

Q&A from CO400 Year-End Physical Inventory Closing FY2022

Q: When should inventory be taken?

A: The physical inventory count should be performed as close to **June 30** as possible but no earlier than April 1. Schedule the date in order to give yourself time to prepare and to notify the State Auditor's office of the date and time that you plan to conduct the counts.

Q: When are recounts necessary?

A: A recount of inventory is necessary after an inventory count is taken and the material is shown on the differences report. This can be caused by several situations such as:

- 1) Overages.
- 2) Shortages.
- 3) Incorrect unit of measure used when counting.
- 4) Overstock not being counted.
- 5) Good receipts or good issues not being processed in SAP before counts.

All of these scenarios will have a financial impact to inventory.

Q: What are the proper steps to follow when you have stock discrepancies? Physical **versus quantity-on-hand?**

A: The steps you should follow when you have stock discrepancies for physical **versus** quantity-on-hand are as follows:

- 1) Create an inventory doc to recount the material(s).
- 2) Verify all items are correctly labeled and have been identified.
- 3) Review the base unit of measure.
- 4) Block materials to prevent a stock movement.
- 5) Have a third party recount the inventory.

Q: What do you do if you go over the maximum number of materials allowed on the physical inventory document? PPEs, etc.

A: The maximum number of materials on an inventory document is 333. If there are more than 333, the system will generate enough documents to accommodate the inventory. For example, 999 units of material would equate to three (3) inventory documents with three (3) different inventory document numbers. The system will generate a document that will be assigned to each physical inventory document.

The physical inventory documents for material reports can be run to display a list of physical inventory document numbers that have been generated for each material using transaction **MI22**.

Q: What is dead stock?

A: Dead stock is stock in the warehouse that has not been used for a specific period of time. The theory is that this stock is not required. The Dead Stock Report can be run using transaction **MC50**. This report can be filtered by the entry of the Plant or Sales Organization.

Q: How do you manage slow-moving inventory?

A: Slow-moving inventory is important to be managed as well. The Slow-Moving Inventory Report is used to analyze the period of last consumption for a material based on the indicated number of days.

NOTE: Slow-moving inventory should be monitored closely as these inventory items can take up valuable warehouse space and tie up capital. Use transaction **MC46** to monitor slow-moving material.

If the slow-moving material is no longer needed you may consider:

- 1) Scrapping the material.
- 2) Selling the material to another plant that uses the same material.
- 3) Surplusing the material to Surplus Property.

Q: How do you get rid of dead stock and remove it from your inventory?

A: There are multiple ways to remove dead/slow moving stock from your inventory.

- 1) You can transfer the stock to another agency that has a need and can utilize the stock.
- 2) Surplus the stock via Surplus Property.
- 3) Dispose of the stock directly using the scrapping process.

Q: How do you prepare for an inventory count?

A: Suggestions for preparing for an inventory count include:

- 1) Getting your inventory location organized. (For example, heavy items on the floor or lower shelves, quick-pick items by the door).
- 2) Removing/scrapping inventory that is damaged or not being used such as expired, dead/slow moving stock from inventory.
- 3) Locating, pulling and labeling overstock items.
- 4) Gathering and **COMPLETING** goods issues/receipts in SCEIS.
- 5) Labeling items with Units of Measure (UOM).
- 6) Creating a physical map. On the map organize the quick-picks, high inventory, soon to expire items, etc., in specific locations for easier access and ease of counting.
- 7) **BLOCKING** items being counted! This will limit the activity on the materials and aid in the accuracy of counting on-hand materials.

Tip: Build a favorites list in the system for all transaction codes listed in the CO400 Year-End materials posted (for example MI11 for recounts) for easy access.

Tip: Keep the number of people involved in the physical inventory counting process to a minimum. However, if there are discrepancies be sure to have a **third** party perform a recount of the materials.

Tip: During the year it is suggested that you **split** your inventory into thirds and do quarterly cycle counts. This will help to identify any materials you are having issues with, low stocks, over stocks, areas for improvements, and ensure stock on hand is as accurate as possible during your **year-end** physical inventory count.