Article # 1095

Technical Note: How to Determine the Physical Count Variance During and After an Inventory Physical Count

Difficulty Level: Beginner Level AccountMate User

Version(s) Affected: AccountMate 7 for SQL and Express
Accountmate 6.5 for LAN
AccountMate 6 for SQL and MSDE

Module(s) Affected: Inventory Control

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DESCRIPTION

A physical count variance is the difference between the actual quantity or volume of an inventory item counted during the performance of physical inventory count and the quantity shown in the inventory records. While it is not unusual that in every physical count variances may occur, it is important to be able to obtain physical count variance information by means of a variance report. This variance report is prepared to record and help rectify inventory control problems. As most, if not all, organizations require that variances be kept at an acceptable level, this report can be used as the basis for management to demand that unfounded variances be investigated, and the causes be determined and resolved. The larger the organization's investment in inventory, the more important a role physical count and count variance reports will play in effectively managing its resources.

This technical note is provided to assist you in understanding how AccountMate records physical count variances. This will also inform you of the functions and reports that are available in the system and guide you as to when would be the appropriate time to perform and generate them.

SOLUTION

In AccountMate, physical count variances can be determined after you have run the "Input Physical Count" function. The variance is calculated as the difference between the system's record of an items on-hand quantity at the time of freezing, and the quantity entered when the user inputs physical count information.

A number of reports can be used to determine the count variances. Some of these reports can only be generated before the results of physical count are updated in the system records through the Update Physical Count function. Others are accessible even after the records are updated; and consequently, after the items are unfrozen. Both sets of reports are discussed below:

Reports available during Physical Count:

Physical Count Variance Report

The Physical Count Variance Report summarizes the difference between the recorded on-hand quantity and the actual counted quantity. This report is the best source for information about any quantity variance discovered during a physical count. To emphasize items with count variances, this report can be set to show those items with count variances only.

This report becomes available right after you freeze the inventory items through the Freeze Inventory function and will be accessible for as long as you have not updated the inventory records through the Update Physical Count function. When generated after freezing the items, the report will show the recorded on-hand quantity before the count. When generated after performing Input Physical Count, it will show the on-hand quantity recorded before the count, after the count, and the corresponding count variances.

When you are ready to update the inventory records, access the Update Physical Count function. The physical count update will replace the existing inventory item's quantity with the quantity you entered in the system through the Input Physical Count function. You will now have a new inventory record, reflecting the quantities that resulted from your physical count inventory. The variances will be recorded in the Inventory Adjustment Report.

Updating your inventory records will also lift the Freeze control on the items previously frozen; and consequently, the Physical Count Variance Report can no longer be generated.

Reports available after Physical Count:

After the physical count has been executed and the records updated, you still need to generate count variances information to serve specific needs of your organization. You can access these records through the following reports:

Inventory Adjustment Report

The difference between the on-hand quantity before the count and the actual counted quantity calculated when the Update Physical Count was executed will be posted as inventory adjustments. You can view these adjustments in the Inventory Adjustment Report.

The Inventory Adjustment Report provides information pertaining to all the adjustments made to your inventory items. To isolate count variances adjustments from other types of adjustments in the report, it is recommended that you set a standard remark when you record this type of adjustment. In updating your inventory records, enter a value in the Remark field of the Update Physical count window that is appropriate to your physical count adjustments.

This report also reflects the variance cost and will help you determine how the inventory variances will affect your financial records. In turn, it will help you make sound decisions in the periods to come.

For those who are using AccountMate 7 for SQL and Express and AccountMate 6.5 for SQL and MSDE, you may generate this report showing only the count variances adjustments by exporting the report to an Excel worksheet; then, in MS Excel, filter the Remarks set for count variances adjustments. You can access the report for as long as the records are not deleted through the Purge function that may be performed during Period-End Closing.

For those who are using AccountMate 6.5 for LAN, choose the option to include "Items Adjusted Through IC Only'" when generating the report. Choosing this option will show all adjustments made in the IC module; however, you can further narrow down the report results by entering in the Adjustment Date fields the specific dates when the Update Physical Count was performed. This affect will be to configure the report to show variances adjustments only. You can easily identify the variances adjustments as these will bear the Remark that you entered during the update. As in SQL, you can access the report for as long as the records are not deleted through the Purge function that may be performed during Period-End Closing.

Inventory Transaction Log

The Inventory Transaction Log report shows the list of all transactions affecting your inventory items. This report will also provide you physical count variances information.

The count variances entries are easy to identify in this report as the system automatically assigns the transaction type code "PCNT" in recording the entry. PCNT, in AccountMate, stands for "Physical Count". You can generate this report showing only the physical count entries by exporting the report to an Excel worksheet; then, in MS Excel, filter the transaction type code PCNT.

Similar to the Inventory Adjustment Report, this report also reflects not only the count variances quantity but also their corresponding costs which will help you further in your inventory control problems. Another similarity, you can also access this report for as long as the records are not deleted through the Purge function that may be performed during Period-End Closing.

With this information, you are now ready to conduct your physical count with confidence that count variances will be recorded properly and that you have the means of obtaining the information whenever you want it. These records will be of great assistance in identifying and correcting your inventory problems, and assisting you in optimizing your business operations. You can also be sure that after your physical count, your new set of inventory record will be accurate; thus helping you to achieve a high level of customer service.