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## PHYSICAL INVENTORY MULTI-COUNT DIFFERENCE METHOD

### Overview

This procedure is for taking a physical count of the inventory. It uses the Multi-Count option which allows for printing just one set or multiple sets of count sheets to be printed and distributed. Each count sheet page is numbered and has up to 26 items. A physical inventory count file is created in the system when the count sheet pages are printed. The user may scroll through the inventory count file by Page number. All items on a page are viewed at one time. The counted quantities are entered by reading up a page number and entering the counted quantity for each item on that page. The system keeps track of all pages of all sets. If a page is missing, it will print out on a special report to notify the user that the count may be incomplete. After all count sheet pages are entered, the user has the option to print all items where the counted quantity was different from the original quantity. Finally, the counts are posted to the inventory using the "difference method." The "difference method" adjusts the quantity on hand in your inventory by posting the difference between what was counted and what the system originally showed in inventory. An example of how the system posts the difference is included in this document.

### Preparations for Taking a Physical Inventory

- A. Decide whether you will print (a) ALL items in your inventory file, (b) stock items plus those non-stock items with a quantity on hand, or (c) items coded based on some criteria.

If you intend to print ALL items, estimate the number of count sheet pages that will print as follows: Select System Administrator from the Main Menu. Select "Status Display and Change." Enter file number 20 (the INV Master file). The number of active records is the number of inventory item records currently in your inventory file. (This number includes one record for each vendor code master.) Divide that number by 26 (because a maximum of 26 items print per page). This is the approximate number of pages that will print.

If you are printing stock items plus non-stock items with a quantity on hand, be sure that the Stock field is coded in the item master records.

If you are printing items coded based on some criteria, be sure that items are properly coded.

- B. Decide how many sets you will be printing. Some lighting showrooms print just one set and all counted quantities are recorded on that one set. Other lighting showrooms print multiple sets to make it easier to count various areas. For example, some users print three count sheet sets: Set 1 to count the warehouse, Set 2 to count the showroom display and Set 3 to count staged items (or "tag and hold" items).
- C. Set a date for counting the inventory. Determine how much time will be needed to print and distribute the count sheets and then set a date for performing this task. Some users print the count sheets out the night before the physical inventory date. Others prefer to print the count sheets a day or two ahead of time and then "refresh" the starting quantity in the physical inventory count file with the current quantity on hand on the date the physical inventory will be performed. **IMPORTANT:** If you print count sheets ahead of time, using the "refresh Quantity" must be done on the day physical inventory begins. If you have questions on using the "refresh quantity" function, please contact Mylee Customer Support for assistance.

- D. Decide on the output order or print sequence for the count sheets (e.g. by vendor code/item number, by location, etc.)
- E. In preparation for taking a physical inventory, verify that all billing and receiving activities have been completed:

Prior to running the physical inventory worksheets: (1) close completed orders that have been shipped or delivered; (2) post all items received in the warehouse; (3) for lighting showrooms with multiple stores, post all transfers that have been completed. This ensures that the QOH is updated before the "snapshot" of your inventory is taken.

- F. For an accurate inventory, it is recommended that you stop selling in Point of Sale and receiving in Inventory Purchasing. This is to make sure that quantities in the Item Master file are not going to change during the physical inventory. The system cannot track any quantities coming in or going out between running the worksheet and counting the shelves. The worksheet takes a snapshot of the inventory to find a starting point for the difference calculation.

**NOTE:**

The first thing the system does when creating the file that prints on the worksheet is to zero out everything already in the file. Make sure that there is not a worksheet currently being used by someone else, like a cyclical count. In **System Administrator, select Status Display and Change**, pull up file number **28, INV – Inventory Count**. Check to see if the **ACTIVE RECORDS** is **0**. If not, check to see if anyone has a cyclical count in progress before running the new worksheet. If the Active Records is not zero and no one is in the midst of performing a count, contact Mylee Customer Support for assistance.

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                FILE STATUS DISPLAY AND CHANGE

FILE NUMBER  28

DISPLAY NAME INV - Inventory Count

ROOT NAME  invcount

MAXIMUM RECORDS      70000

ACTIVE RECORDS        0

01=A/R  10=POS  15=CLS  20=INV  30=I/P  40=OPT/SYS  70=A/P  80=G/L
    
```

**Steps for Physical Inventory Multi-Count Difference Method**

1. **Print Count Sheets.** From the main menu, select **Inventory, Price Load/INV Count MENU, Inventory Count Menu, Multi-Count Worksheet.**

**SPECIFY OUTPUT DEVICE \_\_ (PRINTER OR \$ = FILE).** Enter the printer number for printing the count sheets. If you are printing on multi-part paper, load it now.

**SPECIFY OUTPUT ORDER.** Select the output order for the count sheets. The available output orders are displayed on screen.

Many showrooms count items by vendor code/item number. If you want the count sheets printed in Item Number sequence, choose output order #1 "Item Seq with Start/Stop VC & Item." This is the most common selection.

Some showrooms count by UPC number, while other showrooms count by physical location. Start and Stop numbers are determined by the output order selected. For example, if one of the Location options is selected, then Start/Stop values of locations should be entered.

- ```

SELECT OUTPUT ORDER FOR REPORT
1 - Item Seq with Start/Stop VC & Item
2 - Item Seq with Selected VC
3 - UPC Seq with Start/Stop UPC
4 - Location with S/S Loc & S/S VC
5 - Location with S/S Loc & Select VC
6 - Location with Select Loc & S/S VC
7 - Location with Select Loc & Select VC
0 - Addhoc Index
R - Re-print Some Count Sheet Pages
    
```

Tag-n-Trak checks to see if there are any active records in the Inventory Count file before continuing. Active records indicate that a count is already in progress. The following message will display if there are any active records in the Inventory Count file:

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*****
*****
WARNING!!!!!!!!!! It has been detected that you are trying to generate new
inventory count sheets without posting changes from prior inventory count
sheets. Are you sure you want to continue? If you generate new count
sheets, you will lose the prior counts entered and will not be able to post
those counts to your inventory file.
    
```

ARE YOU SURE YOU WANT TO CONTINUE (Y or N) \_

```

*****
*****
    
```

Respond N if you have selected the multi-count worksheet in error. You will be returned to the Inventory Count Menu. Respond Y if you wish to continue. **If you respond Y, a new count**

sheet file will be created. Any data in the existing count sheet file will be LOST. If you are unsure how to respond, contact Mylee Customer Support for assistance.

|                        | VC    | ITEM / UPC NUMBER | LOCATION |
|------------------------|-------|-------------------|----------|
| ENTER THE START NUMBER | _____ | _____             | _____    |
| ENTER THE STOP NUMBER  | _____ | _____             | _____    |

If you are counting all of your inventory , press Enter past these fields. If you are printing a range of items, enter the range.

If you selected output order 2 “Item Seq with Selected VC,” you will be prompted as shown below to enter the list of vendor codes to be included in the count file. This option is NOT used when doing a full inventory count of your entire inventory. This option is used only when counting selected vendors (such as when cycle counting throughout the year).

ENTER LIST OF VENDOR CODES TO BE INCLUDED

|       |       |       |       |       |       |       |       |       |       |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |

F7=Up a Row F8=Down a Row F12=Exit Table

**PRINT BY CODES?** \_ (Y OR N) Respond N if you will be printing EVERY item in your inventory file.

Respond Y if you will be printing by codes. A list of qualifiers is displayed. Enter your selection criteria. In the example below, the “at sign symbol” @ is used as the STOCK qualifier in order to print all items with a non-blank Stock Flag. This includes items with a Stock Flag of S, F, M, X and 0-9. **Using @ as the qualifier is the most common response.**

*Note: At the bottom of this dialog page, you will have the option to print non-stock items if the item has a QOH. You will also have the option to print discontinued items coded with a stock flag of 'X' ONLY if the discontinued item has a QOH.*

|                        |                   |                                         |    |
|------------------------|-------------------|-----------------------------------------|----|
| <b>PRINT BY CODES?</b> | <b>Y (Y OR N)</b> |                                         |    |
| STOCK                  | @_____            | (@=all non-blank, #=blank, F,M,S,X,0-9) |    |
| PRODUCT                | **                | FREE FIELD                              | ** |
| SUPPLIER               | ***               | DIVISION                                | ** |
| SUB GROUP              | *                 |                                         |    |

**PRINT KITS.** The typical response is “N” so that Kit items are not printed on the count sheets. Typically, users count the items that make up the kit and not the “kit” itself.

**TOP OF FORM VENDOR/LOCATION.** Respond Y to start a new page for each vendor if printing in vendor code/item number sequence (or to start a new page for each location if printing in location sequence). Respond N if you do not want to start a new page for each vendor (or location).

**PRINT QOH FIELD.** Respond Y to print the current quantity on hand on the count sheets. Respond N if you do not want to print the quantity on hand.

**PRINT SERIAL NUMBERS.** Respond N if you do not have items with serial numbers or if you do not wish to print the serial numbers on the count sheets. Respond Y to print the serial numbers for items requiring a serial number on the count sheets.

**PRINT SCAN CODES.** Respond "N" to this question.

**PRINT COST ON REPORT.** The typical response is N so that cost is not printed on the report. If you want the item's cost to print, enter the code for the appropriate price/cost field (A – J). When printing cost the most common entries are E to print the E cost (typically the published book cost) or F to print F cost (typically the "actual" cost which is the one used for purchase orders.)

**PRINT QOH FIRST.** The typical response is N to this question. The quantity on hand (if printed) prints on the right side of the report after printing the vendor code, item number, description and location. Respond Y to print the quantity on hand on the left side of the report before the vendor code and item number.

**PRINT HOW MANY SETS.** Take the following into consideration when deciding how many sets to print:

- Printing 1 set assumes that the quantities in the Item Master file are correct. If there are discrepancies, only the erroneous quantities need to be edited on the Multi-Count Adjustment screen. *Note: The "refresh quantity" function can be used whether you are printing one set or multiple sets.*
- Multiple sets can be printed to deal with items that are in more than one location. For example, the same item may be in the warehouse, showroom and areas staged for delivery. If multiple sets are printed, all quantities counted need to be entered on the Multi-Count Adjustment screen. The "refresh quantity" function can be used when printing multiple sets.

**PRINT ON HOW MANY PART PAPER.** Typically, if you are printing 2 sets, you would want to use 2-part paper for printing the count sheets. If printing 3 sets, you would want to use 3-part paper.

If you are using single part paper and generating 2 sets, the program will print all pages for set 1 and then start over and print all pages for set 2.

If multi-part paper is used to cut down on the print time, indicate how many part paper is to be used, regardless of how many sets are being printed. **Example:** If 5 sets are needed on three-part paper, the system will print the worksheets in *two batches*. The first batch that prints will have **1 2 3** on the top, and the second batch will have **4 5** on the top. Circle the **1** on the top layer of all pages of the first batch, the **2** on the second layer, etc. Circle the **4** on the top layer of



## 2. REFRESH QUANTITY

If you printed count sheets “ahead of time,” you must **REFRESH THE QUANTITY** on the date you will be counting inventory. If you printed count sheets AFTER the close of business the night before counting, then refreshing the quantity is not necessary.

To refresh the starting quantity of the items in the inventory count file, select **Multi Count Worksheet** from the Inventory Count Menu. Press **F12** and then **Q** for “refresh Qty.”

### REFRESH QUANTITY

This routine will update the count file with the most current inventory quantity on hand. This is useful when you have printed the count sheets prior to counting and while you were still selling and receiving inventory. If you printed the quantity on hand on the count sheets you must understand that this process will change the quantities that were printed and the new quantities will show on the screen and not the quantities that were on the printout.

READY?                    \_

Records                  \_\_\_\_\_

Respond Y when ready.

When the refresh is complete, the following message displays;

Refreshing quantity complete. Press any key to continue.

3. Once the worksheets are printed, distribute them as needed. Sign-up sheets may be helpful in tracking who had which pages. If multi-part paper is used, set numbers will print on the paper. Circle the corresponding set number for each layer.

4. Take the physical count, and write quantities on the worksheets.

**NOTE:** If an item is sold or received after the worksheet is run, but **before** it is counted, add the quantity sold or subtract the quantity received to the quantity counted. If an item is sold or received **after** it is counted, the difference method will account for this.

5. **After all inventory has been physically counted, you may resume selling and receiving.**

6. Enter the quantities counted in the Multi-Count Adjustment screen. (See sample screen below.) As the count sheets are completed, enter the page number and set number as needed. If you manually change the Set number, the following message displays: **ARE YOU SURE YOU WANT TO CHANGE SETS Y OR N?** Answer it accordingly.

| MM/DD/YYYY |                   | MULTI COUNT ADJUSTMENT SCREEN |    | BY PAGE        | PAGE: | 1 SET:   | 1 |
|------------|-------------------|-------------------------------|----|----------------|-------|----------|---|
| VC         | ITEM NUMBER       | QUANTITY                      | VC | ITEM NUMBER    |       | QUANTITY |   |
| 1          | AAA 01-1011 WT    | 23                            | 16 | AAA 01-1021 CH |       | 1        |   |
| 2          | AAA 01-1011 WT/WT | 15                            | 17 | AAA 01-1021 PB |       |          |   |
| 3          | AAA 01-1011 PB    | 2                             | 18 | AAA 01-1021 WT |       |          |   |
| 4          | AAA 01-1012 BK    | 1                             | 19 | AAA 01-231 BK  |       | 137      |   |
| 5          | AAA 01-1012 CLR   |                               | 20 | AAA 01-231 WT  |       | 22       |   |
| 6          | AAA 01-1012 GL    | 3                             | 21 | AAA 01-231 CH  |       | 7        |   |
| 7          | AAA 01-1013 BK    |                               | 22 | AAA 01-231 PB  |       | 3        |   |
| 8          | AAA 01-1013 WT    |                               | 23 | AAA 01-232 BK  |       | 3        |   |
| 9          | AAA 01-1014 BK    |                               | 24 | AAA 01-232 WT  |       | 32       |   |
| 10         | AAA 01-1014 WT    | 5                             | 25 | AAA 01-836 BK  |       | 5        |   |
| 11         | AAA 01-1014 WT/WT | 10                            | 26 | AAA 01-836 WT  |       | 4        |   |
| 12         | AAA 01-1014 PB    | 3                             | 27 |                |       |          |   |
| 13         | AAA 01-1017 BK    | 6                             | 28 |                |       |          |   |
| 14         | AAA 01-1017 WT    | 10                            | 29 |                |       |          |   |
| 15         | AAA 01-1017 PB    | 7                             | 30 |                |       |          |   |

F2=GOTO F3=CHG SCROLL F7=FIRST ITEM F8=LAST ITEM F10=SAVE PG TAB=CHG COLUMN

**NOTE:** As stated above, if a single set was printed, just edit the items that need to be corrected. If multiple sets were printed, then every quantity counted needs to be entered. Pressing **[Enter]** or **[Down Arrow]** will fill the field with a **0**. Blanks will be processed as **0's**. Once the screen is correct, press **[F10]** to save the page. Even if no changes were made to the page, press **[F10]** so that the page has been accounted for.



**NOTE:** The “Sets Not Edited,” “Item Difference” and “Vendor Only Difference” reports may be printed as often as deemed necessary to ensure that all quantities have been correctly counted and entered into the system.

- Once all quantities on all items have been correctly counted and entered into the system, run the Multi-Count Update. If there are any pages missing from any of the sets, the following message appears. Answer **N**, then print the **Sets Not Edited** report, find the missing pages, and enter quantities or save the missing pages.

```

*****
*****
WARNING!!!!!! It has been detected that you are trying to post your inventory
counts without saving changes to every page of every set of your inventory
count sheets. Are you sure you want to continue? If you are not sure you
should run the Inventory Count Difference report and get a list of all pages
that have not had quantities saved off and verify that you have entered all of
the inventory counts. If you run this update without all the counts entered
you MAY create inaccurate quantities in your inventory.

                ARE YOU SURE YOU YOU WANT TO CONTINUE (Y or N) _

*****
*****
    
```

**The Multi Count Update program is where the QUANTITY ON HAND in the Item Master records get changed.** When the QOH in the item masters are changed, this program can optionally generate an Inventory Count Exceptions Report by responding “Y” to the “PRINT EXCEPTIONS” dialog question and then selecting the Price Level (typically E or F). This report includes all items that had a “discrepancy” or “difference.” The program calculates a variance (the QOH in the inventory file versus what was physically counted.)

```

                MULTI COUNT UPDATE MM/DD/YYYY

SPECIFY OUTPUT DEVICE 1 (PRINTER OR $ = FILE)

PRINT UPC INSTEAD OF DESCRIPTION  N (Y OR N)
TOP OF FORM BETWEEN VENDORS?     N (Y OR N)
PRINT EXCEPTIONS?                  Y (Y OR N)
    SELECT PRICE LEVEL              _ (A - J)  Typically E or F Cost
POST ACTUAL QUANTITY ENTERED?     N (Y or N)
    
```

**NOTE: POST ACTUAL QUANTITY ENTERED?** is the most important step in this whole procedure. If this question is answered incorrectly, the quantities in the Item Master file may be zeroed out! Answer this question **N**. This will incorporate the difference method.

**NOTE:** After the update is run, the active records in file **28** should now be zero once again.

**NOTE:** There are several potential variations of this procedure. Please call and discuss any possible changes with Mylee support.

**Example:** The following data illustrates how the system calculates and posts based on the multi-count difference method. This example incorporates sales and receiving while the adjustments are being entered.

**Data:**

QOH (from inventory file prior to running worksheet) = 7  
QOH (counted on warehouse shelf, set 1) = 5  
QOH (counted on display, set 2) = 1  
Quantity received between counting and entering adjustments = 10  
Quantity sold between counting and entering adjustments = 3

**Calculations:**

System adds sets together:  $5 + 1 = 6$   
System calculates correction factor:  $6 - 7 = -1$   
System adds receiving and subtracts sales:  $7 + 10 - 3 = 14$   
System adds correction factor:  $14 + (-1) = 13 = \text{Correct, current QOH}$

**How to Handle Entering Count Quantities for Items that did NOT Print on Count Sheets**

When the physical inventory is taken, there may be items counted but the item number did not print on the Count Sheets. The following action is recommended.

- (A) If the item number is in your inventory master file but the item just did not qualify for printing on the count sheets, go to Inventory, then "Item Master," read up the item number and then adjust the QOH appropriately.
- (B) If the item is not in your inventory file, it is a Not-On-File item. If you want to include such items on your Value Report, then ADD the item number to your inventory file (go to Inventory, then "Item Master") and enter the counted quantity in the QOH field.

**Inventory Value Report**

To print a VALUE of your inventory after the physical inventory counts have been posted, use the "Inventory Value" program on the Inventory Report Menu AND/OR use Query to print a value and include only those items with a QOH greater than zero. If you need assistance with printing a Value Report, please contact Mylee Customer Support for assistance.