Subcontracting of Project Stock

Applies to:
SAP ECC 6.0 For more information, visit the Enterprise Resource Planning homepage

Summary
This document shall help P2P consultants in the area of Subcontracting of Project Stock (special stock) in various industries in India. It is prepared to suits for Indian Subcontracting Business Scenarios. It explains how to transfer Project stock to Subcontracting Vendor, generation of subcontracting challan and further processes has been explained in a simple and understandable way.

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Created on: 01 September 2009

Author Bio
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Introduction

Subcontracting
Subcontracting process involves sending raw materials/components to a vendor for specific manufacturing processes/assembly and receiving the value-added finished material back into inventory.

Standard Subcontracting Process
In Standard Subcontracting process, transfer of goods to Subcontracting vendor using movement type 541 with respect to subcontracting Purchase order.

Subcontracting of Project Stock
Material procured for project purpose, sending this project stock to a vendor for specific manufacturing process/assembly and receiving the value added finished material back to project.

Subcontracting of Project Stock (Special Stock) is different from normal subcontracting process; it is not possible to transfer goods using movement type 541+Q.

Difficulties involved in Subcontracting of Project Stock

In standard SAP, it is not possible to use 541+Q (Q refers to Project Stock) to transfer Project stock to subcontracting vendor.
So, it is recommended to create new storage location to each subcontracting vendor & use 311+Q movement type, based on this it is possible to monitor stock at subcontracting vendor.

Name/description of storage location should be same as subcontracting vendor for easy identification.

In standard SAP, it allows only 541 material documents to create subcontracting challan but here it is required to create challan with respect to 311+Q material documents.
It is possible after doing required configuration (add the required movement type 311+Q in configuration).
Flow chart

Available Project Stock

Create PO with Item category “L” & A/c assignment “Q”

Define New Storage location to Subcontracting vendor

Transfer goods to Subcontracting Vendor with movement type

Create Subcontracting Challan with referent to material document

Receive finished material from subcontracting vendor
Steps to follow in SAP & Transaction codes

Create materials (Part-A, Part-B & Assembly) – MM01
Create BOM (Optional) – CS01
Maintain CIN Master data – J1ID
Create PR with A/c assignment "Q" & Item cat "L" – ME51N
Create Info record with info category "subcontracting" (Optional) - ME11
Create PO with reference to PR (A/c assignment “Q” & Item cat "L") – ME21N
Release PO (if release strategy exists) – ME28
Define new storage location for Subcontracting Vendor – S PRO
Maintain Movement type group for Subcontracting - SPRO
Transfer posting components to SC vendor with 311+Q – MB1B
Check the stock with SC vendor using Tcode MMBE (not with ME20) - MMBE
Create Subcontracting challan with ref to material document – J1IF01
Print out of subcontracting challan – J1IF11
Receive final product against subcontracting PO with 101 movement type – MIGO_GR
Reconciliation of challan – J1IFQ
Complete the challan – J1IF13
Check status of challan – J1IF12
Business Cycle (Detail step by step processes)

Create materials (Part-A, Part-B & Sub-Assembly)
Views: Basic 1 & 2, Purchasing & Accounting 1
PART-A, PART-B Material Type: ROH
Sub-Assembly Material Type: HALB

PART-A

<table>
<thead>
<tr>
<th>Material</th>
<th>Component PART-A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant</td>
<td>0031</td>
</tr>
<tr>
<td>Werk</td>
<td>0001</td>
</tr>
</tbody>
</table>

General data
- Base Unit of Measure: EA
- Currency: INR
- Division: 
- Valuation Category: 
- Valuation Class: 3900
- VC: Sales order stk
- Price Control: V
- Price Unit: 1
- Moving price: 120
- Standard price
- Total Stock: 0
- Total Value: 0.00
- Valuated Un
- Valid from

Previous period/year
Std cost estimate
Create BOM (Optional)
Enter components and quantity then click on save icon
Maintain CIN Master data

- Maintain material - chapter ID combination to the components and semi finished product & select Subcontract check box to components alone.

<table>
<thead>
<tr>
<th>Material</th>
<th>Plant</th>
<th>Chap.ID</th>
<th>Subcontr's</th>
<th>Mat type</th>
</tr>
</thead>
<tbody>
<tr>
<td>PART-A</td>
<td>0001</td>
<td>2710.19.90</td>
<td>Yes</td>
<td>Raw materials</td>
</tr>
<tr>
<td>PART-B</td>
<td>0001</td>
<td>2710.19.90</td>
<td>Yes</td>
<td>Raw materials</td>
</tr>
<tr>
<td>SUB-ASSEMBLY</td>
<td>0001</td>
<td>2710.19.90</td>
<td>No</td>
<td>Raw materials</td>
</tr>
</tbody>
</table>

- Maintain assessable value to the components

<table>
<thead>
<tr>
<th>Plant</th>
<th>Material</th>
<th>Valid from</th>
<th>Curr. Key</th>
<th>N.</th>
<th>Ass. value</th>
<th>En</th>
<th>Chngd</th>
</tr>
</thead>
<tbody>
<tr>
<td>0001</td>
<td>PART-A</td>
<td>07.07.2009</td>
<td>INR</td>
<td></td>
<td>120.00</td>
<td>KNA28.08.2009</td>
<td></td>
</tr>
<tr>
<td>0001</td>
<td>PART-B</td>
<td>28.07.2009</td>
<td>INR</td>
<td></td>
<td>120.00</td>
<td>KNA28.08.2009</td>
<td></td>
</tr>
</tbody>
</table>

- Maintain CENVAT Determination

<table>
<thead>
<tr>
<th>Plant</th>
<th>Input Mat.</th>
<th>Output Mat.</th>
<th>X</th>
<th>Int. date</th>
</tr>
</thead>
<tbody>
<tr>
<td>0001</td>
<td>PART-A</td>
<td>SUB-ASSEMBLY</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>0001</td>
<td>PART-B</td>
<td>SUB-ASSEMBLY</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

Create PR with A/c assignment “Q” & Item cat “L”
Create Info record with info category “subcontracting” (Optional)

<table>
<thead>
<tr>
<th>Control</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pl. Deliv. Time</td>
<td>1 Days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purch. Group</td>
<td>001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Std. Qty</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum Qty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rem. Shelf Life</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shippng Instr.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Conditions</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Price</td>
<td>500 INR / 1 EA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective Price</td>
<td>0.00 INR / 1 EA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qty Conv.</td>
<td>1 EA &lt;-&gt; 1 EA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pr. Date Cat.</td>
<td>No Control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incoterms</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Vendor: 1000004
Material: SUB-ASSEMBLY
Component PART-A
Material Group: 01
Material group: 0001
Plant: 0001
Subcontracting

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Create PO with reference to PR (A/c assignment “Q” & Item cat “L”)

Note: If the info record is maintained, it gets copy into the PO

Click on Components" icon in Material Data tab to view the components which are maintained in BOM
If the BOM is not maintained, components can be entered manually.
Release PO (if release strategy exists)

Path: IMG – Enterprise Structure – Definition – Materials Management – Maintain Storage location

Define new storage location for Subcontracting Vendor

Path: IMG – Enterprise Structure – Definition – Materials Management – Maintain Storage location

Maintain Movement type group for Subcontracting


Maintain movement type 311+Q against Movement type Group (ex: 0002)

Display View "Movement type Group for Subcontracting": Overview


Maintain Movement type Group (ex: 0002) in column Movement Type group for Issue for the required Excise group combination.
Transfer posting components to SC vendor with 311+Q

Prerequisites: PART-A & PART-B Project stock should be exists

Movement Type group for Issue

The movement types relevant for issue of materials are grouped for a combination of transaction type and subtransaction type.

Enter Transfer Posting: New Items

<table>
<thead>
<tr>
<th>Movement Type</th>
<th>Special Stock</th>
<th>Vendor</th>
<th>Recipient</th>
<th>Purchase order</th>
</tr>
</thead>
<tbody>
<tr>
<td>311 TF project in plant</td>
<td>0</td>
<td>1060004</td>
<td></td>
<td>0000160000</td>
</tr>
</tbody>
</table>

Items

<table>
<thead>
<tr>
<th>Item</th>
<th>Material</th>
<th>Quantity</th>
<th>UN/E 5Loc</th>
<th>Batch</th>
<th>Repl Flt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>part-a</td>
<td>2</td>
<td>HAEA</td>
<td></td>
<td>0001</td>
</tr>
<tr>
<td>2</td>
<td>part-b</td>
<td>3</td>
<td>HAEA</td>
<td></td>
<td>0001</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>HAEA</td>
<td></td>
<td>0001</td>
</tr>
</tbody>
</table>
Check the stock with SC vendor using Tcode MMBE (not with ME2O)

Create Subcontracting challan with ref. to material document

A document that is used to issue and track subcontracting work, it allows to make sure that all the materials have sent to the subcontractor for processing are returned.
Print out of subcontracting challan

Select check box Print immediately then save

Receive final product against subcontracting PO with 101 movement type
Enter the storage location for components, system itself proposes movement type 543 to the components
Take the option Refer Subcontracting Challan under Excise Invoice tab & click the icon below to enter subcontracting challan number
Reconciliation of challan

Once a subcontractor has processed your materials and returned them to you, you match the items in the challan against those that have been returned.

**Quantity reconciliation for Subcontracting Challans**
Complete the challan

You use this function to close a challan completely after all the materials have been accounted for. If a challan’s return date has elapsed, and thus your right to the CENVAT credit, you use it to reverse the excise credit – or, should your subcontractor return the goods subsequently, to recredit the excise credit.
Check status of challan

FAQ's:

Question: Why it is not possible to transfer project stock to subcontractor vendor using movement type 541+Q?

Answer: In Standard SAP, special indicator "Q" is not provided with movement type 541.

Question: Is it possible to refer material document created using movement type 311+Q for creating subcontracting challan?

Answer: Yes, it is possible. It is required to do configuration settings.
Related Content

Reference 1

Reference 2

Reference 3

For more information, visit the Enterprise Resource Planning homepage
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