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Ascente
Inventory Control

Should My Business Be Tracking Quantities?

Presenter: Mark Allman
February 2019

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Should My Business Be Tracking Quantities?

Supporting Documents

The following files are available for download on our website that you may find beneficial:

- Ascente - Inventory - Should I Be Tracking Quantities (Presentation).pdf
- Ascente - Inventory - Should I Be Tracking Quantities.pdf

compusource.com

servicecontractorsoftware.com/

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Should My Business Be Tracking Quantities?

Overview

This presentation is intended to set the expectations of the operational requirements for any company to track inventory quantities. I will try to presented this from a very broad overview prospective. We will discuss very basic requirements and assumptions. I will also offer recommendations based on what our other clients have experienced.

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Should My Business Be Tracking Quantities?

Overview

Most every processing requirement mentioned is not unique to Ascente, they are common in all inventory tracking applications.

Should My Business Be Tracking Quantities?

Overview

I do recommend you consult with your accountant regarding the accounting decisions you will make and what is best for your business.

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Should My Business Be Tracking Quantities?

Overview

Every company should want to know what inventory quantities they have on their trucks and in the shop, why would you not want to know that?

Well there are many factors that go into this decision:

- There is an investment operationally and financially required to track and balance inventory quantities and costs to your financials.
- There are the benefits of being able to manage your inventory and purchases.

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Should My Business Be Tracking Quantities?

Considerations

- What is your typical inventory shrinkage value for a year?

- What is the value of the inventory you stock on your trucks and in the shop?
  - Obviously, a business with two trucks that have less than $1,000 of stock on the trucks has different requirements then a company with multiple branches with many stocked trucks at each branch and have a high dollar investment in inventory on each truck.

- Do you purchase directly to jobs or to inventory?

- When purchasing inventory, does your accounts payable operations distribute the purchase costs to an inventory asset GL account or to a cost of goods sold GL account?

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Should My Business Be Tracking Quantities?

Considerations   *Continued*

- Can operators grab parts from the shop without detailing part numbers, locations and quantities?

- Do you have a caged inventory?

- Do you have a dedicated employee to track, order and restock the inventory items?

- Do the technicians have access to the assigned part numbers?

- Are your operators capable of processing all inventory quantity movements for orders, receipts, billing and restocking in detail using part numbers, locations and quantities?

- Do you want to track ALL parts or just the parts with a minimum value amount?

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Should My Business Be Tracking Quantities?

Assumptions

- You already have your part numbers setup in the Ascente / Inventory / Maintenance / Part numbers must be added for every part that you want to track quantities for.

- All parts tracked, must have a *Part Type* set to '*Stocked*'.

- Every tracked part is assigned an inventory location (*shop or a truck*).

- Accounting: Only inventoried parts purchases will be distributed to the inventory asset GL account. Non-inventoried parts are typically expensed to a cost of goods sold GL account.

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Should My Business Be Tracking Quantities?

Assumptions *Continued*

Every inventory movement must include the part number, location and quantity. These inventory movements include:
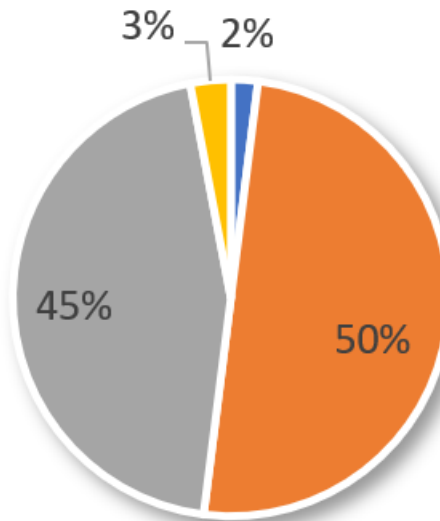
- Purchasing
- Receiving
- Billing Entry
- Inventory to Job Transfers
- Restocking
- Inventory Adjustments
- Physical Inventories

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Should My Business Be Tracking Quantities?

Four Levels of Inventory Control

Inventory Tracking Levels Usage

3% — 2%

45%

50%

- Level 1: No Parts
- Level 2: Parts Only
- Level 3: Qty Tracking
- Level 4: Qty Tracking & GL Balancing

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Should My Business Be Tracking Quantities?

Four Levels of Inventory Control

Level #1: No Inventory Control

I am guessing this level is used by about 2% +/-of our clients

Part numbers, description, cost and sell are all entered manually for each line item.

Advantages

- None really, other than not having to setup the part records

Disadvantages

- This requires a lot of repetitive data entry for operators
- All cost and sell prices must be researched and entered
- The part numbers and descriptions are not standard
- Sales analysis reporting not possible when part numbers vary
- Quantity tracking and transaction history in inventory is not possible

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Should My Business Be Tracking Quantities?

Four Levels of Inventory Control
Level #2: Parts List

I am guessing this level is used by about 50% +/- of our clients

Assumptions

Part numbers are setup in Ascente with a description, cost and sell price.

Advantages

- The data entry operators can enter a part number and the description, cost and sell will automatically be retrieved.

- Consistent prices

- The ability to have the mobile devices utilize these parts with lookups and pricing

- Sales analysis and inventory transaction history is now possible by part number and location.

- Flat Rate Tasks can be setup and used at this level

Disadvantages

- None really, other than the initial time invested to setup and maintain the prices and costs as they change.

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Should My Business Be Tracking Quantities?

Four Levels of Inventory Control
Level #3: Quantity Tracking

I am guessing this level is used by about 45% +/- of our clients

This level adds quantity tracking of on hand and on order quantity levels in the warehouse and on the trucks.

Assumptions

- Part numbers are setup in Ascente with a description, cost and sell price.

- Only one primary part number for each unique part. Alias part numbers can be used.

- Everyone one of these processes listed below must be done in Ascente for all inventory movements by the technicians and in the office for tracked parts:
  - Purchasing
  - Receipts
  - Order Entry
  - Inventory to Job Transfers
  - Transfers, adjustments and restocking
  - Physical Inventories

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Should My Business Be Tracking Quantities?

Four Levels of Inventory Control

Level #3: Quantity Tracking *Continued*

Advantages

- All the advantages of Level #2 are included.

- Inventory levels and investment can be managed and controlled.

- OnHand quantity levels are available in Ascente on demand.

- The Costed Inventory Report can be generated.

- Unnecessary purchases can be prevented.

- The Work Order Restock Register can be used.

- Physical Inventories can be performed.

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Should My Business Be Tracking Quantities?

Four Levels of Inventory Control

Level #3: Quantity Tracking *Continued*

Disadvantages

- Detailed Data Entry: All inventory transactions will require the operator to detail the part number, location and quantity for every tracked part.

- When a part is taken from another truck or the shop, that location needs to be specified or the quantity will be reduced at the wrong location.

- You will need to restock the trucks through Ascente.

- You will need to do physical inventories to assure that operations are correct and to assure the system has the correct on-hand totals.

- You will need to process purchase orders and receipts in Ascente in detail by part for inventoried items.

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Should My Business Be Tracking Quantities?

Four Levels of Inventory Control

Level #3: Quantity Tracking *Continued*

Requirements

- All parts records must be setup. *You do not need to track quantities for every part.*

- Only one primary part number for each unique part. Alias part numbers can be used.

- Everyone one of these processes must be done in Ascente for all inventory movements by the technicians and in the office for tracked parts:
  - Purchasing
  - Receipts
  - Order Entry
  - Inventory to Job Transfers
  - Transfers, adjustments and restocking
  - Physical Inventories

Should My Business Be Tracking Quantities?

Four Levels of Inventory Control

Level #3: Quantity Tracking *Continued*

Requirements *Continued*

- A caged inventory is required.

- A full time person to manage the inventory is required. You want a person that is detail oriented and will demand compliance by the technicians do what is necessary to control the inventory.

- The technicians need to be held accountable. You need to provide a reason for them to care about the counts being accurate on their truck.

- You should consider incentivizing the technicians to want their trucks quantities to be correct.

Should My Business Be Tracking Quantities?

Four Levels of Inventory Control

Level #4: Balancing Inventory to Financials

I am guessing this level is used by about 3% +/- of our clients

This level allows you to track quantities at all of your locations in addition to balancing your costed inventory report to your General Ledger inventory asset account.

Requirements

- All of the requirements for Level #3 apply

- All accounts payable invoices for tracked inventory must be posted to the inventory GL account and use the vendors invoiced cost for each item.

- All accounts payable invoices for *non-tracked* inventory must *not* be posted to the inventory GL account.

- All transactions that relieve inventory need to use the accurate average cost.
  - Service Billings
  - Inventory to Job Transfers

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Should My Business Be Tracking Quantities?

Benefits - Quantity Tracking	Level 1	Level 2	Level 3	Level 4
Quantity Tracking is possible			X	X
Alias Part Numbers can be used		X	X	X
Part costs and prices automatically entered		X	X	X
Ascente Work Order Restock Program can be used		X	X	X
Inventory Transaction Reporting is possible *(Audit Trail)*		X	X	X
Costed Inventory Report can be used for Inventoried Parts			X	X
Inventory to Job Transfers can be done		X	X	X
Physical Inventory Module can be used			X	X
Balancing Inventory Sub Ledger to the Inventory General Ledger Possible				X

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Should My Business Be Tracking Quantities?

Requirements - Balancing Inventory Sub Ledger (Costed Inventory Report) to the GL Inventory Account(s)	Level 1	Level 2	Level 3	Level 4
GL Account Codes These must reference the correct GL inventory asset account				X
Product Line Setup Must be linked to the correct GL account code. (When *not* tracking inventory GL by location)				X
Part Setup Must reference the correct Product Line & Inventory GL Account code combination when *not* tracking inventory GL by location, most common				X
Part Location Setup Must be linked to the correct GL account code when tracking inventory GL by location. This is not commonly done.				X
When initial inventory counts and inventory GL account balances are set, they should balance.				X

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Should My Business Be Tracking Quantities?

Requirements - Quantity Tracking	Level 1	Level 2	Level 3	Level 4
Part Setup		X	X	X
Must enter Part #, Location and Quantity for ALL tracked inventory transactions			X	X
Must only have one part # per part (this does not include alias parts)			X	X
PO Processing: Orders must be processed in Ascente			X	X
PO Processing: Receipts must be processed in Ascente for the entered PO's			X	X
AP Invoicing: Inventoried Parts must be posted to the inventory GL account			X	X
AP Invoicing: Noninventory Parts must not be posted to the inventory GL account			X	X
Billing: Inventoried Parts Costs must credit the inventory GL account			X	X
Physical Inventory done at least annually and when a truck is assigned			X	X
Restocking all locations done as necessary			X	X
Items grabbed of other trucks/locations must be coded or transferred as such			X	X
Technicians must be held accountable for inventory variances			X	X
There must be an incentive for the techs and operators to do things correctly to assure the necessary compliance to assure correct inventory counts.			X	X
Dedicated person to track and manage all inventory transactions			X	X
Must have a caged inventory. Techs can't just grab parts.			X	X
Must have an audit trail for inventory restocking and transfers			X	X

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Should My Business Be Tracking Quantities?

Conclusions

- Everyone should at a minimum, setup part numbers for the common items you enter repetitive transactions for.

- Quantity tracking requires detail input of part #'s, quantities and location for all tracked parts for every transaction entered.

- Full implementation of ALL of the following processes is required:
  - Purchasing – Orders
  - Purchasing - Receipts
  - Billing
  - Job Cost - Transfers
  - Restocking and Physical Inventories

- Balancing the inventory sub ledger to your inventory GL account required accounting's processing compliance.

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Should My Business Be Tracking Quantities?

Conclusions

Your company will need to determine the costs and benefits of each of the four levels of inventory tracking and make an informed decision.

Level 1:   No Parts

Level 2:   Part Numbers

Level 3:   Quantity Tracking

Level 4:   Quantity Tracking & Balancing to the GL

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Thank You!

We thank you for attending or watching this webinar and for choosing Ascente.

Please let us know if you have any questions or world like a follow-up call to discuss this in more detail.

More training videos like this are available on our website www.compusource.com

http://www.servicecontractorsoftware.com/

Should My Business Be Tracking Quantities?

Other Resources Available to You

These videos are available on our website

http://servicecontractorsoftware.com/client-support/training-videos/

- Ascente Inventory Control & Creating Parts
- Ascente Physical Inventory

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