

Introduction

Overview

This section provides general information on inventory sampling as well as on how inventory sampling is carried out in the SAP System. It also the section describes how to create an inventory sampling.

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General Information on Inventory Sampling

The more materials a company has, the more costly it is to carry out a physical inventory by counting all stocks. The time required and cost of a physical inventory are reduced considerably if only the stock of individual materials is counted. On the basis of these count results, an extrapolation is carried out to arrive at an estimated count result for all units of stock managed in the SAP System (stock management units).

The principle of sample taking used here is also used in quality inspection in the R/3 System, since only a particular sample is inspected. The result is then applied to the entire quantity.

To infer the counts for all stock management units by extrapolating the count results for individual units, the following prerequisites must be fulfilled:

- The size of the stock management units included in the physical inventory must be large enough.
- The selection of stock management units to be counted must be "representative".

Statistical procedures are used for carrying out inventory sampling:

- A sample to be counted is randomly selected from the stock management units subject to physical inventory. The size of the sample depends on the degree of probability (probable degree of confidence) with which the extrapolated value inferred from individual counts is expected to be valid for all stock management units included in inventory sampling.
- On the basis of the posted count results, an extrapolation is carried out. The result of the extrapolation then applies to all stock management units included in inventory sampling.
- The inventory sampling is considered successful, if there is only a small deviation between the extrapolated value and the book value and a high probability that the extrapolation result contains only a minor error.

If an inventory sampling is successful, it is assumed that the estimated deviations from the book inventory balances are so small that they can be neglected. As in the case of a conventional physical inventory, only the stock of the elements actually counted is adjusted. The stock of the remaining stock management units remains unchanged.

If an inventory sampling is not successful, a complete physical inventory must be carried out for the stock management units not counted.

Inventory Sampling in the R/3 System

Inventory sampling can be performed in different ways, depending on the following criteria:

- the area of which the inventory sampling is carried out
- the method of inventory sampling used
- the procedure of extrapolation used

Area of Inventory Sampling

Inventory sampling can be carried out in the areas of Inventory Management and Warehouse Management. The steps required to carry out an inventory sampling are the same in both areas. The only difference is the selection of the objects included in the physical inventory:

- In Inventory Management:
The physical inventory is carried out through selection of the materials by plant, storage location, material type, and stock type.
- In Warehouse Management:
The physical inventory is carried out through selection of the storage bins by warehouse number and storage type.

Method of Inventory Sampling

As in the case of conventional physical inventory, two methods of inventory sampling are available in Inventory Management and Warehouse Management:

- Periodic inventory sampling
In periodic inventory sampling, the physical inventory counts are carried out on a certain date. During the physical inventory, movements in the warehouse as well as changes to the book inventory balances are not allowed.
- Continuous inventory sampling
Continuous inventory sampling can be carried out over an extended period of time. In this case, inventory sampling data is updated from time to time to correspond to the latest book inventory balances. Changes to the book inventory balances are thus reflected in the calculations performed in inventory sampling.

In the SAP System, there is no difference between the two methods of inventory sampling, neither in the steps used to carry out the inventory sampling nor in the calculations performed by the system. However, during periodic inventory sampling, you must ensure that the book values will not be changed during the process of inventory sampling.

Procedure of Extrapolation

The extrapolation procedure can be based on various mathematical procedures. The SAP System currently uses the procedure of **mean-value estimation**.

How to Carry Out an Inventory Sampling

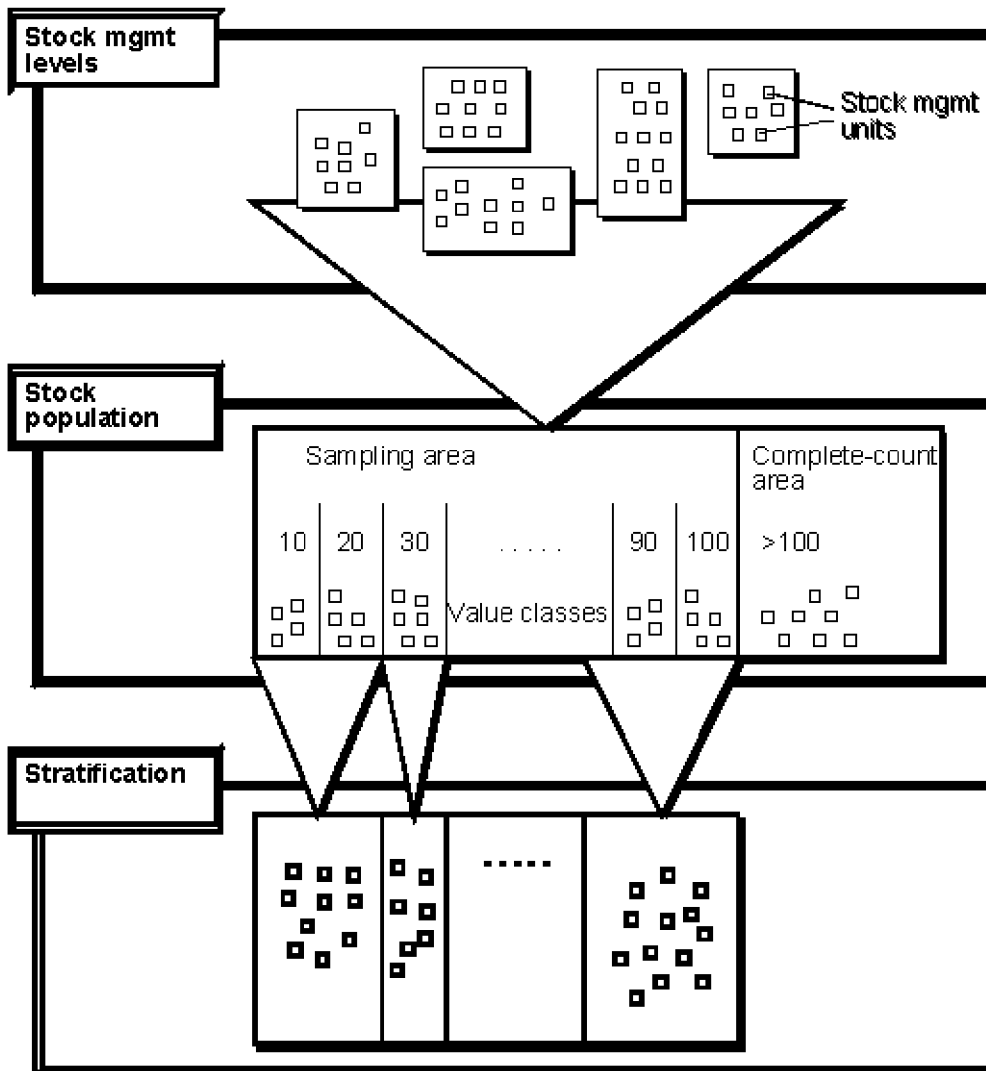
The procedure of inventory sampling neither depends on the area for which it is carried out (Inventory Management or Warehouse Management) nor on the method used (periodic inventory sampling or continuous inventory sampling). The procedure of inventory sampling comprises several general steps.

Before you can carry out an inventory sampling, you must set it up with the Create function. In this process, you have to define several basic parameters, such as:

- the currency used for inventory sampling
- the area for which the inventory sampling is carried out (Inventory Management or Warehouse Management)
- the deviations up to which an inventory sampling is still considered successful

When you create an inventory sampling, it is assigned a number that uniquely identifies it. Any further steps are carried out as changes to this inventory sampling created.

The following graphic shows the preparatory phase of inventory sampling.



In the preparatory (or setup) phase, the following steps are required:

- Allocating stock management levels

You must specify which stock management units are to be included in the inventory sampling. You do so by allocating certain quantities of stock management units, the so-called stock management levels, to the inventory sampling, rather than assigning individual stock management units to the inventory sampling.

- Formation of the stock population

The stock population is the total of all stock management units of an inventory sampling. When forming the stock population, the following actions are carried out automatically:

- Breakdown of the stock population into **complete-count area** and **sampling area**

You can preset that counting of particular stock management units is mandatory; for example, if the material exceeds a certain price or if no book inventory balance exists for the stock management unit. The total of these elements is called complete-count area. All stock management units of the complete-count area must be counted. The stock management units that do not necessarily have to be counted form the sampling area.

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