

MM - Consumption-Based Planning Guide

The following Help Topics are available:

[MRP and Lot-Sizing Procedures](#)

[MRP Parameters](#)

[Forecast Parameters](#)

[Maintaining Parameters with Profiles](#)

[Carrying Out the Forecast](#)

[Forecast Result](#)

[Significance of the Material Forecast for MRP](#)

[Material Requirements Planning](#)

[MRP Results](#)

[Stock/Requirements List](#)

[Planned Orders](#)

[Maintaining the Planning File](#)

[Forecast Formulae](#)

For Help on Help, Press F1

[Version](#)

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Prepared for R/3 Release 2.2.

August 1994

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MRP and Lot-Sizing Procedures

In this section we aim to provide you with an overview of the various procedures within consumption-based planning and also of the special function: material requirements planning without BOM explosion.

Furthermore, an introduction is also given to the available lot-sizing procedures with which the optimum order quantities or the production quantities are determined.

This section contains the following topics:

[Introduction to MRP and Lot-Sizing Procedures](#)

[MRP Procedures: an Overview](#)

[Lot-Sizing Procedures: an Overview](#)

Introduction to MRP and Lot-Sizing Procedures

The central role of material requirements planning is to monitor stocks and, in particular, to automatically generate order proposals for purchasing and production. This target is achieved by using various requirements planning methods which each cover different procedures.

Note

Order proposals are stored in the system as planned orders, purchase requisitions or as delivery schedules.

Consumption-based planning procedures are straight forward requirements planning procedures with which you can achieve set targets with relatively little effort. Therefore, these planning procedures are used in areas without in-house production and/or in production plants for planning both B- and C-parts and operating supplies.

In contrast to consumption-based planning, MRP without BOM explosion concentrates on the exact requirement quantities, which are entered in the system in the form of sales orders and material reservations. Any unplanned requirements can be determined by the forecast. MRP provides a good solution to planning finished products.

The following is valid for both planning methods:

The type of order proposal which is automatically generated during material requirements planning depends on the procurement type of the material. For materials that are produced internally, a planned order is always created. For materials procured externally, the MRP controller has the choice between creating a planned order or a purchase requisition. If he decides to create a planned order, he must then convert it into a purchase requisition and make it available for the purchasing department.

The advantage of creating a planned order is that the MRP controller has more control over the order proposals. It is only once he has checked the planned orders and then converted them into purchase requisitions that the purchasing department can order the material. If he creates a purchase requisition in the first instance then it is immediately made available to the purchasing department, which then takes over the responsibility for material availability and warehouse stocks.

Since requirements planning is usually carried out at plant level, all available stock in the plant (from now on described as available warehouse stock) is taken into account during planning. However, stocks from individual storage locations can be excluded from requirements planning or they can be planned independently. Such stocks are then not included in material requirements planning at plant level. On the other hand, consignment stocks from the vendor are always included in MRP.

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