Inventory Cost and Count
Turns Chaos to Clarity

Physical Inventory For DynamicsGP Tips and Tricks

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DYNAMICS GP PHYSICAL INVENTORY

25 TIPS FOR MORE EFFICIENT EXECUTION

We all understand that the physical count process can be completed under many different procedures. This list of 'tips and tricks' is designed to provide some best practices to apply when using the Stock Count procedure within DynamicsGP.

Section 1: Know Where it Sits

Physical inventory is the count and valuation of *all* your inventory assets. This means your process must include not just products sitting on store room shelves but also:

- Materials sitting in shipping, ready to go to customers.
- Materials at off-site locations.
- If you are a manufacturer, it will include materials that are part of a WIP (work in process), meaning any materials committed to a production cycle that has started yet not completed.
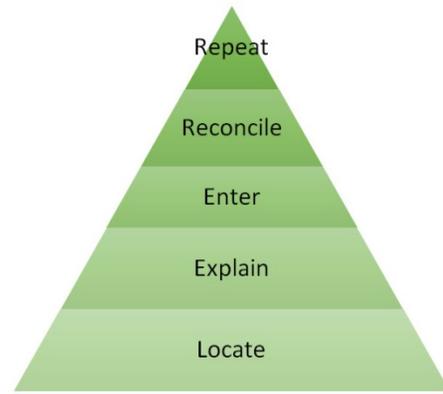
The first step is to know where each category or type of material is located and have a plan to count and value it in the correct time frame.

TIP 1: Match Sites and Bins

In DynamicsGP, inventory items with values and counts are always associated with sites. Therefore, the relationship to the site defines the overall hierarchy for planning your counting process. In some cases, users may have an additional locator in the form of a bin; there can be a default primary bin or there may be multiple bins. Control the thoroughness of your count by creating a cross-reference of sites and bins to the inventory type. Be sure there is a plan to identify and count everything.

TIP 2: Track WIP on Work Orders

Your manufacturing solution will have work orders for any products that are started but not finished. Be sure to generate lists of open work orders before inventory and track them down. Open work orders that did not get fully closed can create count issues. Be sure that every "in process" item has a copy of the work order attached and that it is marked to show dollar value of completion to-date. If you would like suggestions on how to do this, please contact us.

TIP 3: Track Inventory Held Off-Site with Contractors

If your processes require you to provide materials to contractors who are off-site at inventory time, then be sure you have transfer orders or work orders to cover those offsite activities too. A transfer order will show the value of the materials you moved to the off-site location. Remember - that value is just for materials, because you don't pay for the service of the contract work until the work is returned

complete. If you don't have a solution with *service PO* and *work order integration*, ask us for more information on how this capability might help.

 Off-site inventory may also include inventory held as consignment at third-party locations. Be sure to make arrangements with those third-party entities to count the items in their control. Include a set of instructions on how to count, including the lots numbers or serial numbers involved.

Section 2: Understand How the Functionality Executes

The functionality for adjusting count and valuation when processing physical inventory will differ from solution to solution. Designing and executing an efficient count and data recording process requires a good understanding of the software functionality.

In DynamicsGP, the count records are generated in the *count schedule* functionality. Here are a few logic processing things to know:

When the count schedule is initiated, the software populates a field named 'captured quantity' with the amount of material the system recognizes as being on hand in the designated location. Then the user accesses the entry forms via the Count ID and the designated sort-by selection. Data entry proceeds with users keying in the actual count found and verifying that the count has been entered. The verify step is very important as this is how the software is signaled that an actual count has been entered correctly.

When all the count data has been entered, the count is processed back to the database on a net change basis in real time. This means the data processed is the difference between the captured and actual counts. If inventory is found unexpectedly in one site, it will show as a positive adjustment. If it is not found at another site it will be a negative adjustment. There is capability to review the expected adjustments before writing them back to the inventory records. These adjustments feed the Inventory Variance Transaction report. Be sure to keep hard copies as part of the 'Fix' phase of your inventory.

TIP 4: No Transactions
Whenever possible, stop all inventory movement throughout the warehouse and complete as many pending transactions as possible. This basically means stop shipping and receiving. Process all picked/packed invoices and post them; segregate all picked/packed items on completed invoices (posted) and mark "not to count"; process and post all receiving entries and put the product away; issue and transfer any products in sufficient quantities to production areas to get through the counting

process. Stop production if at all possible. Be sure everyone on your team understands the status of materials within a given process as to *be counted* or *not to be counted*.

TIP 5: Understand Unposted Transactions

The "Unposted Transactions" lookup is important to understand, as it represents inventory that is between locations or sites. That means it might still be in its source location or it might have reached the destination. It is important that it be counted only once, so the system has to flag it. This is why it is best to shut down all unnecessary activity.

TIP 6: Define Count Schedule Sequence

There are a variety of methods for the user to select from when setting up the sequence for the count data. These methods are mostly for determining the default listing order of the items in the entry forms. Consider carefully the most likely count sequence of activities when selecting or setting up the count schedule. Also, be sure the individual count schedules don't get too long, as that can delay finalizing the counts.

TIP 7: When to Reuse a Stock Count

'Reusing the Stock Count' can be useful, but please remember that if any items were added into your system since the last time that Stock Count ID was generated or if various sites/bins were added, then that data will need to be manually added to the count records or they will not be included in the final count. Better to consider these existing schedules to be templates for the next physical count and expect to edit or delete them based on the results from the previous count experience.

TIP 8: Maintain Master Check List

Be sure to have count tags for each bin or location so you can be confident the entire warehouse is counted. Maintaining a master checklist to monitor when the various count sheets are released or returned is critical to ensuring that no checklists are lost and confirming all have come back, even if the count is zero for the bin. Including data on time will also help estimate expected completion and when or where to move resources.

TIP 9: Count in Base Unit of Measure

All counts are entered in the Base Unit of Measure. If the count is *10 cases* and the item's base unit of measure is 'each', then make sure the counter records the number of cases times the quantity in the case as the counted quantity. This will reduce count errors in a major way, especially if the person entering the count into the system is not the same person who performed the count. Be consistent with this issue. Have a 'cheat sheet' of the base units for all items available for a quick look-up during the count. This cheat sheet can be as easy as a Smartlist exported to Excel and printed in advance of the inventory event.

TIP 10: Customize your Count Reports

You really may want to invest in customizing the counting reports for your specific needs. Be sure the count tags include Site/Bin near the top and the line items include Item Number, Description, Lot Number, Lot Quantity and/or space to list out serial numbers, as needed. There should also be an area to input Total Count by Item (total of all lot quantities or serial numbers). The post-count debrief is a good time to review these documents and prepare for next year.

<h3 style="text-align:center">TIP 11: Lot and Serial Expiration Dates Reduce Confusion</h3>

Recording of lot expiration dates can be very helpful in determining similarly-numbered lots and preventing the need to return to a count site for clarification. This concept may also include other lot attribute tracking such as a Retest Date, Manufactured Date, or critical specifications such as *hardness*.

<h3 style="text-align:center">TIP 12: When to Mass Add</h3>

Use the Mass Add button on the Stock Count ID to build the list of items rather than trying to enter the items to be counted manually. These restrictions help to follow the organized breakdown of the various Stock Count ID's and tend to include all items that belong without leaving items out from a manual entry process.

Section 3: Data Entry that is Most Efficient

No one wants to spend a long time on the data entry tasks. However in order to make sure that all items are counted, even items that are not present the data entry staff has to key a value or confirm no value will be entered during the count entry process. There are a few steps you can take to make this both efficient and secure:

<h3 style="text-align:center">TIP 13: Save, Save, Save</h3>

Save the Count Entry screen often.

<h3 style="text-align:center">TIP 14: Clean the Data</h3>

Be sure to clean up item/site assignments before creating your count schedules. Mark sites where inventory is no longer used or found as inactive on the Site master record so that the count process won't create a count schedule. Also, unassign any item/site relationships where inventory is no longer carried so that the count schedule won't capture a *zero* quantity and require data entry to verify. This maintenance task is done using the Site Item Assignments form and the checkbox for Inactive Item/Site. If you are making these changes just for physical inventory purposes, don't forget to change them back after inventory is reconciled.

<h3 style="text-align:center">TIP 15: Limit Items in a Stock Count for Efficiency</h3>

Use multiple Stock Count ID's to break the counts into smaller organized groups of items. The groups should be organized into areas, aisles, etc. that make sense for how the warehouse is organized. Use Count ID names which help clarify the organized groups. Names like 'Cage', 'Refrigerator 1', 'Aisle 2', etc., help keep grouping organized. It also helps to make sure a count has been created for all groups. This will make it easier to monitor progress and also ensure that data entry processes don't become too lengthy on a single count schedule.

Remember that an item/site/bin combination can only be active on one Count ID at a time. This is to prevent duplicate counts of an item.

TIP 17: Include Date/Time in All Entries

The default count date/time can be input in the screen that opens next to the 'Document Date' field (blue arrow). This defaults the date/time to the line items during count entry, but only if a date/time had not been previously entered.

TIP 18: Sorting Bin Contents

When a bin count tag is input, sort the count by 'Site ID/Bin/Item Number' to easily identify all items in that bin. After the entry of the counted items, be sure to check the 'Verified' box to complete that bin's count. Doing this helps to reduce the time needed to go back to mark all items as 'verified' before the Count ID can be posted. It also helps to identify that that bin's count is complete and entered.

TIP 19: Verify Zero Counts

Marking an item as verified when it has a captured quantity of *zero* will calculate the variance and verify the item at *zero* counted in a single step. Since these items were not counted in the bin expected, it will create the reversal of that item, in that bin. This is the opposite effect of adding an item to an Inventory Variance Transaction to put the item into a bin where it was counted but wasn't expected to be (per the system).

Section 4: Reconciling the Count Adjustments

The concluding phase of physical inventory is processing all the transactions created when captured quantity and actual quantity don't match. These tasks represent opportunities for your team to investigate processes and fix errors so that the issues will not be repeated throughout the year. The impact of the reconciling transactions is both cost and count based, therefore, pay particular attention to the value of the reconciling transaction. If your item valuation methods are perpetual cost, then particular care should be given to the value applied to 'found' quantities when they are added back to inventory.

TIP 20: Review Adjustments before Posting

The 'Autopost Stock Count Variances' generally should not be used, as it eliminates the option to review the count results before posting. When not selected, the processing of a count will create an Inventory Variance Transaction into a batch for review before posting it into the system. Be aware that if this feature is selected, the batch that would be created is posted before it can be reviewed.

TIP 21: Transaction History Inquiry

The 'Transaction History' button can be very useful in determining if an item was actually received, shipped or adjusted which may have affected the count. Drilling into these transactions for further details is also supported.

TIP 22: Inventory Variance Transaction Batches

When items are counted in bins where they are not expected to be located (not in the Count ID), start an Inventory Variance Transaction to input the line item. Save the transactions in batches with the same name as the Count ID so all transaction will be grouped for posting and any validation that may be necessary.

TIP 23: Date and Time Help Track Moving Items

Entering the Count date and time for the line items can help validate timing issues if a count sheet is lost and a replacement has been added. If a variance show up, this will help pinpoint if an item has been moved before/after a count transpired and help clarify the result.

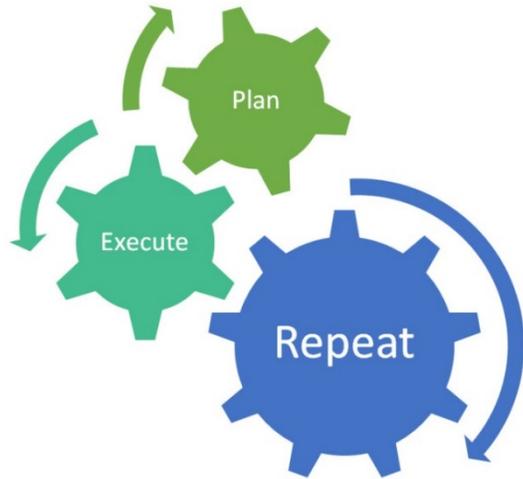### TIP 24: Unposted Transactions Information

Use the 'Unposted Transactions' button religiously to help determine if allocations are involved when variances occur. You can drill down through transactions to verify quantities on the various documents and ensure variances are adjusted correctly. This feature is very helpful when working with items that have allocations.

Section 5: Getting Ready for Next Time

The most valuable tip for Physical Inventory applies when everything is done. That's when you want to focus on two things: fixing any issues that were discovered and planning for next time. Be sure to schedule time with your team to debrief on the event. Before you start planning for the next count, you can review your debrief documents and incorporate those suggestions and solutions.

TIP 25: Use your Quality System to Improve

At your debrief meeting, you should ask for comments on what went well and what went poorly. Use this information to begin a list of actions to take to improve the results of the next inventory. It may take some time after the actual inventory is completed to review all the reconciliation transactions and to determine if corrective action is needed. A solid *improvement management* program will help you to track, execute and communicate on any actions needed. It will also help your team recognize the value of the physical inventory process for driving improvement.

For additional information on DynamicsGP Financial, Distribution or Manufacturing capabilities, please visit:

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