

Merchandise and Consumable Inventories

NOTE: The website URL for **Workday reference guides** that are referenced in this section is:
<https://confluence.esg.wsu.edu/display/WKB/Workday>

OVERVIEW

Area deans, department chairs, and/or directors are responsible for inventory control of merchandise and/or consumable inventories. Inventory directly affects the financial position and results of the operation.

Requirements**Inventory Control**

Departments must maintain proper inventory control.

Proper inventory control involves keeping track of the number of inventory items and clearly accounting for the monetary value of inventory transactions and balances.

Inventory Tracking

Departments must use either a perpetual or periodic inventory tracking method to maintain all merchandise and consumable Inventories (see [Definitions](#)).

Inventory Value and Count

Departments must complete a physical inventory count at least annually.

In calculating merchandise and/or consumable balances on hand, departments may exclude items which have high turnover rate and extremely low cost, e.g., nuts, bolts, screws, washers, unless exclusion would materially misstate inventory value.

Departments must submit a total of the monetary value of inventory on hand as of the end of the fiscal year to the Controller's Office. The Controller's Office requires this information to complete the financial statements. The last day of the fiscal year is June 30. (See [Item Valuation and Extensions](#).)

Merchandise Inventory

Departments must value and count all merchandise items annually.

Consumable Inventory

Departments must value and count all consumables when the balance on hand is estimated to exceed \$50,000 in value.

Exception to Annual Inventory

Departments which have consumable inventories with an estimated value of less than \$50,000 may request an exception from an annual physical inventory count. Contact the Controller's Office; telephone 509-335-2013; or email the request to:

gen.acct@wsu.edu

Merchandise and Consumable Inventories

Definitions

Merchandise Inventory	Merchandise inventory consists of merchandise which is for sale to other agencies or the public.
Consumable Inventory	Consumable inventory consists of goods and supplies which are on hand in or under the control of a central, departmental storeroom for use in operations.
Inventory Tracking Methods	Perpetual and periodic inventories are methods of keeping track of the number of items held in the merchandise or consumable inventories.
<i>Perpetual Inventory</i>	Under the perpetual inventory method, items are added to or subtracted from the inventory totals immediately upon receipt or removal. This provides a running count of the inventory on hand.
<i>Periodic Inventory</i>	Under the periodic inventory method, items are received and issued without being added to or subtracted from the inventory totals. A physical count must be conducted to provide the number of items in the inventory.
Physical Inventory	A physical inventory is a count of the merchandise and/or goods and supplies on hand.

PHYSICAL INVENTORY PROCEDURES

Advance Preparation

Prior to the actual counting of inventory items, departments must do the following.

Notify Controller's Office

At least two weeks prior to the start of the counting process, submit a Physical Inventory Notification memorandum to the Controller's Office.

The Controller's Office notifies the offices of the State Auditor and the Internal Auditor as to the time and location of the physical inventory. Auditors may attend the inventory to observe the count.

Location

Clean, straighten, and organize all areas. Place similar items together.

Prepare a map or blueprint of the area to be inventoried.

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Personnel	Give complete instructions to all personnel participating in the inventory.
Inventory Sheets or Tags	<p><i>Prenumber</i> all inventory sheets or tags.</p> <p>After prenumbering, departments may prepare the inventory count sheets or tags. The sheets or tags must be completed and arranged by inventory locations, i.e., bin number, floor area, etc.</p> <p>List the descriptions of the items in those areas, bins, etc., on the inventory sheets or tags. NOTE: Do not enter quantities until the actual count.</p>
Noninventory Items	<p>Remove or segregate all obsolete or defective items and other items not to be counted.</p> <p>Clearly label "<i>Noninventory item</i>" on all removed or segregated items.</p>
Cutoff Arrangements	<p>Departments are to ensure a proper cutoff between the items of inventory to be counted and the items which are not to be counted.</p> <p>Ideally, the department should be closed during the physical inventory. However, if all activities cannot be halted, the department must make the following arrangements to ensure that items issued during the count are counted and that items received during the count are not counted.</p>
Receipt/Requisition Book	<p>The supervisor must maintain a receipt or requisition book or log to keep track of items received and issued during the inventory count.</p> <p>Record the item identification number, description, area location, and amount of all items received or issued while the physical inventory count is conducted.</p>
Items Received One Day Prior to Inventory Count	Clearly label " <i>Before Inventory</i> " on all documents for items received one day prior to the inventory count and placed into inventory. Include these items in the inventory count.
Items Received During Inventory Count	Clearly label " <i>After Inventory</i> " on all documents for items received during the inventory count. Physically segregate these items from the inventory being counted until the physical count has been completed.

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Items Issued During Inventory Count

Create receipts or requisitions and tags or labels to issue items during the physical count. These documents must include:

- Item identification number
- Description
- Amount issued
- Area location of the item(s)

Clearly write "*Removed During Count*" on each tag or label. Place a tag or label in the bin or at the area location at the time an item is physically removed. Include these items in the physical inventory count.

Log all receipt and/or requisition information into the supervisor's receipt/requisition book. Retain the receipts or requisitions for review.

Actual Count

Count Teams

Count teams are comprised of a counter and a recorder. Each team should include one person not directly involved with the inventory on a daily basis.

The department assigns each team to count specific inventory locations. The team counts only the inventory in the specified areas.

Responsibilities

The count teams must:

- Place the names of the counter and recorder on the inventory sheets or tags.
- Count all items in the assigned areas, even if the items do not belong in those areas. EXCEPTION: Those items labeled "*Noninventory*" are not counted.

If the inventory count sheets have been prepared in advance and an item is listed at a location but is not present, enter **zero** for the quantity amount.

Add any items not included on the prepared inventory count sheets.

- Clearly mark the items or bins using a standard symbol (chalk or sticker) as each item or bin is counted.

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Responsibilities (cont.)

This helps the count team, supervisor, and auditors when rechecking or test counting an area to identify any missed or duplicated items.

- Return the inventory count sheets or tags to the supervisor when the count is complete in each assigned location.

Supervisor

The supervisor must:

- Observe the counting process.
- Ensure instructions are followed and questions answered.
- Control the prenumbered assigned physical inventory count sheets or tags.

Maintain a control list of the prenumbered sheets or tags. Check off the numbers of the turned-in sheets on the control list to be certain all sheets are accounted for.

- Mark the floor plan as each area is counted.
- Inspect each location upon completion of the team's count.
- Sign the inventory sheets for each inspected location.
- Conduct a final tour of the premises upon completion of the count to ensure that all items have either been counted or labeled as "*Noninventory*" or "*After Inventory*" and not counted.

Item Valuation and Extensions

When the count is complete, checked, and the sheets signed by the supervisor, departments must adjust the perpetual or periodic inventory records.

The department is to assign a value to each item based upon the acquisition or production cost of the item. The department uses this value and the physical count to adjust inventory records. The department is to:

- Verify all unit values *prior* to performing extensions and totaling.
- List the value of each individual item.
- Extend the values for each item category, i.e., unit value multiplied by number of items counted in that category.
- Calculate and list the totals for each inventory sheet.

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Item Valuation and Extensions (cont.)

- Make a final verification that all inventory count sheets are completed, checked, signed, valued, extended, and totalled.
- Retain all count sheets for review.

Questions

Contact the Controller's Office with questions about the valuation of inventoried items; telephone 509-335-2013.

Physical Inventory Value Memorandum

Submit a recap of the physical inventory in memorandum form to Property Inventory, Controller's Office. Include the following information:

- Fund
- Inventory amount
- Method used to account for inventory
- Department contact name
- Contact telephone number
- Dean/director/chair name and signature

FISCAL YEAR-END REPORTING

Each department that has a merchandise and/or consumable inventory *must* submit a total of the monetary value of inventory on hand as of the end of the fiscal year to the Controller's Office.

When the physical inventory is taken on a date other than June 30 and a periodic inventory tracking method is used, the department must adjust the totals for any activity between the date of the count and June 30.

Prepare a detailed copy of this reconciliation of the inventory from the count date to June 30. Retain the reconciliation for audit evaluation of compliance with cutoff procedures (see *BPPM 90.01*).

Physical Inventory Before June 30

If the physical inventory is taken before June 30, add all inventory purchases through June 30 and subtract all issuances from stock from the physical counts to determine the inventory amount at June 30.

Physical Inventory After June 30

If the physical inventory is taken after June 30, subtract all purchases after June 30 and add all issuances from stock back into the physical inventory count to determine the inventory amount at June 30.

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OBSERVATION

To ensure fair representation of the information given by WSU in state and University financial statements, the State Auditor's Office may do the following as part of their annual audit:

- Observe and investigate inventory controls,
- Observe and investigate physical inventory procedures, and
- Make physical tests of the inventory quantities.

ASSISTANCE

Contact General Accounting for assistance with maintaining or counting merchandise and/or consumable inventories; telephone 509-335-2013.