

How Do You Do a Physical Inventory? - Fulfillment

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Physical Inventory provides for the systematic selection of items, creation of physical inventory documents, count input, review and posting. The procedure features a "ten-key" data entry procedure and data entry verifying procedure to reduce keying errors dramatically. Many sorts are available to facilitate counting specifically for your site. Items may be counted by item number, categories, product codes, programs, customers, item type, and location.

Physical Inventory Menu Overview

Create A Physical Inventory File

Only run this option after all billing and receiving are complete and just before the intended count. This file must be created immediately before the count. The file will contain one Tag record for each inventory item. Tag records hold on hand balance and cost for an item at the time the file was created. A physical inventory may be done on items by choosing All, Selected or a Range of several fields along with an optional data entry verification. You may also choose to generate a file containing a random sample of items. The random sample option would be used to gauge inventory's accuracy without doing a full physical inventory (Cycle counts). The random sample option does not have the data entry verification.

Produce Count Report

The system produces a double spaced count sheet for recording counts. The items that will print on this report will be based on how the Physical Inventory File was created. If part of the counts have been entered, the report may be printed for only uncounted items.

Enter Inventory Count

After the inventory has been counted, this option is used to record the per item quantity counted. Use the same sort options that were used when producing the count report. This option is designed for multiple pack counts and rapid entry of loose counts. The system will require the entry of the count once and specify "C" for complete or "I" for incomplete. If the data entry verification feature was selected, the system will require the count to be entered twice. The first count entered will mark all items with an "I" for incomplete. When the verifier's count is entered, the system will mark the items "C" complete, but only if the count matches the first count entered. If the items are not marked "C", print the Physical Inventory Edit Report using the option Data Entry/Verify.

Physical Inventory Edit Report

This option provides the ability to compare the book value of each item to the physical inventory count for determining validity and recount requirements.

Post Count to Inventory

Only run the Post Count option when the counting, verifying and editing of the data has been completed. This option will update inventory records with the correct adjustment amounts. A history record is posted to LIFO/FIFO history with a PI (Physical Inventory) source code. The PI is used for inventory tracking purposes. The General Ledger is updated automatically when the count is posted. The PI impact may be verified by printing the General Ledger Detail Report in the Inventory Reports Menu.

Note: *The Physical file will be retained for inquiry purposes until you create a new physical inventory file, at which time it will be deleted.*

Suggested Procedure

Note: *The following is the suggested procedure for running a physical inventory, using the Tree View Menu. This may not be suitable or practical for some companies to follow. When doing a physical inventory, there are five main steps and one optional step.*

1. Create A Physical Inventory File
2. Produce Count Report
3. Enter Inventory Count

4. Physical Inventory Edit Report
5. Post Count To Inventory

The optional step is Physical Inventory Maintenance.

1. Create a physical inventory file

Find this option under Inventory (on the main menu), Transactions, Physical Inventory, Create A Physical Inventory file.

Note: *Sort by location if your item masters include a location ID. This option allows you to count based on your warehouse layout.*

Create A Physical Inventory File

Decide what type of file to create and how many items and/or what items to include in this file. In this example do not check Generate Random Count, Reenter Counts for Data Verification, or Include Base Items.

Note: *When doing a full inventory count, do not choose random. The options displayed are described as follows:*

· Generate Random Count

Placing a check mark in this option will allow a file to be generated containing a specified number of items to count. Ex: If 30 items are specified, the system will randomly select 30 items to be counted.

· Sample Size

This field is only activated when Generated Random Count is checked. It is used to specify how many items to include in the random count.

· Reenter Counts for Data Verification

Placing a check mark in this option allows the computer to compare the same counts entered by two different operators.

· Include Base Items

Depending on whether your base items are templates or valid physical

items, you may or may not include them. All of the following options are only used when creating a NON-RANDOM count file: Items, Categories, Product Codes, Programs, Customers, Item Types, and Locations. Choose (A)ll, (S)elected, (R)ange for each option.

This is accomplished by single clicking on the correct radio button. When the selections are complete, click Run. The system is creating the physical inventory file based on the selections. Once the processing is complete, a screen stating the number of records that have been created will appear. Click OK.

2. Produce Count Report

Located below Create A Physical Inventory File, find Produce Count Report. Select this option. The Produce Count Report options are displayed. On this screen there are two tabs. The first tab is labeled Sort. The second tab is labeled Select. The following are explanations of the tabs and how they work.

· Sort

This tab will arrange the information requested on the "Select" tab. Four sort options may be included from the list. Page Eject may be selected on the first sort field. Ex: If the report is to be arranged first by Location, then by Item Types, then by Item #/Sub #, highlight Location, click Add. Do the same for Item Type and Item#/Sub#. Once the sort options have been added, highlight Locations, (Now displayed under the "Included" section), and check Page Eject.. Running the report by Location, Program and Item#/Sub#, will allow going to one location to find the items for that program and count them.

· Select

This tab is where the filter is selected. It will only print the options chosen. The select fields, which are user defined, will determine what items from the Physical Inventory (PI) file will print on this report. Ex: If a single location is selected, it will search the PI file and only print items which have that location on the item master.

3. Enter Inventory Count

After the inventory has been counted, the quantities will need to be entered into the software. This is done through the Enter Inventory Count option located below Physical Inventory Maintenance. This screen has two tabs.

The first tab is Sort. The Sort tab will arrange the data entry count screen. For optimal efficiency the Sort tab should be arranged the same as the Count Report. The second tab is "Other Options." This is where the data entry person will enter their initials and Counter ID. If verify count was selected in Create A Physical Inventory File, the operator will have the ability to select which "Count Type" is being entered, either "Enter Counts" or "Verify Data." This screen also allows a choice of whether or not to allow multiple tag records. Multiple tags are created if you store this item in different size packs and count is entered for each pack. If this option is selected new tag records may be added for an item already listed on the screen.

Once the selections are complete, click OK. The system will then display the data entry count screen.

Enter Inventory Counts

To enter the counted quantities highlight the item and click edit. The cursor will be in the count field. Enter the quantity and tab to the I/C field. This field stands for "Incomplete" or "Complete." If the count entered is greater than zero and data verification wasn't chosen the system will automatically place a "C" in the field. If the count is zero, then system will automatically place "I" in the field. If zero is correct change the "I" to "C." Press Enter to move to the next item. Once all the counts have been entered, click Cancel. If the operator needs to exit out of the Enter Inventory Count screen, click Cancel. Then click Close. All information entered to this point will be saved except for the line that was cancelled. This feature will allow exiting for the day and finishing the next day. Items entered with an incorrect count can be corrected, if they have not been posted.

· Entering Case counts

When entering in case counts, do not use the Count field. Tab through the count field, leaving it blank. The "I/C" field will need to be filled in. Tab to Pack 1 and Pack 2 fields. In the NAME field enter in the type of pack. For example: Box, Case, Pallet, etc. In the Piece/Pack field, enter the quantity which is contained in each Pack. In the # of Pack field, place the number of Packs counted.

· Adding Multiple Tag Records

To add multiple tag records for one item, Allow Multiple Tags needs to be checked on the Other Option tab. When adding multiple tag records, the

system will require the entry of an item number from the previous screen. Then enter all other information according to loose count or Case count method.

Note: *Multiple tags are useful when inventory is found in multiple locations in the warehouse. If a recount is required, the validation of each location is easier.*

· **Data Entry Verification**

This option is the same as the previously mentioned methods. There are only two differences. The first difference is located on the “Other Option” tab. You will have the ability to select Verify Data and enter a different set of initials and ID number. The second is actually entering in a loose count. If your count does not equal the first count the system will automatically enter in “I” for incomplete. For Case counts you will have to manually change this field to “I” or “C.” The system will not change it for you.

4. Physical Inventory Edit Report

This option is located below Entering Inventory Count.

This screen contains three tabs: Sort, Select, and Print Options. Sort and Select are the same as in Step Two, Produce Inventory Count Report. Print this report the same as the count report. The Print Options tab allows printing items with deviations greater than either a dollar amount or certain percentage, Customer owned only, House owned only, Both Customer and House owned inventory, as well as Excluding Uncounted Zero On Hand items. Select a report type: Summary, Detail, or Data Entry/Verify. This report can be ran multiple times before the Items have been posted.

Optional Step

Physical Inventory Maintenance: This option is used only to add new tag records for items which were not included in the creation of the physical inventory file, and to correct counts which have not been posted.

- To add a new item into the physical inventory file, Click Add. A new screen will appear. Enter the item number. Click Add. There are several fields which will activate. These fields will be the same as in the

Enter Inventory Count screen.

- To edit an existing item, display the item you wish to edit. Then click Edit.

All the same fields will be activated which appear in Enter Inventory Count screen.

Note: *If you use the Physical Inventory Maintenance option the Physical Inventory Edit Report should be run again.*

5. Post Count to Inventory

This option is found under the Physical Inventory Edit Report. The post count option can be run more than once during the physical inventory. This option will only post items, which are marked "C" in the physical inventory file. This allows posting counts as they are entered and reviewed, instead of having to wait until all item counts have been entered, reviewed, and/or corrected. This screen allows sorting of the post count journal eight different ways.

Choose the sort option which will make the most sense six months from now. This makes researching of the items easier, if there are any problems. Once the report has been printed, the inventory will be adjusted accordingly. LIFO/FIFO records will be increased/decreased depending on the LIFO/FIFO records on hand quantity. A journal entry will also post to the Inventory and Inventory Adjustment accounts for the difference. (See your Company Information Screens for standard default General ledger Account numbers.

Note: *Only run this Option if the Physical Inventory Edit report has been run and you are sure the counts are correct. To adjust any quantities after the counts have been posted, an inventory adjustment must be done.*