Physical Inventory Counts

Introduction

This E-Learning covers the physical counting of inventoried items for cycle counts. These cycle counts are of items inventoried in Steeped ERP database, which is used to true-up the database for accuracy and for ensuring the accuracy of financial reports at the end of each period (Quarterly/Annually).

The methods described here do not include consumable inventory counts of non-inventoried items, or counting of equipment, utensils, or other assets that are needed to be accounted for on the financials. This course will cover types of inventory, roles and responsibilities for counting, and the process for conducting double-blind counts.

Roles and Responsibilities:

Role	Responsibility	Frequency
Supervisor	Accountable for successfully completing the count.	As needed, follow the schedule communicated by the Finance Lead.
Inventory Control Specialist	Owns the count sheets.	Each count.
	Compiles team counts and identifies inconsistencies.	Each count.
	Consolidates recount items onto a new count sheet.	Each count.
	Reports on final counts and investigates any major variances from database numbers.	Each count.
Material Handlers	Pull and organize items to be counted.	Each count.
	Returns items whose counts have been completed and approved.	Each count.
	Physical counting & recounting of inventory.	Each count.

Materials Needed:

- For Year-End: Printed Count sheets (A / B / C / Recount)
- Quarterly: Tablets
- Scales (can weigh up to 50 Lbs.)
- Safety cutters
- Tape and tape applicators

Types of Inventory:

Inventoried vs. Consumable vs. Asset

Inventoried:

Inventoried items are tracked in the ERP. They are parts of Bills of Materials in the database and are received and/or shipped on Purchase and Sales Orders in the database. The purchase costs, value, material cost, & sales income of these items are tracked on financial reports.

Types of Inventory:

Inventoried vs. Consumable vs. Asset

Consumables:

Consumables are items that are either incidental (low cost) or are used so widely that they are not able to be tied to the cost of producing a particular item. (i.e. gloves) These items may be indispensable to be able to do work at the plant or maybe various office supplies. These items will get inventoried, but are not a critical aspect of cycle counts or physical inventories.

Types of Inventory:

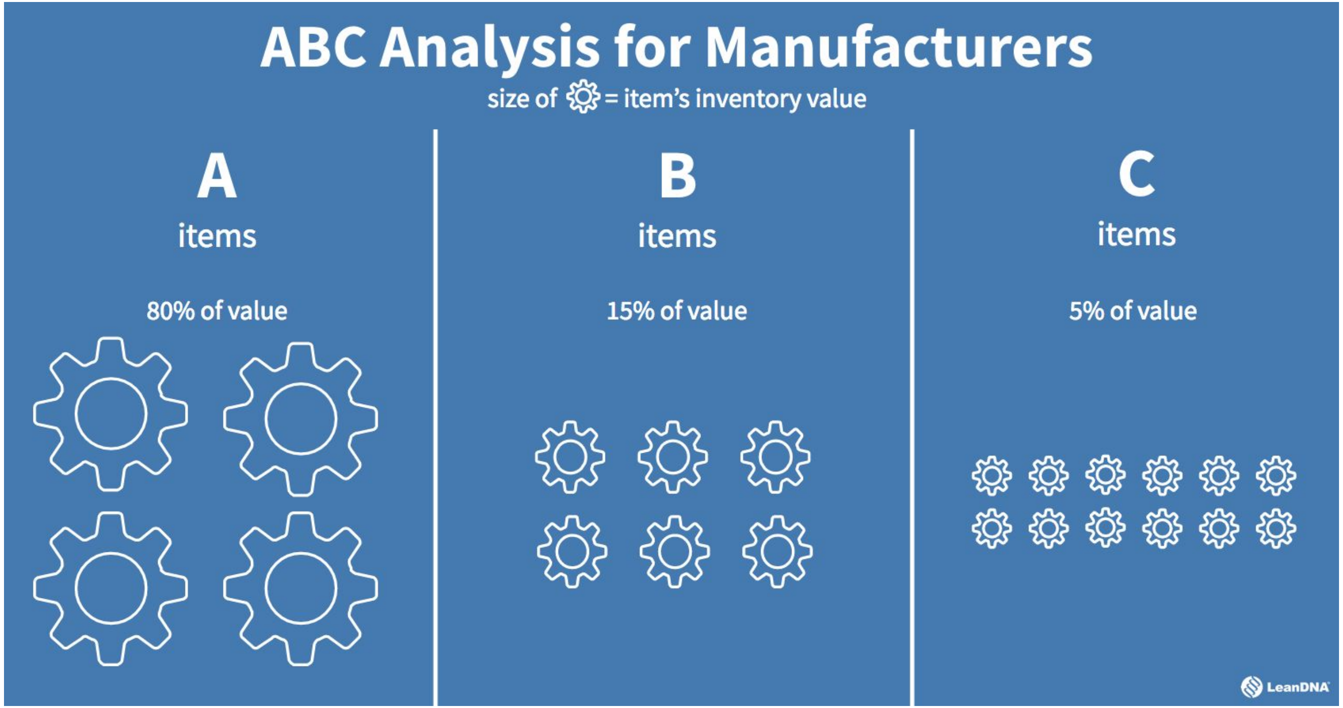
Inventoried vs. Consumable vs. Asset

Assets:

Assets are generally items of a higher cost like machinery or technological hardware, but can include smaller utensils as well. Inventories of assets are important because their value at purchase is tracked in financial reports and get depreciated over time until the entire value has been accounted for.

ABC's of Inventory:

ABC inventory is an approach to inventory where items are classified based on value; whereby inventory count frequency will be influenced by the value of the item.



A = items make up the largest value of inventoried items, and frequently will be the lowest in quantity.

B = items are of medium value and make up a little more in quantity than the “A” items.

C = items are generally inexpensive but will be the greatest in quantity.

When doing cycle counts, we will count “A” items with a higher frequency than “B” or “C” items.

Examples of ABC items at Steeped, Inc.

A	B	C
Packaged Individual Packs Packaged Retail Cartons Completed Mastercases Finished Good inventory	Filter Film Printed Retail Cartons Mailer Boxes	Corrugate Bubble Mailers Compostable Mailers 36” x 36” liner bags

Organization of Items:

1. Material Handlers should pull items and place them together on the same pallet based on Product Category (A, B, C), while also making sure items are accessible to be counted.
2. Be sure to face all labels in the same direction so that they are legible.
3. Check with the Inventory Control Specialist and Supervisor to be sure items are placed correctly.

Cycle Counts:

During cycle counts,

1. Counters will be assigned products in Odoo. This view can be accessed by navigating to Odoo > Inventory > Inventory Adjustments > My Counts
2. The counters will then go and count the items and record the quantity for each item assigned.
3. If there are discrepancies then an investigation will be led by the Inventory Control Specialist and the Supervisor.

Blind Inventory Counts:

In a “blind” inventory count, the count sheets will not reflect the counts that are supposed to be in stock. This is done to minimize the chance of incorrect counts.

1. Count sheets with items to be counted, but no quantities, are given to the counters.
2. The counters count the items on the sheet, recording their counts.
3. If there are discrepancies when compared to the database; then an investigation will be led by the Inventory Coordinator and the Supervisor.

Double Blind Inventory Counts:

Double-blind counts have two different teams of counters counting the same items. Any items where the two counts disagree are re-counted.

1. *Count sheets with items to be counted, but no quantities are given to the counters.*
2. *The counters count the items on the sheet, recording their counts.*
3. *The Compiler & Checker will compile and check the counts making a new count sheet of items that need to be recounted due to the counts of the teams not matching.*
4. *The recount sheets are to the counters.*
5. *Repeat steps 2 - 4 until all counts match.*

Cycle Count Frequency:

Chunk A: Quarterly

Chunk B: Semi-Annually (every 6 months)

Chunk C: Annually

Cycle Count Calendar:

Q1: (Chunk A)

Q2: (Chunk A & B)

Q3: (Chunk A)

Q4/End of Year: (ALL Inventory)