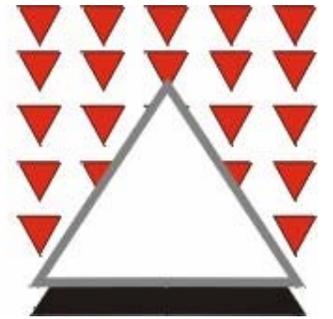
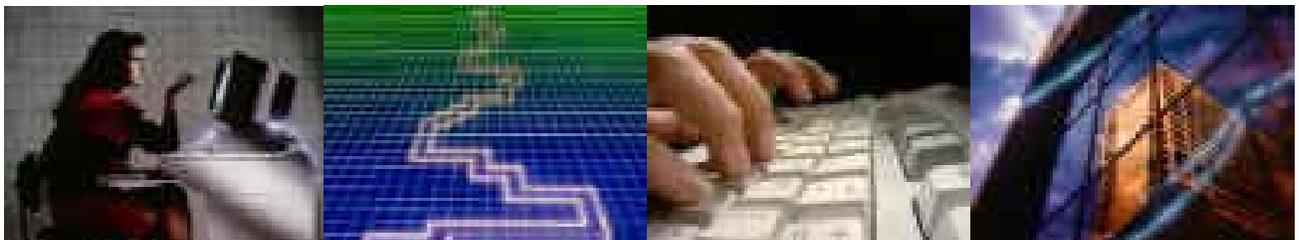


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Seven Rules For
Accurate Inventory
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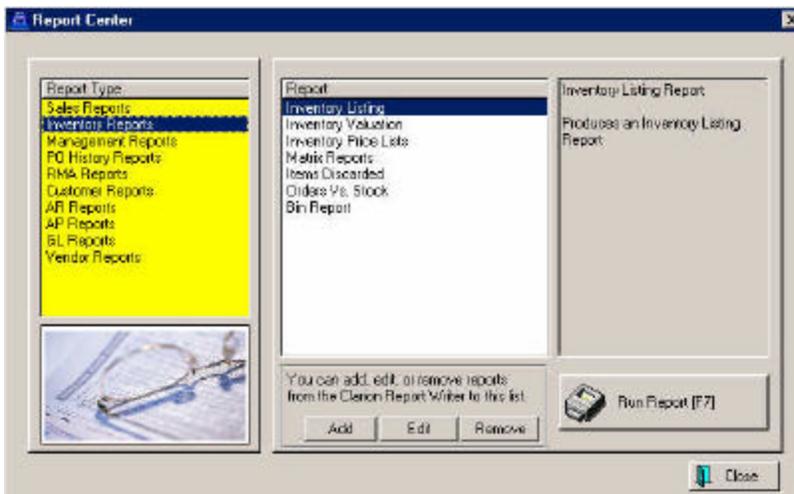


Seven Rules For Accurate Stock Counts

Seven Rules For Accurate Inventory Stock Counts

Have you ever wondered how much inventory you have or how much it is worth?

Two very simple reports are available in PFW's Report Center. In the lower right corner of the Manager Console is a Report Center button.



Highlight Inventory Reports on the left side and you will be able to generate the following.

Highlight Inventory Listing and choose Run Report [F7]

Inventory Listing *(continued)*

ITEM	Description	Type	Stock	Committed	Location
090	BARBO IN WONDERLAND	Actv	5.00	0.00	Stock 3
5FA3	DELUXE JOYSTICK	Actv	4.00	0.00	
0EPT08Y	GFPT CERTIFICATE	Actv	0.00	0.00	
DEEKA7CHO0	DEEKA7CHO0 FOR MONTEND-0	Actv	0.00	0.00	
SHIP	SHIPPING	Actv	0.00	0.00	
SM1	SUPER BARBO III	Actv	4.00	0.00	

Tip: This report was created by choosing to sort by description only.

Highlight Inventory Valuation and choose Run Report [F7]

Seven Rules For Accurate Stock Counts

Inventory Valuation Report
Confidential

SKU	Description	Type	Stock	Average Cost	Total Cost
BNT	BARIO IN WONDERLAND	ACTV	3.00	14.00	70.00
SNM1	DELUXE JOYSTICK	ACTV	4.00	7.00	28.00
SND	SUPER BARIO III	ACTV	4.00	25.00	100.00
Grand Totals:			11.000		198.000

Tip: This report sorts by description only and is not printing detail.

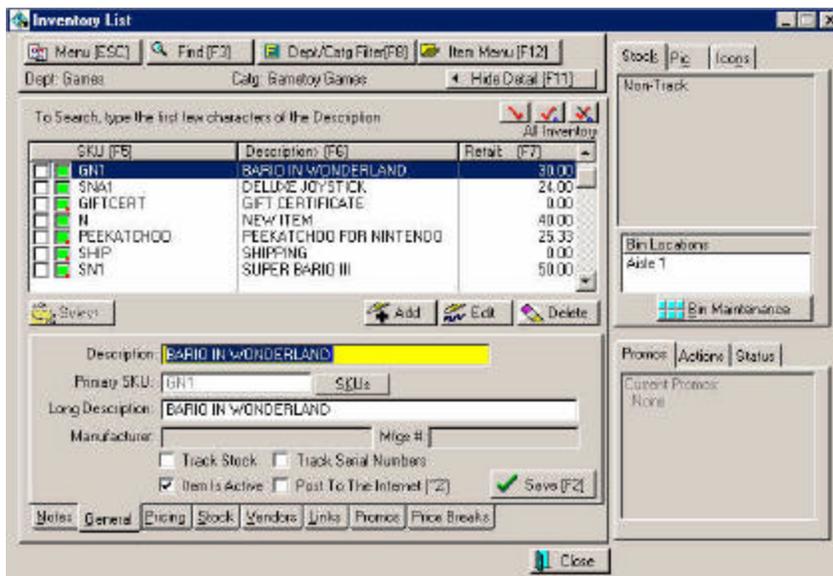
These reports should be accurate, however to get an absolutely accurate report, you need to understand how PFW tracks inventory. There may be some rules of operation which you have overlooked or were not aware of.

Rule # 1 - Activate Track Stock

PFW allows you to track or not track stock counts on a per inventory item basis. If you choose not to track stock, then the item will always be available for sale and will never register a 0.00 stock count.

For example, Bario In Wonderland has the option "Track Stock" now unchecked as you can see on the following illustration of the General tab of the Inventory List screen. On the right-hand panel, you will see the word "Non-Track." This item can be sold an unlimited number of times without PFW ever suggesting that it is out of stock.

This is an acceptable setting for inventory which is too tedious to count such as nuts and bolts and nails or for inventory representing services or labor which has no limit to how many times it can be used.



On the other hand, if the setting were made to Track Stock, with a check mark in it, then you would see in the right-hand panel how many PFW "believes" are in stock.

Note: In order to activate Track Stock, a global setting must be turned on first. Go to File: System: System Setup: Inventory and place a checkmark on "Track Inventory Quantities."

Seven Rules For Accurate Stock Counts

Rule #2 Start Out Right

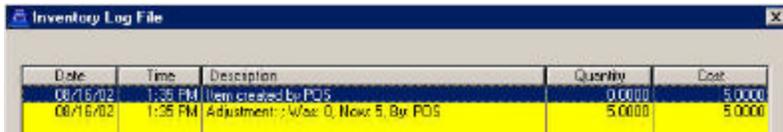
A computer can only report what it is told to report. At some point, the actual number of items on the shelf needs to be entered into PFW. This means you will have to take a physical count of all your inventory and update PFW with current stock counts. This can be done in several ways and you need to decide which will serve you best.

First time users of PFW will likely have inventory already on the shelf. You can either

- 1) just enter the current stock counts or
- 2) create and receive a purchase order. Use of a purchase order requires a little more effort, but it also provides greater detail.

Method 1 - Adjust Stock Counts

If you choose to simply adjust stock counts you can do so in several ways. When you manually adjust stock counts, an item's inventory log will show that an adjustment was made.



Date	Time	Description	Quantity	Cost
08/16/02	1:35 PM	Item created by POS	0.0000	5.0000
08/16/02	1:35 PM	Adjustment: Was 0, Now 5. By POS	5.0000	5.0000

Enter Count When Adding Inventory

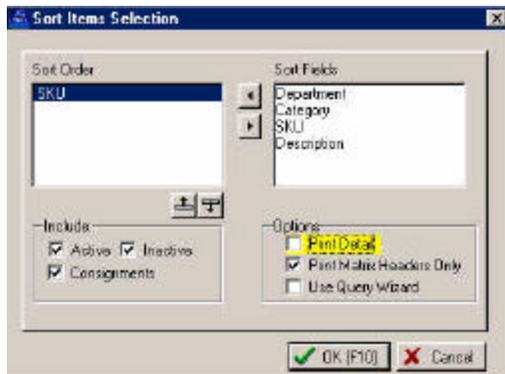
There is a switch to prompt for a stock count at the end of creating an inventory item. To turn on this switch, go to File: System: System Setup: Inventory and place a checkmark on "Prompt For Stock Count When Adding."

This sounds like a good method, but you will need to be fully prepared as you create inventory to know what your current stock counts are.

Enter Stock Counts At One Session

After you have defined all of your inventory items, print an alphabetized list of your inventory, conduct a physical count and then systematically enter stock counts into PFW

To print an alphabetized list, go to Inventory: Physical Inventory: Print Inventory List. We recommend that the report be simplified by setting the parameters of the report as follows.



By choosing to sort by SKU only, you will be able readily find any item on the list. The printout will give you a current stock count, if any, and a place to tally your counts.

Seven Rules For Accurate Stock Counts

Physical Stock Count
Confidential

Blisk's Value Chain Emporium

SKU	Description	Stock	Your Count
0BFCERT	DEFT CERTIFICATE	0.00	_____
0B1	BARIO IN WONDERLAND	5.00	_____
PEEKATCHOO	PEEKATCHOO FOR NINTENDO	0.00	_____
SHIP	SHIPPING	0.00	_____
SMT	SUPER BARIO III	4.00	_____
SMA1	DELUXE JOYSTICK	4.00	_____

When you have completed your tally of inventory, go to Inventory: Physical Inventory: Reconcile Inventory. This screen lists your inventory in SKU order just like the Physical Stock Count report. By selecting the Change button, you can adjust the stock count.



Note that Gift Certificate and Shipping are not listed here because they are set to Non-Tracking.

Import Stock Counts

Rather than manually counting and entering stock counts, you may use a barcode scanner or data collector to accurately count your inventory and then import the stored data into PFW.

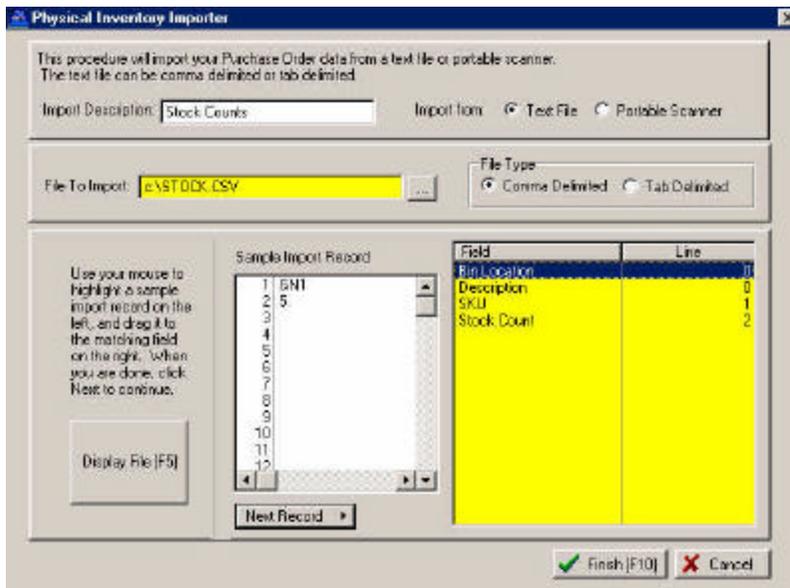
This method pre-supposes that your inventory has barcodes and that you have used these barcodes when you created your inventory list.

To scan: If all you have is a standard barcode scanner, open a Note Pad document (Start: Programs: Accessories: Note Pad) and begin scanning each item on your shelves. Scan once for each item. Then save the file.

If you have a data collector (a portable, self-contained scanner) configure your scanner to prompt for a quantity. Scan one item on a peg and then enter the number of items on the peg. When you are through, follow the directions which came with the scanner and save the data to your computer hard drive.

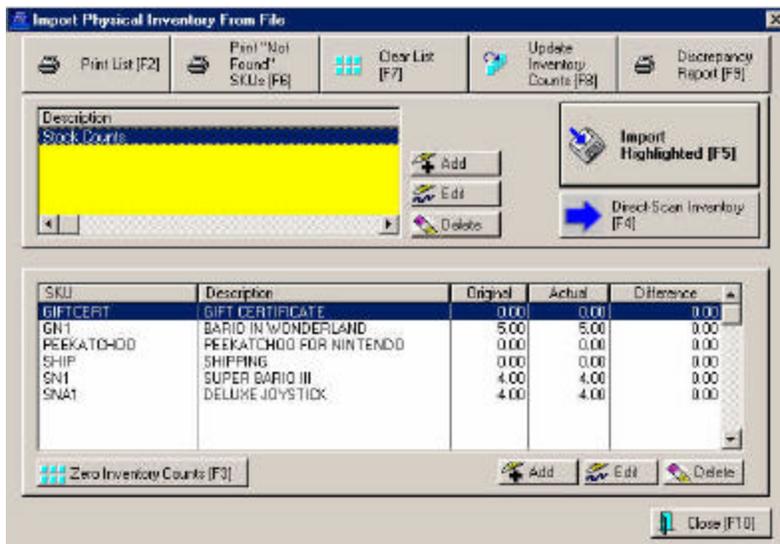
To import: Go to Inventory: Physical Inventory: Reconcile From File. Choose the Add button at the top and create an importer link to the file you saved. It will look something like this. The setup is very simple; identify the name of the file to import, drag the field number in the left hand box to the corresponding right hand box entry, and save.

Seven Rules For Accurate Stock Counts



Make a backup. It is a good practice to backup PFW before performing any import procedure. In the event something goes wrong, you can restore the backup. (Go to File: Backups: Backup Files Now)

On the Import Physical Inventory From File screen, choose the Import Highlighted [F5] button. This will bring all the items from the file into a review list. You may choose the Add, Edit, or Delete buttons at the bottom of the screen to make changes.



When you are satisfied with the results, choose Update Inventory Counts [F8].

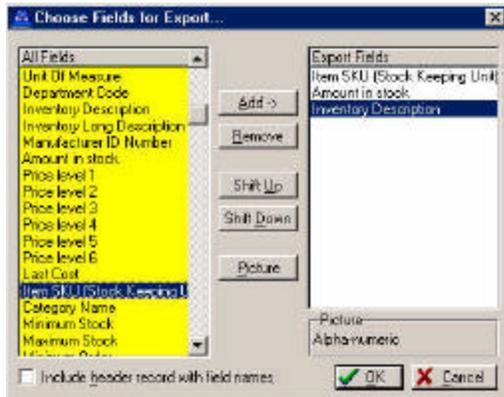
Two Variations On Importing

Direct Scan: From this Import Physical Inventory From File screen, you may choose to skip the step of creating a file and importing it, by selecting Direct-Scan Inventory. Simply scan an item and enter a stock count and it will be added to the review list. Then choose Update Inventory Counts [F8].

Seven Rules For Accurate Stock Counts

Export - Import: Rather than using a scanner, you may want to create an import file by first exporting the inventory list, opening it in Excel, adjusting stock counts, and then importing the Excel data into PFW.

Go to File: System: Export: Export Inventory. Choose to export the Item SKU, Amount in stock, and Inventory Description.



Choose OK to save the file (it will be in the c:\pfw\data2 folder) and then open it in Excel. In Excel enter stock counts of items, then save the Excel file as a comma delimited file.

Then open the Import Physical Inventory From File screen, and follow the steps for defining the import links and then Importing the Highlighted entry as described above.

Method 2 - Use A Purchase Order

As was mentioned earlier, this requires a little more work, but can provide more useful information in the long run. When you use a purchase order to adjust stock counts, an item's inventory log will show that the items was received from a vendor.

Date	Time	Description	Quantity	Cost
08/16/02	1:32 PM	Item created by PDS	0.0000	3.0000
08/16/02	1:34 PM	Received From: My Company, PO# 0816-202PDS, Qua	5.0000	3.0000

The easiest method is to create a fictitious vendor for a purchase order and receive all current stock counts with this fictitious vendor. The intent is simply to get stock counts in and recognize that they were already in stock when PFW was setup. Otherwise, you could add all your vendors and create purchase orders for each and processes multiple purchase orders. This would certainly be more useful, but also much more labor intensive.

Step 1 - Add a fictitious vendor

Go to Utilities: Vendors: choose Add to create a vendor. Perhaps you could use your own store name. Be sure to activate "Vendor SKU = Your SKU" by placing a checkmark on it.

Step 2 - Add all inventory in PFW to this fictitious vendor's inventory list.

Click on Vendor Inventory [F3] on the Vendor List. Choose Add, click on F2 to find your item, then choose OK. Repeat the process for each inventory item.

If this appears to be too labor intensive, there is another method of doing this using a variation of the Export - Import steps as described in the previous section. Specifically, export inventory as described

Seven Rules For Accurate Stock Counts

above. You will not need to open the file in Excel. Instead, go to File: System: Import: Import Inventory. Select the file name, choose Display file, and then link SKU and Description on the left to fields on the right. On the Defaults tab, select your fictitious vendor for Vendor ID. Finally, on the Format tab, place a checkmark on "Add/Update Vendor Inventory. Choose Save [F10]. Note: be sure to make a backup before choosing the Import button. After the information has been imported, all inventory will be linked to the fictitious vendor.

Step 3 - Create a Purchase Order(s) for the fictitious vendor.

You should not try to include all items on the same purchase order, so make multiple purchase orders to batch the inventory items. Go to Inventory: Purchase Orders: Receive Without PO. For quantity received, choose the number you have on hand. Press F10 and process the purchase order. This will update your stock counts plus tell you when the inventory was received, or more specifically, you will know that you already had it in stock when you started using PFW.

Rule #3 Track Backorders

Once you have entered your current stock counts, you must force PFW to warn you when it is out of stock of an item. This is done by going to File: System: System Setup: Invoice Setup and turning on "Allow Backorders On Invoice."

This is a very important rule if you want accurate stock counts.

Here is why. If this option is not turned on, then PFW ignores stock counts when creating an invoice. Even if you have 0.00 in stock, PFW will assume that the customer has it in hand and is walking out the door with it, even if PFW "believes" you have no stock. As you can imagine, it won't take long for your stock reports to be inaccurate.

Go to File: System: System Setup: Invoice Setup and place a checkmark on "Allow Backorders On Invoice."

NOTE: As important as this feature is to keeping accurate stock counts, it is not available in PFW's Standard Edition nor is it available in Advanced Edition without the Advanced Inventory module. Please contact your PFW dealer or POSitive Software Company for more information.

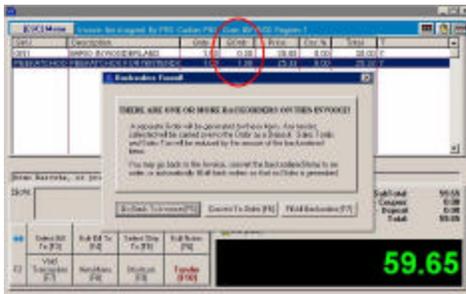
There is a workaround if you cannot activate "Allow Backorders On Invoice." Daily, run Prepare Order List so you will be notified of what PFW "believes" is out of stock. If, in fact, you do have stock for an item, then immediately adjust the stock count of the item. This process is explained in more detail later.

When you choose to "Allow Backorders On Invoice," you are then prompted to select how the customer will pay for items being backordered. We recommend the customer pay in full at the time of invoicing because it is easier to refund money than to ask for money later, plus you run the risk of the customer canceling the order after you have laid out money to bring it in.

Rule #4 Carefully Respond To The Backorder Alert

With "Allow Backorders On Invoice" activated, here is what will happen at the time of invoicing. You will add the customer's selection of items to the invoice. When you press F10 to tender the invoice you will be warned that there are backorders.

Seven Rules For Accurate Stock Counts



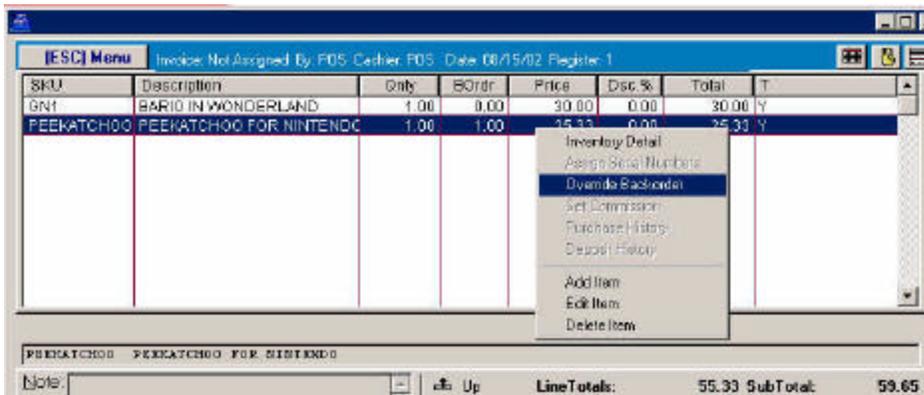
Note: We highly recommend that you set PFW to display the backorder column on the invoice so you can readily identify backorder problems. If your invoice does not display this column, go to File: Editors: Transaction Screen Editor. Click on Assign Pre-Set Format and choose Standard. (Please see the Appendix for more information about this.)

You have three choices. Please select an option carefully because it will directly affect the accuracy of your stock counts.

Go Back To Invoice [F5] -

We believe this should be your first choice. Obviously, if the customer has the item in hand and PFW says they don't, then the customer is right and you need to take corrective action.

Choose Go Back To Invoice [F5] and then highlight the line item that is backordered. RightMouseClick on the item and choose the option to Override The Backorder.

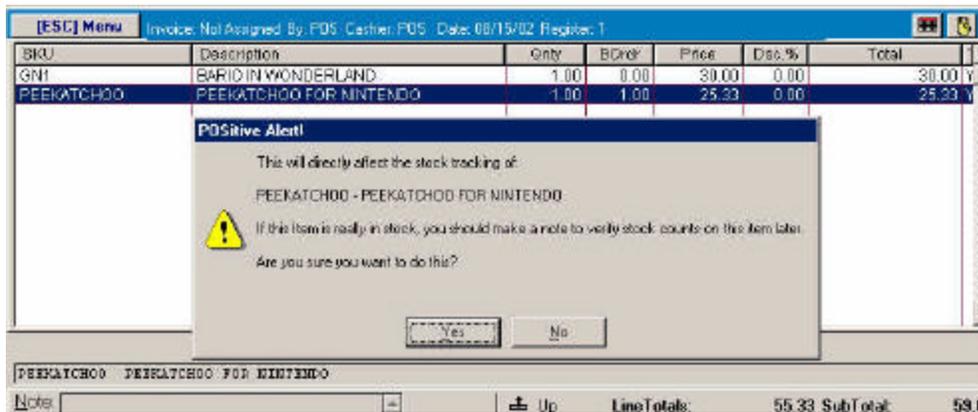


There are a few possible reasons why PFW thinks this item is not in stock.

- a) human error in initially setting the stock counts
- b) the item is being held or reserved for another customer and should not be sold to this customer
- c) a new shipment has arrived and PFW hasn't processed the purchase order yet.

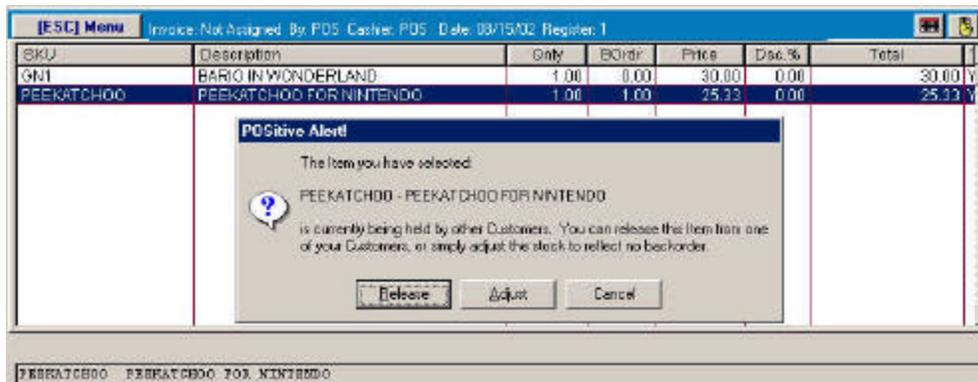
A) If it is because of human error or because a box has been prematurely opened, then you will be allowed to override the backorder. Choose Yes.

Seven Rules For Accurate Stock Counts

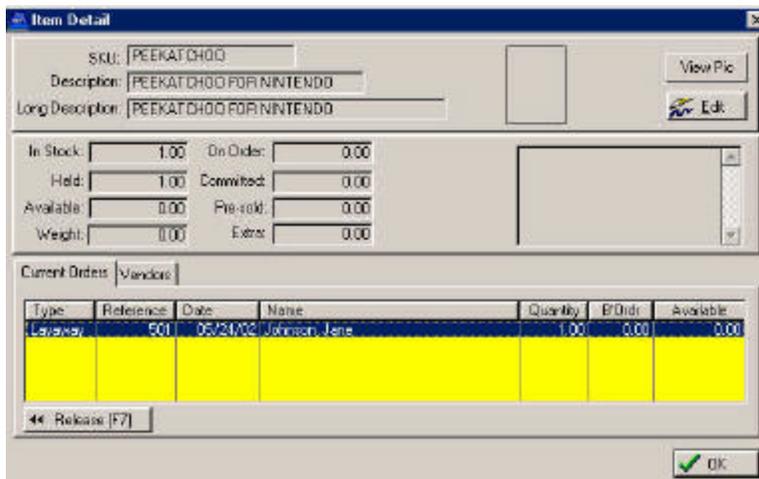


But be sure to notify someone of what has happened so that the stock count can be corrected. This may require a recount in the store or manual adjustment of a received purchase order.

B) If this item was being held for another customer, then you need to decide if you can sell this item to this customer.



Choose the Release option for more details. (The Adjust option will override the backorder and someone should follow up to notify someone of what has happened so that the stock count can be corrected. This may require a recount in the store or manual adjustment of a received purchase order.)



Seven Rules For Accurate Stock Counts

Here you can see who has first claim on the item. If you feel that the first customer can wait for a replacement, then choose Release [F7]. This will then change the first customer's item into backorder status and allow the second customer to take the item.

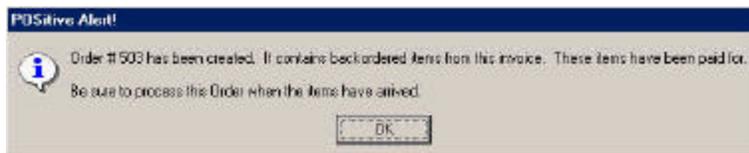
C) If this item is out of a box which has not been received into PFW, then choose Yes to adjust the count. Be sure to notify someone of what has happened.

After the purchase order is processed, the count must be manually decreased by one to reflect this item being sold in advance. (Rightmouseclick on the item in the inventory list, choose Verify/Adjust, and reduce the count by one.) Note: an option called "Allow Negative Inventory" is designed to automate this process. This will be discussed later.

Convert To Order [F6] -

It really is not in stock and it cannot be delivered at this time. The basic premise in PFW is that an invoice means an item is being delivered to the customer. Important: Use this option only if the customer does not have the item in hand.

PFW will create a special order for this customer for all backordered items. After tendering the invoice, you will be told what the order number is and you will find it again in the Orders In Process list.



More will be said about this in the next section, but it is very important that this Order In Process be eventually converted to an invoice.

Fill All Backorders [F7] -

Typically, this option is easily abused. It should only be used if the customer has all items in hand. This is the lazy clerk's way of ignoring all backorders on an invoice and will likely get no follow up to correct stock counts and eventually the stock reports will be quite inaccurate. So, why is this option here? To quickly satisfy the customer and process the invoice, but doing so will compromise your stock counts.

Rule #5 Convert All Orders In Process To Invoices

Orders In Process is a listing of customer orders with products which have not yet been delivered to the customer. As soon as you can give the product to the customer, then the order must be converted to an invoice.

This is a very important step for several reasons. If this step is overlooked, then PFW will report that you have more stock on hand than you really do. Not only that, but your sales tax reports will not be accurate and there will likely be issues with deposits being held when they should not.

When an order is still pending, inventory on that order is in a Held status until the order is converted to an invoice.

Again, the basic PFW premise is that when product is delivered to the customer, an invoice must be generated by converting the pending order, layaway, or service order to an invoice, thereby releasing the Held status of the item.

Seven Rules For Accurate Stock Counts

An Explanation Of Stock Status

Now is a good time to discuss the workings of the Stock Status counts of an inventory item. On the inventory list there is a side panel which displays stock status counts. But more than that, the fields are links to more information.

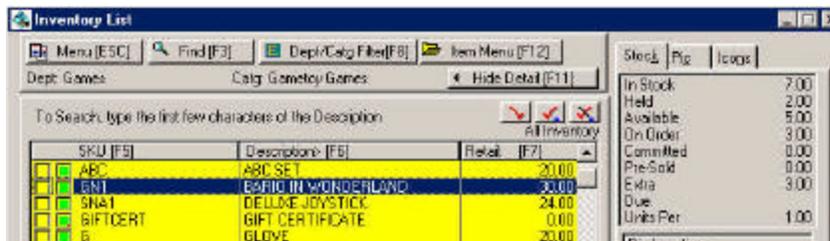
When you *Click on* the title...

- "In Stock" - Number on the shelf. *Clicking* shows purchase orders of the item.
- "Held" - Number reserved for customer orders. *Clicking* shows Customer Orders In Process.
- "Available" - Number of items still available for sale.
- "On Order" - Number being ordered. *Clicking* shows the purchase orders currently in transit or being created. At the bottom of this list is the **Due** or expected arrival date.
- "Committed" - Number of items yet to arrive which have been pre-sold. *Clicking* shows Customer Orders In Process
- "Pre-Sold" - Number of items pre-sold. *Clicking* shows Customer Orders In Process with a Pre-Sold tab.
- "Extra" - Number of items yet to arrive and are available for sale.

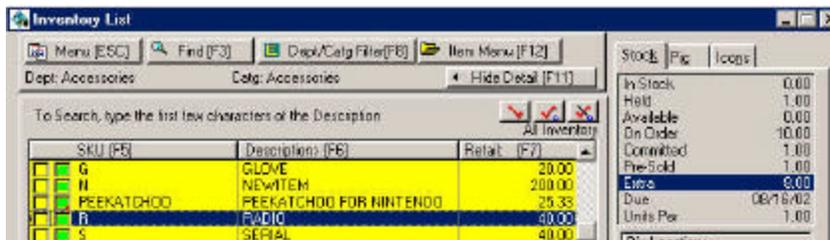
Other entries displayed in this list

- "Due" An estimated due date when incoming stock should arrive.
- "Non-Track" Means the item is not keeping stock counts and is unlimited in quantity.
- "Units Per" Shows how many selling units are in a Bulk Inventory unit.

For example, this highlighted item has 7 in stock, of which 2 are held on pending orders, thereby making just 5 available for sale to other customers.



In another example, On Order means you have placed an order with the vendor for 10 items. Committed means that one of the items, even though it has not yet arrived has been claimed for a customer. By clicking on Committed, you would, in fact, see that there is an order in process for that item.



Pre-Sold is a function of "Allow Negative Inventory" which will be explained later. Apparently the shipment has arrived, but someone opened the box and sold one before PFW could process and receive the purchase order, hence 1.00 has been Pre-Sold. That means when the purchase order is finally received, 8.00 "extra" or available for sale, will be added to stock.

Seven Rules For Accurate Stock Counts

Verify Inventory Files

If the In Stock, Held, Committed, etc. counts seem to be incorrect, then you should occasionally go to Inventory: Maintenance: Verify Inventory Files. By this means, PFW double checks the status of orders, purchase orders, and stock counts to assure that they are reported correctly.

Rule #6 Always Use Invoices and Purchase Orders

The best way to control inventory is to always use an invoice to deplete stock and always use purchase orders to increase stock.

Customer Returns

Obviously, invoices are used when making sales. But, invoices should also be used when customers request exchanges or returns of inventory. See the Help files or the manual for PFW for detailed instructions on processing customer returns. But in short, the process is:

- Create an invoice
- Enter items being returned
- Enter items being sold in exchange
- Process the invoice
- Go to Inventory: Process Returns From Customers

IMPORTANT: The last step, "Go to Inventory: Process Returns From Customers," is often overlooked and this will directly affect the accuracy of stock counts.

Consumables - For Store Use

If your staff is using inventory off the shelf, you need to create an invoice. Perhaps add your store in the customer list and sell the items to yourself at cost. If you want even more control, add a customer to represent each department or staff member in your store so you will be able to track who is using what. Yes, this method will increase your sales totals and you are liable to pay tax on items for own use, but this will assure accurate stock counts.

Use Purchase Orders

Manually adjusting stock counts all the time is not a wise practice because it is difficult to track who did what and why. Use of purchase orders is much better. See the Help files or the PFW manual for detailed instructions on using purchase orders.

Rule #7 Guard Against System Crashes

This is easier said than done. Just be aware that when systems crash, a computer quits working, or the computer reboots, you may have some unexpected issues with stock counts. You will need to look around and see if any damage was done.

In Summary

PFW is designed to track stock counts accurately and will do so if the seven rules described above are followed.

Seven Rules For Accurate Stock Counts