

Oracle Fusion Inventory and Purchasing Configuration

A Comprehensive Guide by Nidhi Chaturvedi

1. Introduction to Inventory Management & Purchasing Configuration

Inventory management: A cloud-based system that manages the flow of goods, tracks stock, and organizes inventory. It helps with restocking plans, order fill rates, and visibility into inventory levels.

Purchasing for inventory: Companies manage inventory or stock-based operations, which include retail items for sale, internal consumption items, manufactured items, and repair/maintenance items. You must use the purchasing for inventory method to purchase goods for a stock-based environment, enabling full integration between Procurement and Inventory Management systems.

Purchasing configuration options include:

- **Price change tolerance:** Determines if a price change on a PO line is within tolerance.
- **Ship-to location:** A specified location to ship to when the PO cannot derive one.
- **Cancel backing requisitions:** Controls whether a backing requisition is cancelled when a PO is cancelled.

2. Configuring Basic Inventory and Purchasing Setups

To configure basic Inventory and Purchasing Application setups, we need to add the correct offerings to our project and enable them.

Enable the Offering

Navigation:

Login → Setup and Maintenance → Actions → Go to Offerings → Procurement → Enable Status

Ensure that Product Management, Material Management, and Logistics are also in Enabled Status.

Assign Offering to the Project

Navigation:

Setup and Maintenance → Manage Implementation Projects → Select Project → Add Offerings

- **Procurement Offering:** Configures Purchasing Setups.
- **Product Management Offering:** Configures Inventory Setups.
- **Materials Management and Logistics:** Configures Sub-Inventory related setups.

3. Define Facilities for Procurement

Inventory organizations represent facilities that manufacture or store items. The item master organization holds a single definition of items shared across multiple inventory organizations. Cost organizations group inventory organizations within a legal entity to establish cost accounting policies.

Create Facility Shift

Navigation:

Manage Implementation Projects → Manage Facility Shifts → Create Time Shift

Create Facility Workday Patterns

Navigation:

Manage Implementation Projects → Manage Facility Workday Patterns → Create Workday Patterns

Create Facility Schedules

Navigation:

Manage Implementation Projects → Manage Facility Schedules → Create Time Schedule

4. Create Item Master Inventory Organization

If you have 10 warehouses, you need 10 Inventory Organizations. If you maintain a stock of a specific item (e.g., a Laptop), creating it under each Inventory Organization leads to massive duplication. To avoid this, we use an **Item Master Inventory Organization**.

You create the item once in the Item Master Inventory Organization and assign it to multiple child Inventory Organizations. We do not maintain any physical stock in the Item Master; it is a virtual inventory created strictly for item definition.

Navigation:

Manage Implementation Projects → Manage Item Organization → Create Item Organization

5. Create Inventory Organisation (Child Inventories)

This is where the physical stock of the items is maintained.

Navigation:

Manage Implementation Projects → Manage Inventory Organizations → Create Inventory Organisation

For this setup, you need a Business Unit and a Location associated with that BU.

6. Configure Procurement Business Functions

Just as we configured Common Options for Payables and Procurement in the Payables Application, we need to configure Common Options for the Purchasing Application. Setting Procurement business functions enables you to create Purchase Orders, while Requisitioning business functions allow you to create Purchase Requisitions within the Business Unit.

Matching Approval Levels:

- **Two-way matching:** Invoice is matched to the Purchase Order.
- **Three-way matching:** Invoice is matched to the Purchase Order and the Receipt.
- **Four-way matching:** Invoice is matched to the Purchase Order, Receipt, and Inspection details.

This is a Business Unit specific configuration. If you have 10 BUs, you must complete this setup for each one individually.