Taking a Physical Inventory
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April 3, 2014

Taking a physical inventory is vital to keep your cost of materials, gross profit, and available inventory accurate.

Daily Procedures to improve Inventory Control

- Use of the picking ticket will ensure that proper warehouse procedures are being performed to both disperse and return inventory.
- Set and enforce a policy of using picking tickets. Nothing leaves the warehouse without being properly documented on a picking ticket.
- Ensure warehouse management and support staff follows picking ticket rules.
- Document all inventory discrepancies such as shortages on the picking ticket. Route back to the appropriate person to make an inventory adjustment.
- Ensure that all roll goods in the warehouse have computer generated roll tags on them.
- Ensure that all items in the warehouse have computer generated item tags on them.
- Periodically check items and rolls for tags between count cycles.
- Enforce a neat and well organized warehouse.

Pre-inventory Procedures

Inventory

- Ensure that all items and roll goods in the warehouse have computer generated roll tags on them.
- Determine how you will code the inventory as counted to prevent duplicate counting. Will you use a specific colored marker or stickers? Mark each as counted. Check out www.uline.com for great inventory sticker options.
- Print undelivered sales. Make sure all jobs that can be are jobcosted.
- Segregate any material that has been returned as excess materials from a job site or a cancelled job, but not checked back into inventory. This material should be excluded from your counts.
- Segregate material that has been cut, but is still in the warehouse. This material should be excluded from your counts.

Range Reports – Inventory, Reports Menu

- Range print inventory for balances starting at below -.01. This will search RFMS for any negative balances. Research any large balances. Correct all to a zero balance as needed.
- Range print roll balances for amounts from .01 to 3 feet. Management should select any amount at which roll goods are not saleable. Adjust these to zero as needed.

Material Analysis Report – Sales Reports, File menu

- Print a Materials Analysis report. This will allow you to confirm that individual order lines are in proper status. Improper line status during physical inventory can cause serious issues, such as inventory doubling. Verify all inventory has actually left the warehouse or is in a staged area to go out. This will eliminate the chance for counting inventory on a picking ticket that has not yet been physically taken to the stage area.
  - Sort Order: Sales Rep - This allows you to hand this report to the individual reps to review.
- Line Status: Select only Cut and Delivered - We want to review these orders and determine why these are in this status and confirm they are correct.
- Product Codes, Sales People, Customer Type, Fiber: All

**Physical Inventory Cycle**

Print Inventory Physical Reports as follows. Depending on the number of teams, consideration must be given as how to print the inventory count lists. Tag or mark all inventory when counted. Keep the following reports for a period of time as instructed by your CPA.

**Roll Inventory Options**

*Inventory/Reports/Roll Inventory Physical Report*
- Print out by store code.
- Print out by location within store code for multiple teams in a store.
- Print out by range printing by roll number for multiple teams

**Item Inventory Options**

*Inventory/Reports/Item Inventory Physical Report*
- Print out by store code
- Print out by Product Code
- Print out by location within store code for multiple teams in a store.

**Physical Count**

Perform the physical count. Write counted balances on the count sheets.
- Do not allow inventory to move from an area until it is counted and marked on the count sheets.
- Do not allow any material to be received, removed or transferred until the inventory counts are completed and audited. We are trying to get a snap shot at a certain point of time, and if any materials are moving, we won’t get the right picture.
- Don’t forget to check for any materials stored off site in another warehouse, outside container or at a vendor location (sometimes the mills will store a truck load of carpet or pad until the client calls for it – it has already been Received and paid for, it is just not inside the warehouse)
- Verify that any goods on consignment are not counted by mistake

Once all inventories have been counted, perform the following procedures to double check:

1. Visually scan the physical inventory to ensure that all rolls and items have been marked as counted.
2. Scan the count sheet for any inventory that has not been counted. Investigate as to why the inventory was not counted. Did you miss it, fail to mark it as counted or is it missing?
3. Once you are satisfied the count is complete, begin the adjustments process in RFMS. Go to either Roll or Item inventory, find the incorrect record, and use the adjustments button (hammer and screwdriver) to fix the quantity. At this point all discrepancies should have been investigated.

**Inventory Adjustments**

- Scrap, Shortage, Sample, Replacement – simple adjustment to fix available quantity. No difference between the type.
- **You can now define your own inventory adjustment types accessed under File in Inventory module. Like Spring Inventory 2014.**
- Transfer – allows you with various options.
o Item Inventory – Allows you to move the roll (all or some of the balance) to a new record in item inventory. Very useful for remnants.

o Another Roll, Another Item – move some or all of the quantity to a new roll or item.

o Remove from Inventory – zeros out available quantity.

o Another Store – transfer some or all of the quantity to another store code.

After the count has been completed the count sheets must be updated in RFMS using the adjustments tool. Adjustments can be viewed from the File menu – Adjustments. Reports of adjustments can be run from the Inventory module, Reports – Inventory Adjustments. It is recommended that someone review inventory adjustments at least monthly to determine if all adjustments are valid. Inventory adjustments can now be sorted by adjustment type.

**An Easier way? Bar-coded Physical Inventory**

Barcoding of inventory couldn’t be any easier in RFMS. Start by printing inventory tags as materials arrive. When it’s time to perform the count, use the tricoder to scan the barcode on each tag and input the quantity on hand. When you have finished your spot count or your complete store, upload the data from the your iPad or tricoder into RFMS. The best part? The RFMS will make the inventory adjustments for you! Saves a tremendous amount of time when performing inventory counts. To learn more, contact your RSA or read more about the tricoder at: [http://www.rfms.com/Support/Documentation/barcodedinventory.pdf](http://www.rfms.com/Support/Documentation/barcodedinventory.pdf)

***iPad requires remote desktop application and external barcode scanner (see links below) and the StockTake program, available from RFMS***


**Worth Tricoder**

**Track excess materials**

Materials are often returned after a job is completed and that inventory needs to be accurately accounted for. Before inputting back into RFMS you need to decide if the customer’s order will receive credit for the material or not. Simplest way to track is to use picking tickets (yesterday’s as materials were released) and handwrite in it the materials returned. Printing the picking ticket with SRN option turned on makes this even easier.

1. If you wish to NOT charge that material the customer’s order, simply edit their order in order entry by either adding an additional line at a negative quantity. If they are getting credit, input a dollar amount for the line. If not, leave the dollar amount as zero. When adding the line, simply type the letter I and the SRN
number on the picking ticket (for example I52145), then press TAB, the exact line from inventory is added to your order.

2. If you wish to charge that material the customer's order, leave the order in order entry intact. Next you will need to put the material back into Inventory using the Return/Found Inventory option under the Utilities menu. You must know what cost will be input. **This has tax and sales/use tax ramifications!** If you have questions, discuss with your CPA.