



# Taking a Physical Inventory

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June 14, 2018

**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 should leave the warehouse without being properly documented on a picking ticket.
- Ensure warehouse management and support staff follow picking ticket rules. Print Cut Lines only.
- 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. Replace missing tags promptly.
- Enforce a neat and well-organized warehouse.

## Pre-Inventory Procedures

- Pre-determine the date of the inventory count several weeks in advance so that everyone involved can be notified.
- Assign an independent person to manage the inventory count.
- Establish teams to do the physical count and decide which products or areas each team will be responsible for counting.
- Decide on a visual marking system to identify the materials that have been counted.
- Purchase/Assemble needed supplies before inventory date (pencils, clipboards, calculators, tags or markers, etc.)
- Double check that all inventory has computer generated roll/item tags on them.
- Segregate material that has been cut for jobs but not yet taken out of warehouse. Exclude this material from the count.
- Segregate any excess materials returned from jobs but not added back to inventory. Exclude this inventory from the count.
- Print Open Orders report and Jobcost all orders that are ready to close out.

## Pre-Inventory Reports

### Range Reports - Inventory, Reports Menu

- Range print all inventory for balances 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 inventory balances for amounts from .01 to say 3 feet. Management should determine the amount at which roll goods are not saleable. Adjust these to zero as needed and remove pieces.
- Range print cut and delivered inventory. Review with your warehouse manager. 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.

### 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.
  - 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 Reports

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 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 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:

- Visually scan the physical inventory to ensure that all rolls and items have been marked as counted.
- 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?
- 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.
- Printout the adjustments report. Scan for obvious keypunch errors. Review total adjustment amount for reasonableness.

## Inventory Adjustments

Scrap, Shortage, Sample, Replacement – simple adjustment to fix available quantity. No difference between the type.

Transfer – allows for various options.

- 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.
- Another Roll, Another Item – move some or all of the quantity to a new roll or item.
- Remove from Inventory – zeros out available quantity.
- Another Store – transfer product to another store.

The screenshot shows the 'Adjustment' dialog box in RFMS. The dialog box has a title bar 'Adjustment' and standard window controls. It contains several fields: 'Adjustment Date' (03/16/10), 'Customer Invoice #' (empty), 'New Amount Avail' (0.00), 'Adjustment Type' (Transfer), 'Transfer Destination' (radio buttons for Another Roll, Another Item, Remove from Inventory, Another Store), and 'Transfer to Another Item' (fields for Lading #, Pr Code, Item #, ID Info, Location, Unit Price, and Comments). The 'Another Item' radio button is selected. The 'Lading #' field contains 'BL000016-0004'. The 'Pr Code' field contains '13' and 'F8'. The 'Item #' field contains '0719160'. The 'Unit Price' field contains '\$0.00' and 'F8'. There are 'OK' and 'Cancel' buttons at the bottom right.

## 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 and handwrite on it the materials that were returned.

1. If you wish to NOT charge that material to the customer's order, simply edit their order in order entry by 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.
2. If you wish to charge that material the customer's order, leave the order entry lines intact. Next you will need to receive that material in Inventory using the Return/Found Inventory utility. You must know what cost will be input as this has sales/use tax ramifications! If you have questions, discuss with your CPA.

## An Easier way? Bar-coded Physical Inventory

Barcoding of inventory can't be any easier in RFMS. Start by printing inventory tags as materials arrive. When it's time to perform the count, use the RFMS 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 Tricoder into RFMS.

The best part? The Tricoder 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:

<https://rfmsinc.zendesk.com/hc/en-us/articles/201621736-Barcoded-Inventory-User-Guide>

