

# SAP MM INTERVIEW QUESTIONS & ANSWERS

## 1. What is the use of SAP Material Management Module?

Answer:

- SAP Material Management Module (MM) is a part of Logistics area and helps to manage the procurement activity of an organization from procurement.
- It supports all aspects of material management (planning, control, etc.)
- It is the backbone of the Logistics area which incorporates modules like Sales and Distribution, Production Planning, Plant Maintenance, Project Systems, Warehouse Management which are extremely obsessed on Material Module.

## 2. What are the advantages of SAP Material Management?

Answer:

- Multi-location inventory
- Inventory replenishment
- Product life cycle management
- Material valuation
- The lot and serial traceability
- Bin management
- Scheduling and resourcing

## 3. What is Purchase Order?

Answer: Purchase order is the formal and final confirmation of the requirements which is sent to vendor to supply material or services. Purchase order will include important information like name of material with its corresponding plant, details of purchasing organization with its company code, name of vendor, and date for delivery of material.

#### **4. A Purchase requisition is an internal document or external document?**

Answer: Internal document, it is the phase in which purchasing department is informed about the requirement of items or services required for business purpose.

#### **5. What are the different types of basic procurement?**

Answer: There are 2 types of Basic procurement which are shown below:

- Procurement for stock vs. consumption
- External vs. Internal Procurement

#### **6. What is the difference between procurement for stock vs. consumption?**

Answer: Procurement for stock – A Stock material is a material that is kept in stock.

These materials are kept in stock once received from the vendor. The stock of this material keeps on increasing or decreasing based on amount of the quantity received or issued. To order a material for stock, the material must have a master record within the system.

#### **7. What is External procurement?**

Answer: External procurement – It is the process of procuring goods or services from external vendors. There are 3 basic forms of external procurement generally supported by the purchasing component of IT system.

One time orders are generally used for material and services that are ordered irregularly.

Longer-term contracts with the subsequent issue of release orders – For materials that are being ordered regularly and in large quantities, we can negotiate deal with the vendor (seller) for pricing or conditions & record then in a a contract. In a contract you also specify the validate date.

Longer – term scheduling agreements and delivery schedules – If a material is ordered on an everyday basis and is to be delivered according to an exact time schedule, then you set up a scheduling agreement.

**SAP stands for System, Application, Product in Data Processing.** SAP is one of the world's leading producers of software for the management of business processes, developing solutions that facilitate effective data processing and information flow across organisations.

## **8. What is internal procurement?**

Answer:

Internal Procurement – Large corporate organizations may own multiple separate business or companies. Internal Procurement is process of getting material and services from among identical company. So, each of these companies maintains a complete bookkeeping system with separate Balance, Profit & Loss Statements so that when trade occurs between them it will be recorded.

## **9. What is special procurement?**

Answer:

Special Procurement – Special stocks that are managed differently as these stocks did not belong to company and these are being kept at some particular location.

## **10. What is Consignment Stock?**

Answer:

Consignment Stocks – Material that is available at our store premises, however it still belongs to the vendor (seller)/Owner of the material. If you utilize the material from consignment stocks, then you have to pay to the vendor.

## **11. What are the common assignment types in SAP MM system?**

Answer:

- Plant to Company code
- Purchasing organization to company code
- Purchasing organization to Plant
- Standard purchasing organization to plant

## **12. What are the different info record types?**

Answer:

- Standard
- Consignment
- Subcontracting
- Pipeline

## **13. How do you flag a material for deletion?**

Answer:

A deletion flag can be set at client level, plant level or storage location level.

Transaction MM06 is used to mark a material for deletion.

## **14. What is the use of purchase info record?**

Answer:

Purchasing info record stores information on material and vendor supplying that material. For Example: Vendors current price of a particular material is store in info record.

## **15. Where do you maintain purchase info records in SAP MM?**

Answer:

Purchase info record can be maintained at plant level or at purchasing organization level.

## **16. Explain steps in procurement life cycle**

Answer: Requirement and Information Gathering:

- Procurement process starts with gathering information about product and its quantity. Then for required products and services, it is necessary to look for suppliers who can satisfy the requirements.

Supplier Contact

- After gathering requirements one will look the suppliers who can fulfil the requirements. Based on that quotation request or information request can be made to suppliers or direct contact can be made with them.

#### Background Review

- Once the supplier is known product/service quality is checked, and any necessities for services such as installation, warranty and its maintenance are investigated. Some samples of the products can be obtained for quality examination.

#### Negotiation

- Some negotiations with suppliers is made regarding price, availability and delivery schedule of the products/services. After this contract is signed that is a binding legal document between supplier and ordering party. A contract will include all necessary information like price and quantity of material, delivery date, etc.

#### Order fulfilment

- Ordered material will be shipped, delivered to the ordering party and supplier is paid accordingly. Training and Installation of product or services may also be included.

#### Consumption, maintenance and Disposal

As the products/service is consumed the performance of the products or services is evaluated and any follow up services is evaluated and any follow up service support if required is analysed.

### **17. What do you understand by Goods receipt in SAP system?**

Answer: After processing of purchase order by vendor, material is delivered to ordering party and this process is called as goods receipt. So, goods receipt is the phase in which the material is received by the ordering party and the condition and quality are verified. Once materials is verified against quality then goods receipt is posted.

### **18. How do you post good receipts?**

Answer: Path to post Goods Receipt –

Logistics  Materials Management  Inventory management   
 Goods movement  Goods movement

T- Code: **MIGO**

**19. What are the different procurement types that you can create purchase requisition?**

Answer:

Purchase requisition can be created for the following procurement types –

Standard – Getting finished material from vendor.

Subcontracting – Providing raw material to vendor and getting finished material.

Consignment – Procuring material that is kept in company's premises and paying to vendor for that.

Stock transfer – getting material from within the organization.

External service – Getting services like maintenance from third party vendor.

**20. How can you create a purchase order from purchase requisition?**

Answer: Purchase Order from purchase requisition can be created by following below steps –

T-Code: ME21N

**21. What is the request for Quotation RFQ?**

Answer: Request for quotation is a form of invitation that is sent to vendors to submit quotation indicating pricing and their terms and conditions.

RFQ contains details about goods or services, quantity, date of delivery and date of bid on which it is to be submitted.

**22. What is the use of document type in SAP system?**

Answer: In SAP system, you use Document Type to define different methods or procedures for a transaction.

**23. What is free item in SAP system?**

Answer: The Price will be marked zero for free item. We can tick the item as free item while creating PO in system.

**24. Why do you use Material type?**

Answer: Material type in SAP system is used to group various materials based on some common properties.

**25. What is material status?**

Answer: It is 2 digit code and is used to determine the material usability.

**26. What are the different stock types in SAP system?**

Answer:

- Restricted Stock
- Unrestricted Stock
- Quality Inspection Stock
- Blocked Stock
- GR Blocked Stock

**27. What do you understand by GR Blocked stock?**

Answer: This is conditionally accepted stock and not the unrestricted stock.

**28. What are the different Stock transfer types in SAP system?**

Answer:

- Inter Company
- Intra Company
- Intra Plant

### **29. What is Intra plant stock transfer type in SAP MM?**

Answer: Intra company stock transfer means, **stock is moving in between two plants of same company code**. Inter company stock transfer means, stock transfer between two Company Code.

### **30. What is an outline agreement?**

Answer: Outline agreement is a long term purchasing agreement with vendor containing terms and conditions regarding the material that is supplied by vendor.

Outline agreement are valid up to certain period of time and cover a certain predefined quantity or value.

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