

Solid Route Accounting™

Supplemental User's Guide

Inventory Management Start Guide



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The most important thing when implementing a companywide change such as Inventory Management is to keep organized and stick with it through to completion. Print out this page and **use this checklist as your guide** as you progress through the various sections below, and take it one section at a time. Once you've become familiar and comfortable with the steps covered in a section, then place a checkmark beside that section in the list below, and proceed to the next section.

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Preface

When new or existing companies begin using Solid Route Accounting™ business systems, some may feel that at that time, starting proper inventory management is 'not right for them'. As time draws on, they may feel that implementing inventory management becomes more and more difficult to begin with. Thankfully, this is not the case. In fact, inventory management is nearly **as easy** for a 10-year-old Solid Route Accounting™ company **to implement** as it is for a brand-new company! This is because, in both situations, the process is still the same: Count all on-hand inventory.

This complete and **full inventory count** is often the roadblock that most companies look at and see as a daunting task. Yes, it is a bit of work to accomplish; however, as you will read below, this doesn't have to be the weekend-long, time-consuming process that you might think it is. In fact, by following the suggestions in this guide, you'll find that your route salespeople will have very little extra work to do to implement inventory management but will be able to see the positive results right away.

How can Inventory Management benefit your company? Do any of the following apply?

- Monitor inventory slippage, including theft.
- Know what is where at any given time, including what is on the trucks.
- Complete stops faster and look more professional by not having to double-check if items still exist in the truck.
- Make route salespeople accountable for their inventory.
- Closely monitor product returns and spoilage.
- Allow route salespeople to know if there are still some quantities 'back at the warehouse' for sold-out items while on the road.

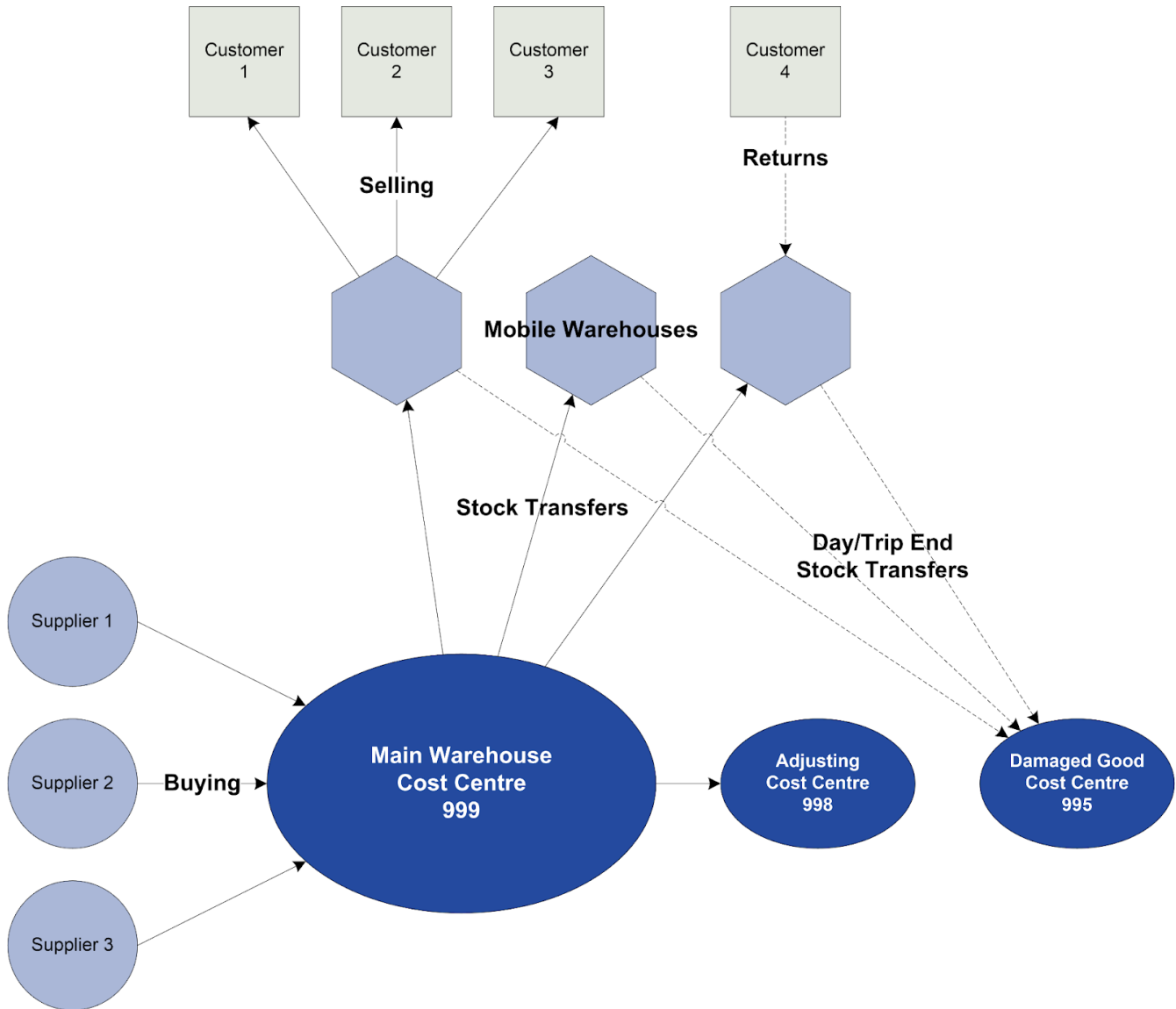
If you'd like to see improvement in any of those areas, and more, **then inventory management is right for your company!**

1. How Inventory Management Works

It may seem counterintuitive; however, the **last** thing this guide is going to talk about is performing an inventory count. The reason for this is that unless the foundation of inventory management is first put into practice, then there'll be no way for the inventory count to be sustained. For this reason, the first thing to consider is the inventory management cycle.

Inventory management begins with bringing the inventory into the company through a **Buying** transaction. It is then transferred throughout the company's multiple fixed and mobile warehouses by way of **Stock Transfers** and, lastly, is removed from the system through regular **Sales** transactions. By first implementing and understanding these three foundations of inventory management, the inventory levels will remain accurate once the inventory counts are performed and applied.

The diagram and paragraphs below describe how stock moves through the various warehouses.



Buying

Buying is really where this all starts. Also known as Purchasing, Supplier Orders, Stock Orders, and more, it all means the same thing; inventory is entering the company's warehouse.

Be sure to familiarize yourself with the Buying process before continuing to the next step of Stock Transfers. Creating Buying transactions have benefits beyond that of just inventory management.

Buying transactions also allow the company to:

- Create Purchase Orders (PO) to tell suppliers what the company intends to purchase.
- As the product is received, POs can then be changed to either a Quantity Receipt to bring the inventory into the business system or a finalized receipt to accept the inventory and mark the PO as having been paid.

- POs and Quantity Receipts can also be directly saved as finalized receipts to indicate that the inventory was received and that the receipts have been paid.
- Allows the company to keep track of amounts owing to suppliers.
- Allows automatic pricing based on gross margins, if so desired.

Stock Transfers

Once inventory is received into the company's system via Buying transactions, the next step is to learn how to allocate and transfer those items throughout the company's various fixed and mobile warehouses through **Stock Transfers**. Stock Transfers can be created from both Solid Sales Pro™ on the handheld computers and also from within the '**Transfer Inventory**' screen from the ERP system (such as QuickBooks®, Solid Business Central™, Sage 100 or SYSPRO). Due to the ease of using a barcode scanner, though, creating Stock Transfers within Solid Sales Pro™ is by far the easiest method of creating these transactions. For further information on how to do this, please read the Solid Know-How™ [Article #299 Mobile Stock Transfers](#).

Know that using stock transfers:

- There is transparency in inventory movement.
- Makes the employees accountable for the transferred stock and the inventory held in their warehouses.
- Helps to identify inventory shortages in advance of products being sold out.

Once Stock Transfers are in place, the last part of this process will come easily through sales transactions.

Did you know: Within Solid Sales Pro™, if the employee logged in is a regular employee, they can only transfer stock between their mobile warehouse and the main fixed warehouse? If logged into Solid Sales Pro™ as a supervisor, though, the destination warehouse can be chosen as any warehouse within the company.

Sales

The easiest part of inventory management is watching the inventory exit the company's business system by way of Sales transactions. By creating invoices from either Solid Sales Pro™ or the ERP system, the quantities sold will be taken out of that warehouse's inventory levels. For information on how to make invoices in Solid Sales Pro™, please read the Solid Know-How™ [Article #284 Solid Sales Pro Quick Start Guide](#).

Once this last step has been implemented, the company is now ready to get its inventory levels accurate through Inventory Counts. Needless to say, making sales for a company is definitely a good thing; however, when done in conjunction with inventory management, some added benefits may have not yet been considered, such as:

- Knowing exactly how much is available, so the product is never over- or under-sold.
- When the inventory reaches low levels, it is time to load or order more.

- If sold out at one location, view the quantities in another warehouse to fulfill the order.
- Increase how quickly substitute items can be found for sold-out items.

2. Inventory Counts for Accurate Inventory Levels

Congratulations! If the company is now purchasing inventory through **Buying transactions**, moving inventory through **Stock Transfers**, and selling inventory through **Sales transactions**, then **the company is now practicing inventory management!** Yes, the inventory levels may not yet be accurate, which is what this section will accomplish.

The important thing to realize here is that inventory management has little to do with accurate inventory levels. It actually has more to do with inventory movement, which has now been fully realized throughout this company by **buying, transferring, and selling** the inventory, thanks to the previous sections. Now that we have inventory movement in place, once the inventory is finally counted, any inventory discrepancies can be confidently noticed and addressed without second-guessing the inventory management process.

So at this time, we are ready to begin making the company's inventory levels accurate by creating inventory counts! This doesn't mean, though, that it is time to strike off and count all the company's inventory at once. It means it is time to make a plan to integrate accurate inventory levels into the company without a large interruption to the workflow.

3. Inventory Count Plan

If this company is like most route accounting companies, then there are multiple warehouses to consider daily. These warehouses fall under two types: Fixed and Mobile. Even if a fixed warehouse is a garage or spare room and a mobile warehouse is a pickup truck or mini-van, these warehouses all have a relationship with each other. There is also a third type of warehouse called an Adjustment Warehouse, which is often a virtual warehouse that handles the tracking of inventory discrepancies and product returns as spoilage.

With at least three different types of warehouses and however many of each within the company, it is little wonder that some planning is needed before starting the inventory count process. Thankfully, by following the guidelines below, this 'Full Inventory Count' implemented in strategic phases will have a low impact on the company's overall workflow. The benefits of accurate inventory will be visible immediately as each inventory count is applied in each section.

NOTE: Inventory Counts in Solid Route Accounting™ must be done using Solid Sales Pro™ on a handheld computer through a **supervisory** login. Inventory counts should be done **under supervision** to prevent numbers from being modified to an employee's benefit.

Step 1. Count the Mobile Warehouses

The Mobile Warehouses are where we want to start. Mobile warehouses are typically smaller than fixed warehouses, and if counted at the end of a sales period, there'll be less inventory onboard to count initially. Also, mobile warehouses are often where accurate inventory levels are most important, so it only makes sense, to begin with them. As a reminder, this does not have to be a fleet-wide process to coordinate on the same day (although it certainly can be if desired). Once a warehouse has accurate inventory through a full count, **it will remain accurate** so long as the **inventory movement** remains consistent throughout the company, regardless of what inventory levels are held in other warehouses.

For information on creating a **Full Inventory Count** for a **Mobile Warehouse** within Solid Sales Pro™, please read Solid Know-How™ [Article #298 Mobile Stock Counts](#).

Did you know: that when creating a count for a mobile warehouse, it is best to use the handheld computer that belongs to that mobile warehouse to perform the inventory count? That way, the count can be immediately saved and applied as a Full Count.

Step 2. Count the Fixed Warehouses

The next step in this process is to determine the quantities held in the Fixed Warehouses accurately.

For smaller companies, the fixed warehouses (900, for example) may be at a size where it is reasonable that a single handheld computer can be used to count its entire inventory in one full count, much like was done in the previous section, "Step 1. Count the Mobile Warehouses."

For such companies, please follow the steps in the Solid Know-How™ [Article #298 Mobile Stock Counts](#) for information on counting all the inventory in the fixed warehouses and saving it as a Partial Count. For companies of this size, there is usually only one fixed warehouse in their system, the default Main Fixed Warehouse, e.g. Cost Center 900. Once all the fixed warehouses have been counted, this will complete this section, and you can proceed down to the next section below, titled "Adjustment Cost Center Write-Offs."

For all other companies, though, fear not! This can still be an easy and non-invasive process.

The remainder of this "2. Count the Fixed Warehouses" section applies to companies where the following applies:

- Companies with 100's if not 1000's of inventory records.
- Large warehouses where it's difficult to count all the items in one sitting.

Counting a warehouse of this size needs to be done in stages to ensure that nothing is missed. The first stage is to zero out the quantity of this fixed warehouse so that any items that are no longer carried or in stock will have the appropriate quantity of zero. The second stage is to count the inventory by using partial counts. This allows the warehouse to be divided into sections for easier

counting and allows multiple handheld computers to count simultaneously to speed up the process. Lastly, the third stage is applying the counts created by the handheld computer as completed inventory counts for this warehouse.

Stage 1: Zero Quantity Count

To create a good foundation to build on, the inventory should begin with a clean slate, and a zero quantity count will accomplish just that. This is because when we're ready to begin counting the warehouse's inventory through partial counts, any items no longer carried or currently sold out will already be accounted for at zero quantity.

For information on **creating a Zero Quantity Count**, please read the Solid Know-How [Article #298 Mobile Stock Counts](#).

Stage 2: Counting the Inventory

We're now ready to begin counting the inventory for the fixed warehouse(s). The first step is to decide how to divide up the warehouse for counting, how many handheld computers are going to be helping with the count, and whether to count it all in one go or to count it in stages. No matter how to do it, organization is the key to getting it right the first time, which means:

1. Inventory in the warehouse should be organized and grouped so that:
 - a. The employee counting doesn't have to run around the warehouse to count a single item's quantities
 - b. No quantities will be missed as a result of disorganization
2. Clearly divide the warehouse into sections, and have a single handheld computer completely count each section to make that employee accountable for everything in their section(s).
3. **No transactions** involving that warehouse should be created, especially the items in that warehouse being counted until the inventory counts being created are finalized. Otherwise, if a product is sold or transferred during this time, for example, the quantity levels will revert to whatever the handheld computer counted, not considering the quantities on those transactions.

Once the above three points have been addressed, the inventory count is ready to begin. Have the employees create the inventory counts for their section and save them as **Delayed Counts**, as per the instructions in the Solid Know-How [Article #298 Mobile Stock Counts](#).

Did you know that multiple partial counts can be created for the same warehouse simultaneously, so long as the handheld computers are synched after every partial count is saved? Like this, one handheld computer can count for multiple warehouse sections without counting it all in one go. This can be used as a safety precaution so that if something should happen to a handheld computer during the inventory count process, only the data of the current delayed count will be lost, and all previously counted sections will be safe within the Partial Counts synched back to the ERP system.

Stage 3: Applying the Inventory Counts

Once the delayed counts have been created for that warehouse, they're now ready to be finalized. If only part of the warehouse has been counted at this time, and the remainder will be done later, at the end of the day's counting, it is still important to finalize all delayed counts created so that transactions for this warehouse can resume. To finalize the Delayed Counts as a **Partial Count**, please follow the steps in the Solid Know-How [Article #298 Mobile Stock Counts](#).

Once the delayed counts have been finalized as a Partial Count, **transactions for this warehouse can now resume**, even on items that may not yet have been counted.

NOTE: If not all warehouse sections are counted and finalized on the same day, then when ready to count additional sections, follow the steps in Stage 2 and Stage 3 once again to do so.

Congratulations! The company uses inventory management with accurate quantities throughout all the fixed and mobile warehouses! Any inventory quantities shown for these warehouses are accurate and should remain accurate as long as the Buying, Transferring, and Selling process continues. As inventory counts have been created throughout this process, though, and as inventory quantities have been adjusted, the question remains to be answered: "Where have these differences been going?"

4. Inventory Management Maintenance

This company now has completely accurate inventory levels, and by using Buying, Transfers, and Sales, they should, in theory, remain accurate. However, as we know, in theory and in practice, are two different things, and from time to time, it is important to verify that those theoretically accurate numbers are actually accurate numbers. This next and final section will deal with how to maintain accuracy within the Solid Route Accounting™ business system and also talk about how the system can be improved for increased accuracy and accountability.

Mobile Warehouse Inventory Checks

Recommended Frequency: Weekly – Bi-weekly

When inventory is on the road, it is put at the greatest amount of risk. For this reason, it makes sense to pay the closest amount of attention to these mobile warehouses and the quantities they keep. Keeping track of these quantities and the discrepancies that arise makes it easy to discover and monitor breakage, slippage, and spoilage so that these issues can be addressed sooner rather than later.

- Mobile Warehouse Inventory Counts should always be done by the route salesperson and their supervisor. This is because, for one, only a supervisory login to Solid Sales Pro™ can perform an inventory count, and for two, if the route salesperson can do their own count, then they can set whatever number they desire if product is missing to avoid accountability.

- Whenever possible, use the handheld computer that is assigned to this Mobile Warehouse so that the 'Counted By' and 'Counted For' fields can both be assigned to this mobile unit's own number.
- Try to plan these Inventory Checks near the end of a work period so that their trucks have a low amount of inventory to count, to make the process easier.
- Count all the inventory on the truck and save it as a 'Full Count'. This will produce a printable Inventory Count report showing the original on-hand quantity, the actual on-hand quantity as counted, and the difference between the two. This report allows for any discrepancies to be addressed right away.

Fixed Warehouse Inventory Check through Cycle Counting

Recommended Frequency: Monthly / Ongoing

For companies with a manageable-sized warehouse, it's recommended to count all the inventory in one go and save it as a full count. However, as companies grow, so too does the amount of inventory they carry, which can make counting the entire inventory held therein a daunting and time-consuming task requiring much planning. However, by utilizing Cycle Counting, this can be broken into smaller digestible counts of warehouse sections, yielding the same result as a complete inventory check over time.

- If counting for the entire warehouse, it is best to begin by running an Inventory Audit procedure, as covered in the '**Inventory Counts for Accurate Levels**' section.
- When counting begins for a section within the warehouse, all transactions that affect that section must be halted until the count has been applied.
- All counts made for fixed warehouses must first be saved as Partial Counts and then synched back into the ERP system.
- When finalizing counts as either Partial or Full Count, a printable Inventory Count report will be produced that shows the original on-hand quantity, the actual on-hand quantity as counted, and the difference between the two.

Adjustment Cost Center Write-Offs

Recommended Frequency: After Inventory Counts have been Applied for Inventory Adjustment Cost Centers or Monthly for Damaged Goods Adjustment Cost Centers.

For Inventory Adjustment Cost Centers, whenever an inventory count has been applied for a warehouse assigned to this Adjustment Cost Center, the inventory counted differences sent to this cost center should be written off as soon as the differences have been addressed. This will:

- Prevent high numbers of 'Inventory Value' from accumulating in these Adjustment Cost Centers.
- Give a clear view of how much Inventory Value was adjusted from the causing Inventory Counts.

For Damaged Goods Adjustment Cost Centers, it is good to periodically document and write off these cost centers to monitor and track the company's loss through spoilage. This will:

- Prevent high numbers of 'Inventory Value' from accumulating in these Adjustment Cost Centers.
- Give a clear view of how much inventory is being returned as Damaged or Expired periodically.
- Allow adjustments to be made to the distribution of items commonly returned as spoiled.

Advanced Adjustment Cost Center Inventory Management

For those companies who want to take Inventory Management to a higher level, individual Adjustment Cost Centers can be created to track inventory adjustments and spoilage for each warehouse. This can even be taken one step further by creating two Adjustment Cost Centers for each warehouse; one to monitor adjustments and one to monitor spoilage. By having this degree of transparency, inventory discrepancies will be easy to spot, which can also help reduce spoilage.

Appendix

If reading this guide in a printed form, the URL webpage links can still be accessed in the following way using an Internet browser.

For Solid Know-How™ Articles:

Direct URL: <https://solid-innovation.com/blogs/solid-know-how>

Directions:

- Open an Internet browser and go to Solid Innovation's home page, solid-innovation.com.
- Under the **Support** menu option, choose **Solid Know How™** and browse the various articles.
- Alternatively, use the **Search...** field to enter the article's number (e.g., 84) and click on the result to be taken directly to that article.