Stock Check Process

➢ **Learning Objectives**

By the end of this chapter, you should be able to understand:

- Importance of Stock Check

- Stock Check Process

- Global Count

- Perpetual Inventory and High Value (PIHV)

Stock Check Process

> ## Importance of Stock Check

- Every retail store has products or merchandise stocked inside the store with a value attached to the stocks.

- Bigger the store, more the stocks & higher the stock value.

- Like other assets, regular check on stock quantity needs to be done.

- After the check, physical count is compared with system count and the variance calculated in rupees as well as value.

- This process is called as Stock Check Process and the outcome, i.e., the variance is the shrinkage that the store has to write off after necessary approvals.

- Store Performance & Profitability depends on the outcome of the Stock Check process.

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Stock Check Process

➢ **Stock Check Process**

- Stock Controller is responsible to ensure that the stock check is done systematically as per schedule with proper planning.

- Mostly, stock check is done in middle of the week and middle of the month during non-trading hours.

- Proper checklist should be in place to ensure that all activities before, during & after stock check are completed in time by concerned.

- Any miss will only add to work later or will render the stock check efforts meaningless.

Stock Check Process

➢ **Stock Check Process (continued)**

Before stock check process:

- A schedule detailing the tasks, responsibility and timelines is prepared & communicated along with list of participating employees.

- Readiness of scanners, crates, baskets, stickers and other stationery is ensured.

- All fixtures are numbered, count sheet formats prepared.

- All stock movement related documents are completed.

- Food arrangements, drinking water, etc. is arranged for staff.

- Arrangements for power backup is ensured.

Stock Check Process

➢ **Stock Check Process (continued)**

During stock check process:

- Stock check is done in all the categories by the allocated staff and recorded in the count sheet.

- Where required, security or floor manager can do a random check and report the same separately.

- Physical count entries are done in the system.

- Physical signed sheets handed over to the Stock Controller.

Stock Check Process

➢ **Stock Check Process (continued)**

After stock check process:

- Statement or report of SKU-wise physical count, system count, variance count & variance amount at cost is generated.

- A recount is conducted for cases of SKUs showing huge variances – both negative as well positive.

- The final report is compiled by Stock Controller & submitted to management and an approval taken to correct the stocks in system.

- The stock variance is adjusted in the system by passing a stock voucher (SV) and shortage is accounted as store shrinkage.

Stock Check Process

➢ **Global Count**

- Global count is done on a day-to-day basis by counting of each and every product.

- Most of the exclusive brand outlets, like jewellery stores, shop-in-shops selling expensive products like cosmetics and perfumes, watches, accessories, etc. do a global count process.

- It has to be done twice i.e. during store opening and after closing.

- Its purpose is to just check the status of the entire stock displayed and not to check inventory at SKU level.

- It helps to know if any stock is stolen or missing at a global level.

Stock Check Process

➢ **Perpetual Inventory and High Value (PIHV)**

- As per generally accepted accounting principles, businesses can use either periodic or perpetual inventory management system.

- Before computerised inventory systems, most businesses used periodic or non-continuous inventory systems.

- Under periodic method, a company records sales as they occur but does not update the inventory account continuously.

- The periodic method then requires business to conduct a physical verification or valuation of inventory at the end of every accounting period to determine cost of goods sold and inventory on hand.

Stock Check Process

➢ Perpetual Inventory and High Value (PIHV) (continued)

- Under perpetual method, accounting records show the quantity and value of available inventory in real time.

- The store updates the inventory after every purchase & sale easily with bar-coding and computer-scanning.

- Book or system inventory always matches actual inventory of items on the shelves.

- The information on stock quantity and availability remains up to date at all times and helps system to trigger right indent quantity as further stock requirements.

Stock Check Process

➢ **Perpetual Inventory and High Value (PIHV) (continued)**

- Learnings are taken from the Stock Check Report and high shrinkage prone & high value items are taken up for more frequent inventory count check apart from the quarterly stock checks.

- At times, such checks are done even on a daily basis as per the schedule shared by the Stock Controller.