AutoPoint® Evolution – Physical Inventory Outline

Last Updated October 7, 2009

amador business computers inc.

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When running the Physical Inventory Process there are a number of aspects to keep in mind, these are outlined below along with the processes used.

The Physical Inventory File contains the following fields that are of interest:

a. Item Abbreviation & Condensed Part Number.

b. Quantity on hand before inventory check (Quantity On Hand): the QOH last "frozen" or "re-frozen".

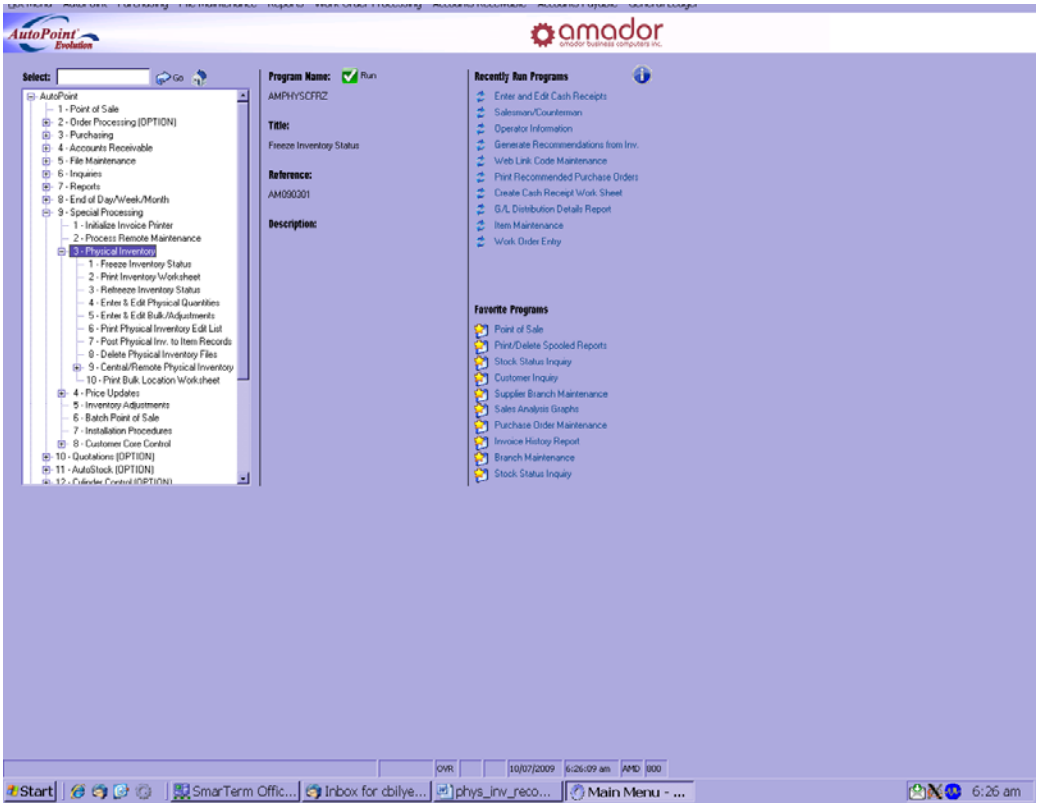
c. Item count as of inventory check (Item Count): physically counted quantity that will be keyed in under "Enter & Edit Physical Quantities".

d. Bulk count in another location of the same item (Bulk Count): physically counted quantity that can be keyed in under "Enter & Edit Bulk/Adjustments".

e. Warranty on Hand before inventory check (Warranty On Hand): the Warranty QOH last "frozen" or "re-frozen".

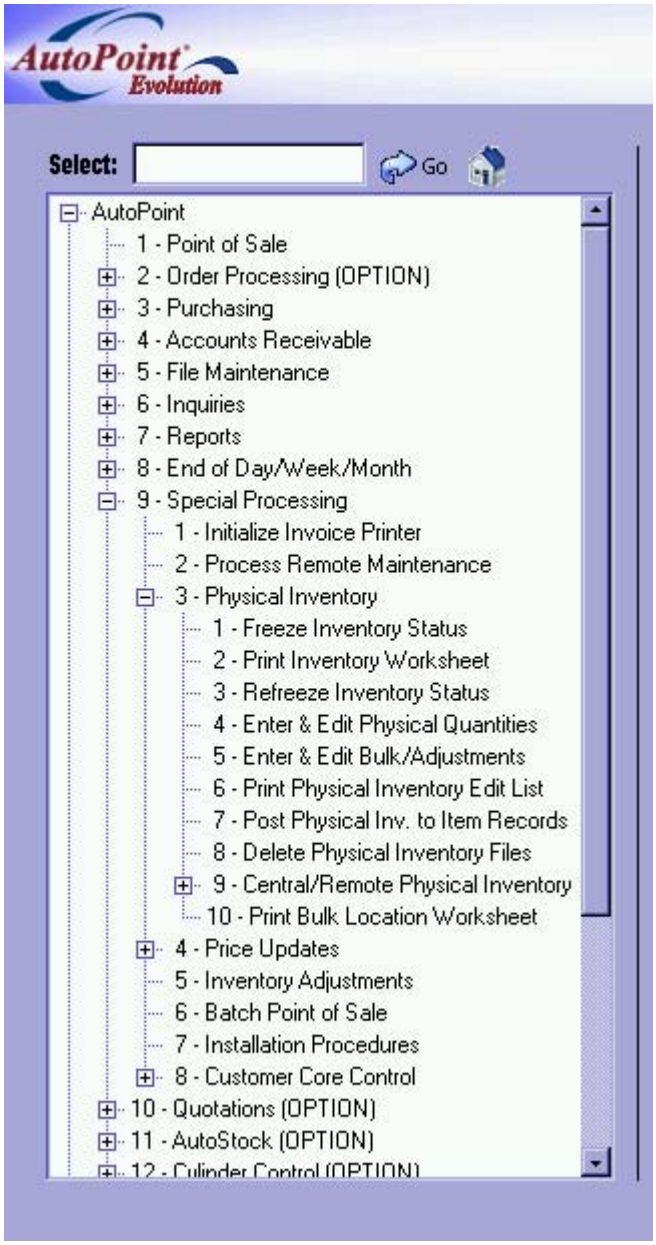
f. Warranty count as of inventory check (Warranty Count): physically counted Warranty quantity that can be keyed in under "Enter & Edit Physical Quantities".

g. Flag fields: several fields used to track the status of each item in the Physical Inventory File, with respect to whether the item has been printed to a worksheet, whether its counts (inventory & warranty) have been entered and whether it has been posted.



Freeze Inventory Status:

The "freeze" does not actually freeze or stop anything. It merely creates the Physical Inventory File if it does not already exist. The freeze then adds to the file copies of each item's information, Item Abbreviation, Condensed Part Number, current QOH and current Warranty OH, for the range of product lines selected when running the "freeze". It thus amounts to a snapshot of the present quantities. Any time the Physical Inventory system uses the term "freeze", it really means "copy".



Print Inventory Worksheet:

Printing of the Inventory Worksheet provides a list of the items in the physical inventory file for handwriting physical counts.

Print Bulk Location Worksheet:

Printing of the Inventory Worksheet provides a list of the items in the physical inventory file for handwriting physical counts. This second list would be used to count separate bulk zones so the manual task of adding different locations' quantities together on one worksheet can be reduced or eliminated.

Refreeze Inventory Status:

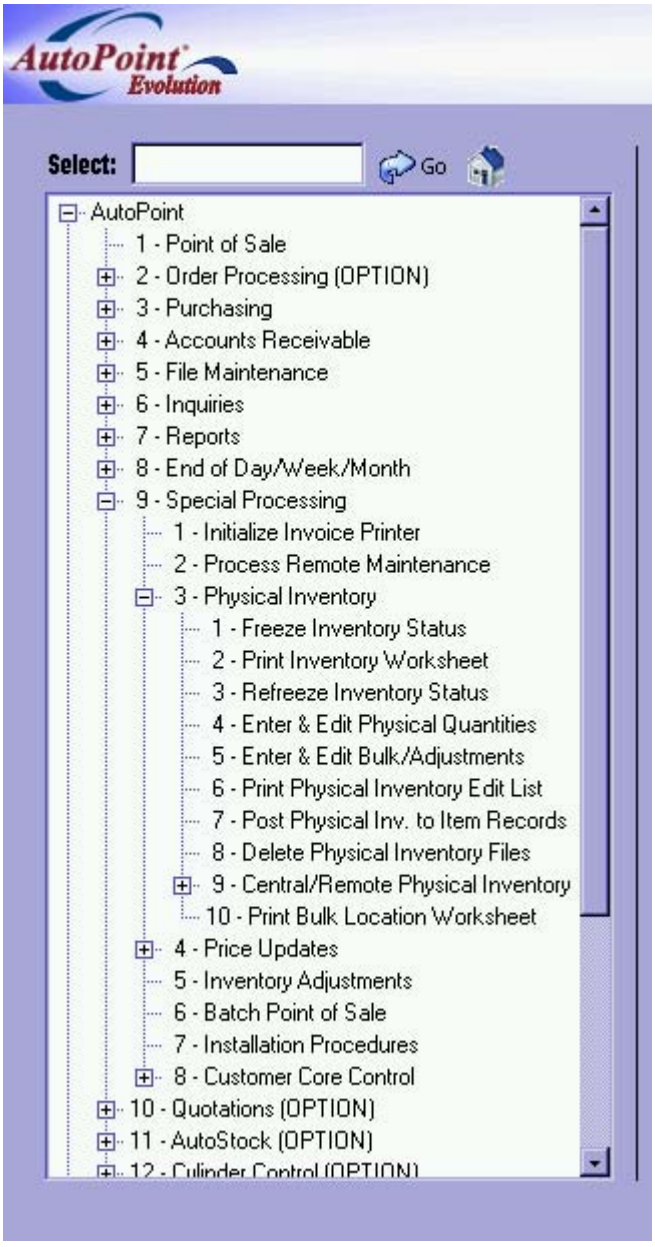
The "re-freeze" does not actually freeze or stop anything. Except for the fact that it acts only on an existing Physical Inventory File and the items already in it (as opposed to creating the file if it does not exist and adding items to it), the "re-freeze" does the same thing as the "freeze", copying current On-Hand and Warranty quantities from the items to the copies of these items in the Physical Inventory File.

Enter & Edit Physical Quantities and
Enter & Edit Bulk/Adjustments:

The Enter & Edit Physical Quantities step is best done as the first pass through entering counted quantities, as it jumps to the next item in the sequence of the worksheets. Enter & Edit Bulk/Adjustments is then done to include physically counted quantities in alternate locations as well as any corrections being made to the physical counts. Enter & Edit Physical Quantities changes the quantities in the Physical Inventory File's Item Count and Warranty Count fields, while Enter & Edit Bulk/Adjustments changes the quantities in the Physical Inventory File's Bulk Count field only. When "Print Physical Inventory Edit List" or "Post Physical Inv. to Item Records" are run, the Item Count and Bulk Count quantities are added together as there is only one QOH field that they relate to.

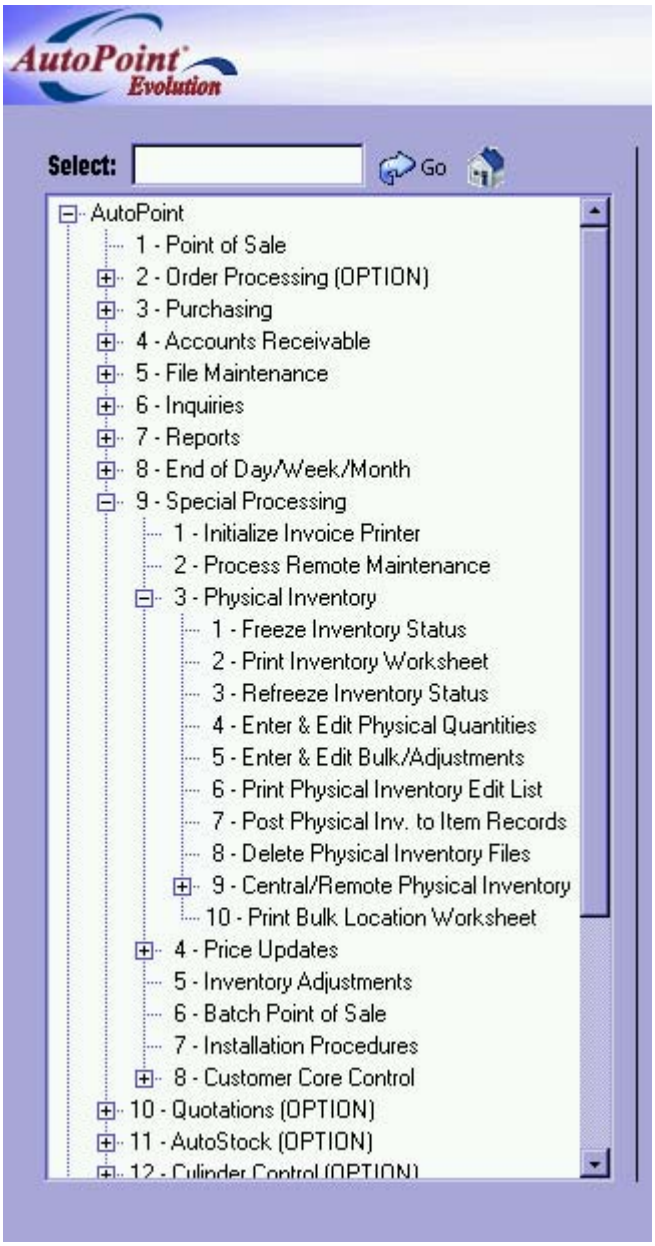
Print Physical Inventory Edit List:

The Edit List provides a comparison of the sum of the Item Count and the Bulk Count to the "Quantity on Hand before inventory check" in order to provide variance information. A comparison of the Warranty Count to the "Warranty on Hand before inventory check" is used to provide variance information with respect to Warranty information as well.



Post Physical Inv. to Item Records:

Compares the sum of the Item Count and the Bulk Count to the "Quantity on hand before inventory check" and posts the difference between these two as an Inventory Adjustment of type "P" to the item's Quantity On Hand, which can be seen as part of the detail history of an item in Stock Status Inquiry. Also compares the Warranty Count to the "Warranty on Hand before inventory check" and posts the difference between these two as an Inventory Adjustment to the item's Warranty Quantity On Hand, but this Inventory Adjustment is not visible in Stock Status Inquiry because it was not a change to the item's QOH field. Once an item in the Physical Inventory File has been posted, it will not post again, even if changes are made to its Item Count after it has already been posted. If an item in the Physical Inventory File has not yet had its Item Count entered, it will not post. These two rules are controlled by the flag fields mentioned earlier, as these fields track which stage each item is at in the Physical Inventory process. The key to understanding the Post is that it does not replace any quantities but rather adjusts them by the differences between the last "frozen" (or copied) quantities and the physically counted quantities.



SUGGESTED CYCLE COUNTING PROCEDURE:

1. Run a "Negative Quantity On Hand Report" and use it in combination with staff feedback on which product lines appear to have skewed quantities but whose receiving and order picking are basically caught up. This will determine which product lines need to be counted the most urgently.

2. Keep a spreadsheet list of all your product lines, where you log the date when each of them gets included in a cycle count. You can alternate sorting of this spreadsheet between product line (for ease of reading) and last count date (to find product lines that have not been counted in a long time). This will permit you to enforce any policy you may have as to the minimum frequency of Physical Inventory on any product line, even those whose quantity problems do not show up on any "Negative Quantity On Hand Report" or in discussions with staff about which product lines need to be counted.

3. Appoint staff to do the cycle counts during business hours or on odd-hours shifts as you prefer. This procedure allows for the cycle counts to proceed during business hours if desired. The appointed staff should be able to complete a cycle count within a single business day in order to keep this procedure practical. The more preparation they are able to do before doing the "Freeze Inventory Status", the better (eg: pre-counting, tidying shelves/displays, moving misplaced product back to its correct location and placing same-numbered items together) to speed up the counting process.

4. Finish any receiving and order picking related to the product lines to be included in the cycle count. If the order picking and closing cannot be finished first, some of the steps later in this procedure will allow for this. However, the more of the order picking and closing that is done, the easier this procedure will be on the staff. For receiving, any received Purchase Orders' goods must be put away on the shelves before counting can begin and any non-received Purchase Orders' goods must be kept in an area that is known to be "not yet in stock", such as being left on the Receiving dock, and these non-received purchase orders must not be received until after the cycle count is finished.

5. Ensure that any existing Physical Inventory File has been finished with and run "Delete Physical Inventory Files" to remove it if not already done.

6. Run "Freeze Inventory Status" on the selected product lines.

7. Run "Print Inventory Worksheet" on all product lines in the Physical Inventory File. It is recommended to not print Quantity On Hand on the worksheets, as counters are more accurate when they work from the shelf to the worksheet and not vice versa.

8. For any open orders that contain items from today's counting product lines, where these items have already been shipped to the customer, close the open order if possible. If this is not possible, then list these items and quantities for later addition to the item counts and do not allow this open order to be closed until after the "Refreeze Inventory Status" has been run.

9. For any open orders that contain items from today's counting product lines, where these items have NOT already been shipped to the customer, their status depends on whether or not they have been picked. If they have been picked, close them if possible and put the goods in an area that will not be counted, such as the Shipping dock or the pick-up shelf. If it is not possible to close them, list them with their quantities for later addition to the item counts, put them in an area that will not be counted, such as the Shipping dock or the pick-up shelf and do not allow this open order to be closed until after the "Refreeze Inventory Status" has been run. If they have not been picked, you need only delay their picking until the "Refreeze Inventory Status" has been run.

10. Mark off the areas to be counted and place a clipboard at each area. Staff will add to this clipboard any items they sell before this area (and specifically this item) has been counted. Plan the method of marking "areas to be counted" as well as the method of marking "areas already counted" so that sales and order picking staff can tell when an item is part of the current cycle count and can also tell whether the item has been counted. This can be simply hanging the clipboard in a place that makes it apparent that this shelf or display is being counted today and then removing the clipboard when the area has been counted. This way, the sales and order picking staff can add the picked quantities to the clipboard based only on whether the clipboard is still there. This of course assumes that the counter(s) will stay at this area once started counting it, until they are done counting the area and are ready to remove the clipboard. This is critical to preventing items being added to the clipboard when they should not or being left off it when they should be added. Keeping the areas small and the counters focused on their task is the heart and soul of successful cycle counting, along with pickers keeping the discipline to add to the clipboards any items they pick which have not yet been counted.

11. At the same time as the clipboards are placed at today's counting areas, run "Refreeze Inventory Status". It is critical that these two events happen at the same time, as it is based on these newly copied quantities that the picking staff are now adding items not yet counted to the clipboards.

12. Proceed to count each marked area and remove its clipboard when the area is finished being counted.

13. Order pickers add to the clipboard any items and quantities they pick.

14. Once you have begun counting, do not again Re-Freeze any of the product lines in the cycle count.

15. When all areas have been counted, add to the count sheets the quantities from the open-order lists you created in steps 8 and 9 above. Then add to the count sheets the quantities from the clipboards. Counts should be marked on the count sheets just below the line so there is room to add quantity from more than one source. This way, the total quantity field on the count sheet ends up with only one number written in it and this reduces time and errors on keying in the counts. For example, if an item had a clipboard entry of 2, a shelf count of 9 and open order counts of 4 and 2, then the line below it on the count sheet would look like: 9 + 4 + 2 + 2. We assume the count sheets will be printed double spaced as prompted so there is room for this.

16. Add up the quantities for each item on the count sheet and write them in the total count field. For the above item, we would write 17 in the total count field.

17. Key in the counts using "Enter & Edit Physical Quantities". Note that this program moves through the items in the same order as they appear on the count sheets, so you do not have to key in any part numbers and can get through this step very quickly and accurately.

18. If you have other quantities to add, use "Enter & Edit Bulk/Adjustments". You could use "Enter & Edit Bulk/Adjustments" for the clipboard and open order quantities instead of doing the adding process in steps 15 and 16, if you prefer entering part numbers to adding up counts on one sheet. "Enter & Edit Bulk/Adjustments" is also used for entering count corrections after counts have been audited.

19. Run "Print Physical Inventory Edit List" and audit counts as required, using "Enter & Edit Bulk/Adjustments" to make any corrections arising from the audits.

20. Run "Post Physical Inv. to Item Records" to post any differences between the last copied ("frozen") counts and the counted quantities to the items themselves.

21. If you do not have a Physical Inventory Clearing Account set up in A/R Control, use the grand total Variance Dollars from the Posting List to do a journal entry that implements the change in inventory value that resulted from this cycle count. If you do have a Physical Inventory Clearing Account set up in A/R Control, the system will do this for you when the next end-of-day is run, using this clearing account and the inventory account.

22. When you have finished with this cycle count and before beginning the next cycle count, run "Delete Physical Inventory Files".

Should you have any questions, concerns or need clarification on any of the above please contact Customer Care at 780-483-2727 or 1-800-661-2727.