

# Lakeshore Group, Ltd.

## Ideas for Taking Inventory

Taking a physical inventory at year end has two purposes:

- Basis for inventory cost presented in the year end financial statements
- Adjust the quantity on hand of each item for accuracy going forward

To achieve a good count there must be:

- Adequate preparation of the warehouse
- Good cut off
- A method to count every item once and only once

### Warehouse Preparation

For most this is the one chance a year to really get the warehouse clean, neat and organized which is essential for a good count.

- As much as possible physically place each item in one location.
- Organize the shelves, remove everything from the aisles.
- Clear the receiving and shipping areas.
- Stop all merchandise movement once the count begins.

### Cut Off

Cut off is **extremely** important. This is one of the key steps in having an accurate counting process.

Activity in the warehouse must stop completely while the count is being made--no shipments, no receipts.

Make sure everything that was shipped or received prior to the count is recorded in the system.

- Invoice every item shipped prior to the count.
- Enter receipts for all items received prior to the count

## The Counting Process

Count every item once but only once. It is easy to miss some items when counting or to count the same item twice, especially if the same item is in multiple locations or several people are counting.

The System supports a Tag System of counting.

Tags can be printed by:

- Item
- Inventory Types
- Vendor
- Warehouse Location

The tags can be divided among the individuals counting. Blank tags can be used for items that are in a second location. As the counters count the items for which they have a tag they will enter the count on the card and place it under the box with the card exposed. After all the cards are placed and all the items counted, the "pick up" will begin. Preferably supervisors will perform the task of walking each aisle picking up the cards and verifying the count on each card. If a box is not counted it will be obvious. The recount performed by the person picking up the tags does not need to be total. If on a test basis the count is accurate a reasonableness test should be adequate.

A tag will be printed for each item in the System. A separate card will be printed for each size and color. If the System has a quantity on hand the words "MUST COUNT" will print in the upper right corner. If the count yields -0- quantity for an item and "MUST COUNT" is printed on the card -0- must be entered as the quantity in the System.

A worksheet form can be printed if the choice is not to use the tag system.

Example of the tags (Avery #5392) and worksheet follows.

### Enter the Count:

To enter the count, go to:

- Inventory
- Miscellaneous Adjustments
- Enter physical inventory count

Each item can be entered with the location and count. If there is more than one quantity (ie, the item is in 2 places in the warehouse) the second can be entered and it will add to the first count.

More than one person can be entering data at the same time. However, if you are ready to do an audit or actual close, make sure everyone gets out of the transaction during this process.

You may go to "Print Physical Adjustment Journal" at any time and print an "Audit Only" version of the count. You should definitely print an "audit" version before you do the actual close. Look for large discrepancies and verify the count for any of these you find.

If you use the multiple warehouse location feature, you may want to enter one location's data, check it, then close it. Then, do another location. This is not a requirement, but a suggestion.

If necessary, you can enter new orders while the counting and data entry processes are being completed. However, do not ship or invoice or receive until you are finished.

If new inventory is received during the count process, move it to one side, clearly mark it as "do not count" and do not put it on the shelf until the entire physical inventory process is complete.

POSTER

ITEM # 550-515

TEE SHIRT XXL  
XX LARGE

ITEM # 550-517  
05

TEE SHIRT  
SMALL

ITEM # 550-516  
01

BEVERAGE HOLDER

ITEM # 550-518

MUST COUNT

TEE SHIRT  
MEDIUM

ITEM # 550-516  
02

FANNY PACK

ITEM # 550-519

BIN: 000000

TEE SHIRT  
LARGE

ITEM # 550-516  
03

SWEAT PANTS  
MEDIUM

ITEM # 550-520  
02

TEE SHIRT  
X LARGE

ITEM # 550-516  
04

SWEAT PANTS  
LARGE

ITEM # 550-520  
03

**SWEAT SHIRT**

**Item # 550-521**

**MEDIUM**

**SWEAT SHIRT**

**Item # 550-521**

**LARGE**

**SWEAT SHIRT**

**Item # 550-521**

**X LARGE**

**TSHIRTS**

**Item # 555**

**Blue**

**MUST  
COUNT**

**TSHIRTS**

**Item # 555**

**LAV**

**MUST  
COUNT**

**TSHIRTS**

**Item # 555**

**ORG**

**MUST  
COUNT**