How to take a Physical Inventory and set up a Cycle Count Program

- 1. Preliminary
 - a. Physical Inventory and Cycle Count are part of the MISys SBM Basic Program.
 - b. When you are ready to go live with MISys SBM, you will need to do a Physical Inventory in MISys and do some inventory organization in your accounting system.
- 2. Helpful Reading
 - a. Press Help Contents (F1), go to Operator's Guide Stock Control Physical Inventory. All the sections are worth reading.
- 3. The First Physical Inventory count with MISys SBM Moving Inventory to MISys
 - a. The Inventory must reside in only one place. Before going live, you must decide what inventory will reside in MISys and what will be in the accounting system and when. Typically, raw material and sub-assemblies stay in MISys, except for salable spare parts. Finished Goods are created in MISys and at some point they are moved to the accounting system, for sale.
 - b. Before taking a Physical Inventory Moving Accounting Inventory to MISys
 - i. In Master Files Items, making sure that Sales Item No. is filled in, for those Items that you want to move the inventory between MISys and the accounting system. Unit Cost should also be filled in.
 - ii. Go to Stock Control Sales Transfer Range of Items, fill-in Location No., fill-in Range of Manufacturing Items to Transfer to Sales Inventory (this should be used to work around Items that you want to leave in your accounting system) and select Stock Leveling: Sales Inventory to Zero.
 - iii. Click Sales > Mfg
 - iv. Do this for each group of Items that you want to move from your accounting system to MISys.
- 4. Taking a Physical Inventory
 - a. Print Worksheet
 - i. This program will print a worksheet on which you can record the physical inventory counts.
 - ii. Go to Stock Control Physical Inventory Print Worksheet
 - iii. In Selection Criterion, select Items Range
 - iv. In Item No. and Location No., you can limit the range of items in this Physical Inventory
 - v. For the first physical inventory, I would recommend un-checking the box – Exclude Unknown Item Locations.
 - vi. You can Preview the Worksheet before Printing.

- vii. After the Worksheet has been print, it can be given to the personnel doing the actual counting.
- b. Edit Batch
 - i. Go to Stock Control Physical Inventory Edit Batch
 - ii. Click New, a new window will appear
 - iii. Give the Batch a name in Description box
 - iv. Checking Show Recorded Quantities is recommended
 - v. Click Worksheet will copy the printed Worksheet into the Batch as a starting point.
 - 1. Feed From Worksheet window will open
 - 2. Select a Count Type and Count Quantity
 - 3. Set the Date as the date you want this physical inventory posted as
 - 4. Click OK
 - vi. The Batch Details will fill with the Worksheet detail
 - vii. You can edit the Items by adding Items or deleting items
 - viii. Putting the counts in
 - 1. Entering the counts directly in MISys
 - a. When the Counted Worksheets are returned, the counts should be entered in the Counted Stock and/or Counted WIP column(s). Some people prefer the Form View for entering the counts.
 - b. Save often
 - 2. Exporting Edit Batch to a spread sheet and entering the counts there
 - a. From Edit Batch, go to File Export, navigate to where you want the file store, click Save, click OK and click OK.
 - b. Open the MIPIBH file. In the MIPIBH tab, if you are not planning to change the number of Items counted, no changes are needed.
 - c. In the MIPIBD tab, record the new Stock Quantities in Column J (qty) and WIP Quantities in Column K (wip).
 - d. Save and Close
 - e. Go to Edit Batch, go to File Import, navigate to the MIPIBH file, highlight the file and Open, click Proceed, click OK and click OK.
- c. Check Batch (optional step)

- i. Check Batch is used to compare the physical and financial differences between the pre-physical inventory counts and the physical inventory counts.
- ii. Go to Stock Control Physical Inventory Check Batch
- iii. In the Selected column, check the box of the Batch you want to check
- iv. Click Initialize and then OK
- v. Click Check and then OK
- vi. Click Display, a window will open. The physical difference will be in Stock Variance and the financial difference will be in Stock Variance Cost.
- vii. It is recommended that Items that have a Stock Variance Cost above some level (i.e. \$500) be recounted. The Check Batch - Display can be printed and the items to be recounted can be highlighted.
- viii. The recounts can be entered in Edit Batch and Check Batch can be rerun.
- d. Post Batch
 - i. When you are sure that the physical inventory is accurate, go to Stock Control – Physical inventory – Post Batch.
 - ii. In the Selected column, check the box of the Batch you want to post
 - iii. Set the Post Date and click Post
 - iv. The net difference between the Counted Stock and the Recorded Stock will get added to/subtracted from your Current Inventory.
- 5. Setting up a Cycle Count Program
 - a. A Cycle Count Program is where you count a few items every day or every week. This program can be a substitute for an annual physical inventory or to maintain an accurate inventory. Accuracy levels of 97% or higher can be maintained with a good program. A good article on Cycle Count Theory can be found at www.effectiveinventory.com/article10.html.
 - b. First develop a Counting Schedule. Divide your items into 4 groups (A, B, C & D).
 - i. "A" items are the top 5 10% of the most valuable items (by unit cost or by average inventory times unit cost) in your inventory. They should be counted six times per year.
 - ii. "B" items are the next 10 20% most valuable. They should be counted four times per year.
 - iii. "C" items are the next 20 30%. They should be counted two times per year.
 - iv. "D" items are the 40 65% least valuable. They should be counted once per year.
 - v. There are reports in MISys that can help you with setting this up.

- vi. Separate the items to be counted into as many as 99 counting groups. Then go to Master Files – Items, for each item fill-in the Inventory Cycle with its counting group number on the Master tab.
- c. To do a Cycle Count
 - i. Go to Physical Inventory Print Worksheet
 - ii. Change Selection Criteria to Cycle Based, if necessary fill-in From-To Item No. and From-To Location No. and check Exclude Unknown Item Locations and Exclude cycle 0. Fill-in Include Cycles with the counting group that you want to cycle count. More than one Group Nos. can be entered and should be separate with a comma (i.e. 1, 2, 3, 4).
 - iii. Click Print or Preview and Print.
 - iv. Follow the Edit Batch, Check Batch and Post Batch from section 4 above.