

Physical Inventory

Physical Inventory is the complete counting of inventory at a site. It is essential that it be accurate because it is usually done only once a year. Preparation for inventory consists of segregating un-received purchase orders and picked customer orders. This is because the counts retained in the inventory file that is used for physical inventory show what has been processed by the system.

- If a purchase order has been processed and quantity entered into inventory, the items on that purchase order must be counted. An open purchase order is fine as long as all line items on that purchase order that have gone through Receiving step #3 are counted.
- If a customer order has been processed and quantity allocated that customer order must finish the full cycle including Picking steps #3 and #4. The key is that ALL picking lists must be completed, but the customer order may remain open. The picked orders are set aside and not counted.

All stages of Physical Inventory are addressed.

The stages are:

- Back up files relating to inventory
- Initial count of items in locations
- Discrepancy report against this count and discrepancy update
- Save Backup for EOY (End Of Year) reporting
- Update "live" files

Files related to inventory count must be backed up and presented as a snapshot of the end of period. The data that is backed up can not be changed. A Physical Inventory sheet is printed with all locations containing inventory, as indicated in system files, listed. No work, customer orders, purchase orders or movement, can be conducted during this process.

An initial inventory count inventory is conducted and data entered into the proper location on the inventory sheets. All pages of this initial count must be accounted for and entered. A discrepancy report is then printed and reconciled by counting the locations that have differences. When all discrepancies are completed, the work files are saved and "working" inventory is updated. The normal work process can proceed at this time.

A final report is printed showing the original count against the discrepancy count with their differences. This report can be used to update QB as well as satisfy accountants standards audit trail requirements.