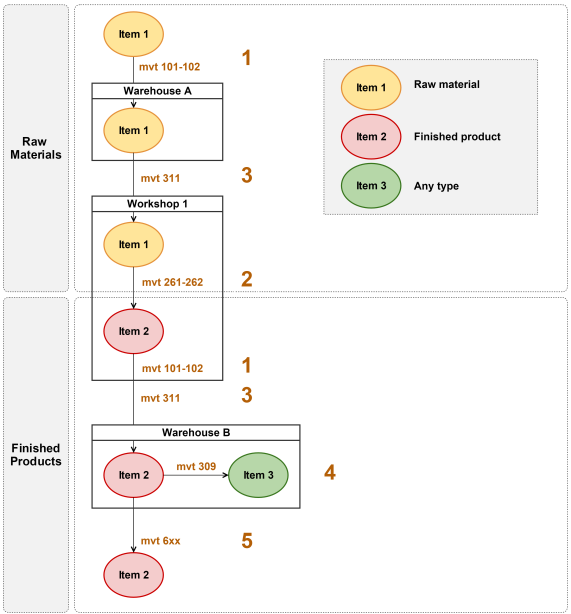
- Error of declaration in a process order.

Action:

- Improve analysis of variance on process orders (transaction ZWPP40A in WP2)

3 Transfer storage location: Movement types: **201-202**

- Check if the item is in an other warehouse or workshop



- Extract the inventory of this item/batch in all warehouses (transaction MB52)

4 Transfer posting material to material: Movement type: **309**

- Control the use of this movement (control IAC on critical transaction)

5 Goods delivery: Movement type: **6XX**

- Compare reception in SAP with delivery notes

For an example and a blank template of memorandum of inventory ==> 7. Example of documents to be used / d. memorandum of inventory