

**REALTIME SOFTWARE CORPORATION
PHYSICAL INVENTORY PROCEDURES MANUAL**

Introduction..... 1
PHYSICAL INVENTORY PREPARATION..... 3
ADDING OPEN ORDERS ITEMS TO INVENTORY FILE AUTOMATICALLY 7
PHYSICAL COUNT ENTRY 9
OTHER NOTES REGARDING INVENTORY: - - - ADD TAGS 11
SHRINKAGE - VARIANCE REPORTS 14
PHYSICAL INVENTORY INQUIRIES..... 16
POSTING CHANGES TO THE LIVE ACCOUNT 17

Introduction

Physical Inventory Procedures

During the physical inventory you will need to count every item number that is in the warehouse along with items on Open Sales Orders that have not been invoiced. Items that are on Open Sales Orders show as 'Committed', but are still considered as 'On-Hand' in the system. Quantities on all Open Orders should be reviewed prior to the Physical Inventory Process! The count quantities from the inventory need to match the actual Physical On Hand quantities at your locations. This means you need to count all parts that are on open service orders, pick and hold orders, etc. that have not been billed out. It is best to try and close out as many orders as possible.

Before starting physical inventory you should run a few data base balancing programs. Run the program that balances the serial number file. SRE14 - Verify & Rebuild Inv. Site Serial Quantities. If any quantity errors show up on this report, let Realtime know immediately at 1-800-323-1143. Make sure nobody is entering inventory transactions when you run this program. It is also a good idea to run the Rebuild of Inventory Site quantities on menu SRE02, Verify & Rebuild INV Site Quantities – answer Y to all questions it lets you answer Y to. These rebuilds need to be run during Non Activity - i.e. - at night before batch and when no-one is on the system working.

When doing the physical inventory obvious things need to be taken into consideration. If you receive new shipments from vendors don't put the parts away on the shelf unless the parts were received into the system prior to the start of the physical inventory. Don't pull parts off shelf for customers after the inventory starts if at all possible. If you do pull a part for any reason you will need to count that part number as being on hand.

Don't do any inventory transactions during the physical inventory (no inventory adjustments, receiving, billing, transferring from one site to another, etc).

The physical inventory assigns a "tag" number that prints on your count sheets for each part number during the inventory. For serialized items you will get one tag number for each on hand serial number. If a serialized item has 10 on hand you will get 10 tag numbers listed on your count sheets for that part number.

Realtime Software Corporation - Physical Inventory Procedures Manual

All entry for quantities is done using tag numbers (not part numbers) that are listed on your count sheets so this makes the count entry a fairly quick process. The only exception to this is if you do "Add tags". If you find a part number in 3 different places in the warehouse you can use the tag number on the count sheet for main bin and then create "Add tags" for the two secondary locations. All tags for a part number will get added together for total quantity purposes.

NOTE: The physical inventory process is **NOT** the time to re-value serial numbers nor change actual Serial Numbers themselves. All of this type of processing should be done prior to or after the physical inventory is completed. If you have a part number EON.FIRETRUCK with an on hand serial number of 1234 for \$22,000.00 and the Inventory Master cost is listed as \$25,000.00 you can cause "Cost Variances, without On-Hand Count Qty. Variances", if you change the serial number during the Physical Inventory Process. If the serial number really should be 1234A and not 1234, and you do a zero count for the tag number for serial number 1234 and then do an "Add tag" for serial number 1234A the system will shrink out serial number 1234 at \$22,000 and shrink in serial number 1234A at \$25,000.00.

If you want to change the serial number - do it **AFTER** the physical inventory process. There are programs that will allow serial number changes without causing costing problems. In the above case - go ahead and inventory the 1234 number and change it to 1234A afterwards.

Please make sure your accounting department runs a good copy of your current inventory valuation reporting structure to be used as a 'Before' Physical Inventory Report and for error checking / audit purposes. You can then run this same report a second time, **AFTER** your Physical Inventory Changes have been posted to have an 'After' Physical Inventory Report. The differences between the totals on these reports should balance out to the same dollar amount as shown on your Final Shrinkage and Variance Reports. To run an Inventory Valuation Report, go to menu SIN05 – and run Summary Inventory Valuation Reports.

PHYSICAL INVENTORY PREPARATION

All physical inventory programs are on the menu SIN11. To start physical inventory run SIN11, #1 as shown below. Your screen may have additional options, but use “Physical Inventory Preparation”

FIGURE 1

```

SCREEN MODS LONG TEST COMPANY          Physical Inventory Processing 17 Jun 09
5 BCP-TEST6                               WSB
SIN11          ENTER SELECTION NUMBER:    13:58:17
HS
      FUNCTION          NMBR          DESCRIPTION
CRS
STATUS          0          Select Printer
5 READY        1          Physical Inventory Preparation
3 TESTED       2          Physical Count Entry
1 REWORK       3          Missing Inventory Tag Report
              4          Shrinkage Reports
              5          Shrinkage Adjustments Update
              6          Serial Number Variance Report
              7          Selective Shrinkage Report
              8          Physical Inventory Inquiry
              9          Physical Inventory History Inquiry
             10          Physical Inventory Save Files Purge
             11          Load Count Qty's for Open Orders
             12          Inventory Tags Entered Report

                                           55
                                           ABTD
                                           PGMS
    
```

1

The following screen print shows options for a 'suggested' profile for printing Physical Inventory Count Sheets - a brief description of each field follows. Your options for performing a Physical Inventory are widely varied, and some fore thought must be put in place as to procedures. Decisions such as, whether to use Count Sheets, or whether you wish to print out Tags, etc. must be decided in advance, and will affect how the following options are answered.

FIGURE 2

```
IN11A  MODS LONG TEST COMPANY          PHYSICAL INVENTORY PREPARATION    17 Jun 09
      ENTER PROFILE TO USE          SCOTTY  DESC - TEST ONLY
1.  ENTER SELECTION NUMBER          4    PRINT COUNT SHEETS-CREATE FILE
2.  BEGINNING TAG NUMBER            1000
3.  CLEAR DATA IN PROCESS ?        Y    YES
4.  PRE-LOAD COUNT QUANTITIES ?     Y    YES
5.  PART NUMBERS TO COUNT
6.  BIN LOCATION TO PRINT
7.  SITE
8.  ENTER CATEGORY
9.  ENTER SORT SELECTION            1    BY PART#
10. PRINT ONLY 'ON-HAND' PARTS ?    Y    YES
11. PAGE BREAK PRODUCT LINE ?      N    NO
12. PAGE BREAK ON BIN LOC. DIGITS

Select F, SAVE, DELETE PROFILE, OR Y TO EXECUTE ...
```

- Choice 1 - Selection Number: 5 choices will be presented. It is suggested you use selection #4 - Print Count Sheets - Create file. This will prepare the system for printing out 'Count Sheets' that can be passed to your Physical Counting crew to record their counts. Other options should be discussed with Realtime Software Corporation in order to make a correct choice.
- Choice 2 - Beginning Tag Number - Each part that is printed on your count sheets gets assigned a 'Tag' Number - This number will be used to track data entry during the Key entry process.

- Choice 3 - Clear Data in process - If answered 'Y', a NEW Physical Inventory setup will be performed. This is useful if you wish to print out count sheets for practice, to see how they look, then you can restart the entire process again from scratch. As long as you do NOT perform a final update, you can go through all steps required for a physical inventory in advance to see what it is like. This field should only be changed to "N" in special circumstances such as when printing count sheets for 3 different sites at three different times -- see Realtime Software Corporation for questions and assistance.
- Choice 4 - Pre-Load Count Quantities - If you answer "Y" to the Pre-load count quantities question, all count quantities will be 'pre-loaded' with the current on hand quantities. When you go to enter a count from your count sheets using the Tag entry program, it will already have the "pre inventory number" inserted. This is useful if you decide half way through inventory not to count some items. You won't have to go back and do count entries on these. Also, if the system On-hand number matches what your counting person wrote on the count sheet, all the entering person will have to do is to 'hit enter' past the entry and automatically proceed to the next one. You should remember to change any negative numbers that show up during count entry to '0' if none are physically found, or to a positive number if units are actually on hand.

NOTE - IF YOU CHOOSE TO PRE-LOAD OPEN ORDER COUNT QUANTITIES USING THE 'LOAD OPEN ORDER COUNT QUANTITIES PROGRAM' - YOU **MUST ANSWER 'N' TO THIS OPTION (#4) OR YOU WILL CORRUPT YOUR INVENTORY FILE BY 'DOUBLING' UP ON THE ASSOCIATED ITEM COUNTS! (NOTE: see page 7 of this document - Pre-Loading is a separate program from this Physical Inventory Preparation - INIA program)**

- Choice 5 - Part numbers to count - Answer 'A' to count all items, or specification can be made - feel free to ask for assistance if needing to specify certain items only
- Choice 6 - Bin location to print - Answer 'A' to count all bins in most all situations
- Choice 7 - Site - Answer 'A' to count all sites, or you can specify individual sites only if necessary
- Choice 8 - Category - Answer 'A' to count all categories, or in special situations, you could choose to enter only 'P' as an example, to count Parts only
- Choice 9 - Sort Selection - this will be the sort order of how items print out in what order on your count sheets. If your parts are 'Bin' located on the shelves - it is suggested to print out using option 5 - By Location, By Part#. Otherwise the typical choice is by Part Number

- Choice 10 - Print only On-Hand Parts - Answer 'Y' to this choice - if you answer 'N' - every part number in your system will print out on count sheets - including those that you have NO on-hand counts for. The most common choice would be to use 'Y' so that you can limit your count sheets to print out ONLY items that your system says are on-hand. You can always use Add tags to enter items that the system says you have '0' on hand, but actually find quantities.
- Choice 11 - Page Break - Product Line - If user chooses 'Y' to this selection, each time the Product Line (Part Number Prefix Code) changes, the printer will advance to a new page when printing count sheets. This could be helpful if handing out count sheets for an entire Product Line to one counting team without having to 'cut' count sheets
- Choice 12 - this is a highly custom field - please feel free to ask Realtime Software Corporation for assistance. NOTE: IF PREVIOUS PROMPT 'PAGE BREAK ON PRODUCT LINE' IS 'Y', THIS CHOICE WILL BE IGNORED! If a user enters a number in this field, a Page Break will occur after each occurrence of a change in bin location at the specified digit. Bin Locations are sorted Alpha-Numerically. Example: Number 3 is entered / All parts with a Bin Location starting with AAA will print together. At the first occurrence of AAB, a Page Break will occur. This keeps all parts grouped with a Bin Location starting with AAA together in one section of printed Count Sheets

After running the Physical Inventory preparation and printing of count sheets is finished, you are ready to continue.

ADDING OPEN ORDERS ITEMS TO INVENTORY FILE AUTOMATICALLY

CRUCIAL NOTES - IF YOU DECIDE TO USE THIS PROGRAM

- 1. Do NOT run it twice - you will corrupt your inventory file by doubling up on your associated count quantities**
- 2. You MUST answer 'N' to option 4 - Pre-Load Count Quantities on the Physical Inventory Preparation Program (FIGURE 2)**

The program on Menu SIN11 #11 - Load Count Qty's For Open Orders, will allow all open order information to have inventory 'add tags' put in the system automatically. This program will be on the SIN11 menu and will be called - Load Count Qty's for Open Orders.

You will be required to answer 3 prompts when running this auto load program:

- 1) Order Type - Your choices will be as follows:
A - SELECT ALL DATA
I - INDIVIDUAL DATA ENTRY (MULTIVALUED)
N - INDIVIDUAL DATA ENTRY NOT EQUAL TO (MULTIVALUED)

In deciding what order types to select, users must determine which order types involve inventory that has already been pulled from the shelf. These order types would typically be service order types that are being worked on for extended periods of time.

For example - a piece of equipment might be on a SER (service) Order type, and may have several parts that have been pulled from inventory stock to perform repairs, but since the equipment is still in the service area being worked on, and the bill has not been finalized - these parts would be considered as ON-HAND and would need to be counted.

Users must be comfortable that whatever the quantity to ship is on these order types will match what inventory has been pulled from the shelves and added to the sales order. Users may want to audit their quantities to ship prior to starting the inventory. Only items that the open orders report states that there is a qty to ship will be added to the inventory report. Users may wish to 'exclude' order types based on individual scenarios.

As an example - a user might wish to exclude an order type that involves parts sitting on a will-call shelf that might be better counted manually during the Physical Inventory process. Drop Ship Order Types may also need to be excluded. Remember - Drop Ship Open Order types CAN allow items that you have 'ON-HAND' to show as a qty to ship, even though the entire order or parts of it may very well be being shipped direct from the vendor to your customer.

Realtime Software Corporation - Physical Inventory Procedures Manual

It is strongly suggested that users review their Open Orders report, along with their Order Type Table listing before using this program so that all aspects are fully understood.

IMPORTANT NOTE: - any and all serialized items on any open order (IE New Equipment Sales) will NOT be loaded by this program. This program will IGNORE any serialized piece of equipment - whether it is committed to an open order or not !

2) Site - Your choices will be as follows:

A - SELECT ALL DATA

I - INDIVIDUAL DATA ENTRY (MULTIVALUED)

N - INDIVIDUAL DATA ENTRY NOT EQUAL TO (MULTIVALUED)

3) Beginning Tag Number - This beginning tag# should be in a range outside of the tag numbers being printed on your system generated count sheets. Using numbers in the same range as your system generated count sheets will corrupt data. It is strongly suggested that you first print out your system generated count sheets, then assign a beginning number larger than the 'highest' system generated count sheet tag number.

The inventory is now “frozen” and count sheets should be printed. At this point you can start the physical counting utilizing your count sheets.

PHYSICAL COUNT ENTRY

Pick option # 2 from the SIN11 menu as shown in [FIGURE 1](#)

Next, Choose option # 2 from the [FIGURE 3](#) below to do Sequential Tag Entry.

[Please see NOTE](#) in this document regarding 'Add' Tag Entry procedures.

[Please see NOTE](#) in this document regarding Open Orders 'Add' Tag Entry procedures.

Multiple people can enter counts at the same time. If more than one person is counting you may want to give them each a batch number. After counts have been entered you could print all tags entered for a batch (choice 3 LIST BATCH FOR PHYSICAL COUNTS). This listing is optional and could be helpful to verify that person entering in computer did not possibly transpose numbers from count sheets. A separate user could verify the other persons work.

NOTE: Most users don't print the LIST BATCH FOR PHYSICAL COUNTS – they purely work off of variance reports and identify problems that way. The same batch number can be used for all entering personnel if you wish - it is a required entry.

FIGURE 3

```
IN11B  MODS LONG TEST COMPANY          PHYSICAL COUNT ENTRY          17 Jun 09
      ENTER SELECTION NUMBER 2
      1. RANDOM TAG ENTRY
      2. SEQUENTIAL TAG ENTRY
      3. LIST BATCH FOR PHYSICAL COUNTS
      ENTER BATCH NUMBER                1
      STARTING SEQUENTIAL TAG NUMBER    1000
      ENTER C TO CHANGE, * TO VOID, ^ OR RTN TO CONTINUE .
```

FIGURE 4

```
IN11B  MODS LONG TEST COMPANY          PHYSICAL COUNT ENTRY          17 Jun 09

      TAG NO 1056      SITE 01

ITEM NUMBER      DESCRIPTION          UOM  PRIMARY  BIN/LOT/SERIAL
                ULTRA LITE 10' PIKE PO EA  PRIMARY
                UOM  BIN LOC          BIN/LOT/SERIAL
                UOM  SECONDARY  BIN LOC
                PHYSICAL COUNT 2          BIN LOC

ENTER (C)HANGE, * TO VOID, (T)OTAL KEYED, (B)IN CHANGE ^ OR RTN TO POST .
```

The system will automatically bring up tags one right after another, prompting only for physically counted count entry. If you entered “Y” to pre-load the quantities during the Prep the Physical count that currently exists in the system will already be prompted, otherwise it will be blank. You can change quantity or simply hit enter to accept the number prompted, and keep going to next tag number. If you hit enter at change line the system will go to the next tag number. The system will keep going until you run out of tag numbers. **** **The only way to get out of sequential entry mode is to enter “T for total keyed”.**

OTHER NOTES REGARDING INVENTORY: - - - ADD TAGS

Since you are only printing out tags for part numbers that are on hand (or have an on-hand not equal to 0), you must use **add tags** for the items that you find during the inventory that are not on count sheets. Random Tag Entry can be done by a different person at the same time someone else is doing the Sequential Tag Entry, or it can be done immediately following Sequential Tag Entry.

To do add tags, you need to use random tag entry ([FIGURE 5](#) / [FIGURE 6](#))

You will be required to enter the tag number, site, part number, and qty for each 'Add Tag'. It is strongly suggested that you use a logical progression of numbers for each site in a multi-site environment in order to track reporting of 'Add Tags' - i.e. - start Add tags for Site 01 with 30000, site 02 at 40000, etc... A notepad with information listed is suggested to keep track of items needing Add Tags and for a permanent record.

FIGURE 5

Realtime Software Corporation - Physical Inventory Procedures Manual

INI1B MODS LONG TEST COMPANY PHYSICAL COUNT ENTRY 17 Jun 09

ENTER SELECTION NUMBER 1

1. RANDOM TAG ENTRY
2. SEQUENTIAL TAG ENTRY
3. LIST BATCH FOR PHYSICAL COUNTS

ENTER BATCH NUMBER 1

ENTER C TO CHANGE, * TO VOID, ^ OR RTN TO CONTINUE .

FIGURE 6

```
IN11B  MODS LONG TEST COMPANY          PHYSICAL COUNT ENTRY          17 Jun 09

      TAG NO 7000      SITE 01

ITEM NUMBER      DESCRIPTION          PRIMARY
UOM BIN LOC     BIN/LOT/SERIAL

WSB-PART        SCOTTY TEST PART NUMBE EA  A1

                                SECONDARY
                                BIN LOC

PHYSICAL COUNT 50NNNN
```

SHRINKAGE - VARIANCE REPORTS

IMPORTANT! - AT THIS POINT YOU SHOULD NOT PROCEED UNTIL YOU HAVE COMPLETED ALL COUNT SHEET / TAG ENTRY!

Run SIN11, #4 or #7 for Shrinkage Reports. You can use a copy of these reports to check problems, research variances, etc. as needed. You can make any necessary adjustments; add tags, changes, etc., until you are ready to post the final results after approval.

SIN11, #4 - Shrinkage Reports will give an overall view of the entire Physical Inventory Shrinkage affect - including variances in detail.

SIN11, #7 - Selective Shrinkage Report will do the same as #4, but will allow you to specify an individual Part Number prefix, individual Site, or individual Category choice.

NOTE: - if running Selective Shrinkage Report for individual sites - One site may show a Positive Variance, whilst another site may show a negative Variance - this could very well be an acceptable issue. Please consider the scenario that inventory counts may actually be correct at each individual site, but users might have simply forgot to perform an Inventory Transfer to move the inventory within the system. This type of variance would be ok - the actual Physical Inventory Shrinkage Update process (explained later in this manual) will simply put the inventory into the site where it was counted. Moving inventory 'During' an actual Physical Inventory Process using the Inventory Adjustments Program is NOT acceptable. The Physical Inventory Process will handle the issue correctly.

Selection #6, The Serial Number Variance report will simply show variances related to the actual Serial Numbers items counted- not their dollar values. IE - if your system says you physically have Part number EON.ABC, with a serial number of 1234 as ON-HAND, and you count an EON.ABC with a manual add tag, with a serial number of 1234A, and 0 is entered as the count qty. of serial number 1234 - this report will show you something similar to the following:

IN11H	BF	BANNER	FIRE	SERIAL#	VARIANCE	REPORT	12/28/03	PAGE	1
PART#		DESCRIPTION	SI	SERIAL#	BOOK	QTY	COUNT	QTY	
EON.ABC		FIRETRUCK	01	1234	1		0		
<i>(this one shows as on-hand, but never counted)</i>									
EON.ABC		FIRETRUCK	01	1234A	0		1		
<i>(this one shows as counted, but not never on-hand)</i>									

Once all tag entry, add tag entry, adjustments made, and shrinkage reports are run and acceptable, you should **stop and do a FILE-SAVE** without sleeping it before you post your changes to the live inventory - that way if something goes awry - we can restore the system to the state it was before the physical inventory began. After your File-Save is complete, you can proceed with these instructions.

NOTE: nothing actually gets updated live in the system until you run the actual shrinkage update, SIN11, #5. *The shrinkage update does not print a report, so make sure you run a Final Shrinkage Report - SIN11, #4 and Serial Number Variance report SIN11, #6 one last time for permanent records.*

NOTE - if problems occur, or if you just can't comfortably accept the shrinkages found without further investigation, as long as you NEVER run the final update step, no changes will actually take place! As a last cost measure, you could ignore the Physical Inventory that has just been performed and simply resume business - - as long as you have not run the final Shrinkage Update Program, and do the inventory at a later time and date after further research as to problems.

PHYSICAL INVENTORY INQUIRIES

On Menu SIN11, Selections # 8 - Physical Inventory Inquiry, and #9 - Physical Inventory History Inquiry - will allow you to do inquiries on Physical Inventories that are in current process, and Historical inquiry on past Posted Physical Inventories.

The Inquiry Program # 8 - Physical Inventory Inquiry, screen will require the user to input the Part Number, and Site they wish to inquire upon. Users will then be provided with information about the current system stated 'On-Hand' amounts, physically actual counted quantities, system assigned tag numbers, add tag numbers, and any associated Serial Number information if applicable.

The History Inquiry - #9 - Physical Inventory History Inquiry will require one additional input - the date the physical inventory was performed, and will provide the same information as listed above.

Selection #10 - Physical Inventory Save Files Purge simply allows users to purge past copies of Physical Inventory information used for the History Inquiry selection.

POSTING CHANGES TO THE LIVE ACCOUNT

Posting shrinkage Physical Inventory changes to your live account is accomplished through SIN11, #5, with the date of adjustment equal to your desired date. The system will prompt you with the current days date. See screen below.

Shrinkage update screen is as follows. [\(FIGURE 7\)](#)

FIGURE 7

```
IN11E  MODS LONG TEST COMPANY          INVENTORY SHRINKAGE      17 Jun 09
                                           ADJUSTMENTS UPDATE

WARNING! THE FINAL SHRINKAGE REPORT SHOULD HAVE BEEN PRINTED

ENTER EFFECTIVE DATE OF ADJUSTMENT  06/17/09

ENTER * TO VOID, C TO CHANGE DATE, ^ TO POST ADJUSTMENTS .
```