Best Practices for Inventory Control Using Dynamics GP

aspire2016 DYNAMICS GP & CRM CONFERENCE
"How can the whole Internet be closed for inventory?"

“We need to get organized. When you’re done taking inventory of the snowflakes, I want you to count all the fish in the sea.”

“When I ask what our inventory is, ‘What ever is not an acceptable answer.’”
• Sales Inventory Valuation Methods
• Reason Code
• Troubleshooting Cost Issues
• Taking Physical Inventory Counts
• Landed Cost Review
• Quantity Tolerances
• Reporting
In Great Plains, the cost posted to General Ledger differs among different inventory valuations methods. GP supports the following Valuation Methods:

**FIFO valuation method or LIFO Perpetual valuation method**
"The Actual Cost is posted to the General Ledger when the item is received in Inventory. The Actual Cost is posted to the General Ledger when the item is sold, decreased, or transferred."

**Average perpetual valuation method**
"The Actual Cost is posted to the General Ledger when the item is received in Inventory. The Average Cost is posted to the General Ledger when the item is sold, decreased, or transferred."

**FIFO valuation method or LIFO Periodic valuation method**
"The Actual Cost is posted to the General Ledger when the item is received in Inventory. The Standard Cost is posted to the General Ledger when the item is sold, decreased, or transferred."
Inventory value differs according to the adopted valuation method, as shown below:

**FIFO or LIFO Perpetual Valuation** | On Hand Quantity is Multiplied By the Cost at which Item Was Received

**Average Perpetual Valuation** | On Hand Quantity is Multiplied By The Current Cost of the Item

**FIFO or LIFO Periodic** | Valuation On Hand Quantity is Multiplied By The Standard Cost of the Item
### Inventory Valuation Methods (continued)

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Pro’s</th>
<th>Con’s</th>
</tr>
</thead>
</table>
| **FIFO Perpetual** And **LIFO Perpetual** | • Easy Management & Easy for Inventory and GL Reconciliation  
• Purchase Receipt and Stock Status always Shows the Cost which appears in GL | • Cost Of Sales will be determine by first/last layer of receiving  
• This needs to look into purchase receipt detail |
| **Average Perpetual**     | One Cost For All sales which appears in Item Card                     | Back dated posting will affect already Posted Receipt and already posted Sales, which creates variances continuously |
| **FIFO Periodic** And **LIFO Periodic** | Helps if company wishes to have standard costing for period of time | It requires periodic Cost revaluation which increase inventory management task |
Reason Code

Used to identify causes and track cost amounts for item stock movements and adjustments.

They can be assigned to a line item on:

- inventory adjustments
- variances
- transfer
- stock counts
Examples for reason codes:
- spoilage
- lost inventory
- damage by accident in the facility
- damage by accident in transit
- inventory movement due to space issues
- other reasons why your inventory is moved

Restrict certain codes for situations when reporting inventory movement or losses:
Ex. reporting inventory loses by spoilage or damage can only be used for negative adjustments in inventory transactions
aspire 2016 | Reason Code
Reason Code

You can improve productivity by optimizing inventory storage and how your team moves inventory around for manufacturing or pack and ship operations.

Reasons behind inventory movements

- High rates of inventory loss due to spoilage
- Reconsider procurement schedules

Streamline where inventory is stored
Reasons why inventory can become out of balance from the General Ledger

Reasons why cost can get out of “Whack”

Reconcile

Historical Stock Status Report vs Historical Inventory Trial Balance

Adjust Cost Utility
Reasons why inventory can become out of balance from the General Ledger

- Adjustments to inventory were entered directly into the general ledger and were not reflected in Inventory in Microsoft Dynamics GP.

- An Increase Adjustment batch was posted in Inventory, but the **Post to GL** check box was not selected on the batch. When the batch was posted, it did not post to the general ledger.

- A Decrease Adjustment batch was posted in Inventory, but the **Post to GL** check box was not selected on the batch. When the batch was posted, it did not post to the general ledger.

- An Increase or Decrease Adjustment batch was posted in Inventory. The **Post to GL** check box was selected on the batch. However, the batch has not yet been posted through to the general ledger.

- An override existed for an item. An Increase adjustment in Inventory was entered. A cost difference existed between the original sale and the new shipment. The cost variance was not manually posted to the general ledger.

- An override of a Serial Type item in Sales Order Processing or in Invoicing was entered. A new Serial Number was added automatically. Then, the transaction was posted. This will not create a Purchase Receipt in Inventory or update the general ledger with the inventory shipment.

- An override of a Lot Type item in Sales Order Processing or in Invoicing was entered. A new lot number was added automatically. Then, the transaction was posted. This will not create a Purchase Receipt in Inventory or update the general ledger with the inventory shipment.
Reasons why can get cost out of “Whack”

• Purchase Order received in with incorrect unit cost
• Inventory adjustment made with incorrect unit cost
### The Reconcile Process

**The quantities are reconciled first between the Purchase Receipts and the Item Serial Number Master file.**

Then the Purchase Receipts and Item Lot Number Master files are reconciled.

The quantities are reconciled between the Purchase Receipts file and Item Quantity Master file.

The On Order quantities are determined for the Item Quantity Master and Item Vendor Master tables by comparing them to the Purchase Order Line and Purchasing Receipt Line Quantities tables.

Reconcile the quantities on each of the items' individual quantity location records to the total quantity record for that same item.

Reallocating of Inventory Transaction Amounts Work, Inventory Serial and Lot Numbers Work, Sales Transaction Amounts Work, Sales Serial/Lot Work and History, Invoicing Transaction Amounts Work and Invoicing Serial and Lot Number Work tables.
Taking Physical Inventory Counts

• Physical Count
• Cycle Counts
• GP Stock Count Schedule
• Smartlist / Integration tool
• Data Collection Solutions
• Blue Moon Quality Count
• Willoware Complete Count
Physical Count

- Physical Inventory is a “Call to ARMS”
- Generally During Shutdown
- Forced Vacation
- Time Pressure to Finish and Reconcile
- Untrained Employees Counting Stuff They Know Nothing About
- Lost and Found
- Proven Methods. Real Results.
- People Do Not Like the Task
- How Long Does the Inventory Stay Accurate?
Cycle Count

- No Down Time
- One Hour or Less per Day First Thing in the AM
- Uses Those Familiar With the Product
- Count Different Items Each Day
- Counts Items Based Upon Some Relative Usage Criteria
- Frequency Varies Based Upon Importance and
- Proven Methods. Real Results.

- Number Of Items to Count
  A – Most frequently Counted - 30 Days
  B – Frequently Counted – 90 Days
  C – Least Frequently Counted – 180 Days
• **Stock count calendar** explains how to create and modify a stock count calendar—the calendar the system will use to determine the days when a stock count might be done.

• **Count intervals in Inventory Control** describes how you can specify a count interval for groups of items.

• **Stock count schedules** used to create a stock count schedule—a list of the specific items at a specific site that will be counted during a specific count. If you’re using multiple bins, you also can specify the bins that will be included in the stock count. When you're ready to begin a stock count, use the Stock Count Schedule window to determine which items at which sites will be counted.

• **Stock count processing** contains information about entering the results of a stock count, working with default variance transactions, and generating the stock count accuracy report. Information about using the report also is included.

• **Head Ach** Difficult lookup capabilities.
**Smartlist / Integration Tool**

- Create SmartList export to excel
- Add additional columns as needed
- Populate Count
- Import variance column as inventory adjustment using integration tool such as Integration Manager, SmartConnect or Scribe

<table>
<thead>
<tr>
<th>ItemNumber</th>
<th>Description</th>
<th>Standard Cost</th>
<th>extended Cost</th>
<th>Qty On Hand</th>
<th>Qty Allocated</th>
<th>Qty Available</th>
<th>Count</th>
<th>Count Discrepancy</th>
<th>Cost Discrepancy</th>
<th>Variance</th>
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</thead>
<tbody>
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<td>01000561</td>
<td>SOLENOID / FILL VALVE</td>
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### Blue Moon Quality Count

<table>
<thead>
<tr>
<th>Feature</th>
<th>Dynamics GP</th>
<th>Blue Moon Quality Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option to setup physical inventory capabilities at the individual Site ID level</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Ability to freeze either Available or On-Hand quantity prior to a count</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Tag Count capability</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Ability to add tags to tag count on the fly with audit trail</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Ability to assign items to ABC analysis codes using a wizard</td>
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<td>X</td>
</tr>
<tr>
<td>Ability to use external information to calculate ABC codes</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Ability to set down days for cycle counting to avoid counting on days when company is not operating</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Flexibility in creating count sheets and tags to filter by bins, Item Classes, etc.</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Ability to easily import count results into count entry window (requires Integration Manager)</td>
<td>X (Import Utility for count results built in)</td>
<td>X</td>
</tr>
<tr>
<td>Full control of missing information on physical count using tag control</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>
Willoware CompleteCount

- Tools needed to perform a controlled cycle count in Dynamics GP using stock tags.
  - provides for an audit trail of the count
  - ensures a higher degree of accuracy
  - keeps downtime to a minimum
- Works with the Dynamics GP Stock Count module.
- Once items have been assigned to a cycle count:
  - Start printing tags and attaching them to physical locations throughout the warehouse
  - Tags will be used later by employees performing the count to record the inventory located in the vicinity of the tag
  - Print and distribute tags ahead of time to prepare for the count without having to freeze inventory
Willoware CompleteCount

• Print Assigned or Blank Tags
  • Assigned Tags are produced one per Item-Site (or Item-Site-Bin) on the Count
    • Assigned Tag Examples: 1-Per Page, 2-Per Page, 3-Per Page
  • Blank Tags are used to perform a “Blind Count”, where the tags are placed throughout the warehouse and counters record on the sheets what is in the immediate zone of the sheet(s)
    • Blank Tag Example: 1-Per Page, 2-Per Page, 3-Per Page

• “Start” the Dynamics GP Cycle Count
  • This creates a snapshot of the current On Hand quantities for the items on the count. This quantity is referred to as the Captured Quantity.

• Inventory is counted and recorded on the tags
  • The tags are entered into the CompleteCount Tag Entry window
  • The system will automatically tally the total count for an item if it has quantities recorded on several different tags
Willoware Complete Count

- Adds Stock Count Filters to the Stock Count Schedule and Stock Count Entry windows
  - Provides the ability to quickly locate specific Items in the count with a number of restriction/search criteria
- All printed tags must be accounted for before the count totals can be submitted
  - Total count quantities will appear in the Dynamics GP Stock Count module
  - When the Dynamics GP Stock Count module processes the final count it creates the needed inventory transactions
- ExcelLink provides another level of cycle counting support
  - Exports the stock count to Excel
  - Users can enter count information in multiple copies of the spreadsheet
  - When the spreadsheets are imported, CompleteCount adds them together to arrive at a total count, which is then used to update the GP Stock Count.
Landed Costs

The total cost of a shipment from it’s origin to it’s destination.

Costs included are typically the purchase price, freight and taxes, but also can contain other costs such as customs fees.
Landed Cost Components

• Landed Cost Records
  • These are required and are the individual cost component records. Some key information for these records:
    • Vendor ID
    • Cost Calculation Method
    • Invoice Match
    • Revalue Inventory
    • Accounts

• Landed Cost Groups
  • These are optional and can be used as a way to group certain costs that need to be applied to items together.
Entering Landed Costs

• Entering Purchase Orders
  • Any line item that has a default Landed Cost Group, will have that group
defaulted on the Purchase Order Line Item.

• Receiving Inventory
  • When a shipment transaction is entered, we use the Landed Cost Button to
apportion the costs across all lines that match the particular landed costs (i.e.
Freight, Customs, etc.).

• Invoice Match
  • When it’s time to match our vendor invoice, we either match the landed costs
to the same vendor as the goods or create another invoice to match the landed
cost vendor (i.e. Delta Air Lines for Freight). If there is a variance from what
was received, inventory can be revalued so the “landed cost” of the item is
accurate.
Quantity Tolerances provide a way to specify a percentage overage or shortage on Purchase Order receiving when ordering goods either on a standard or blanket purchase order.

Quantity Tolerances can be assigned for Sales Inventory or Discontinued Items.
If the quantity received is short within the percentage of the quantity ordered, the line item is automatically changed to change order, received or closed (dependent on whether or not the line item has been invoiced)

• Example
  • Quantity Ordered of 100
  • Shortage tolerance percent set to 10%
  • Enter receipt for 91
  • Remaining quantity is canceled and status of the line updated to Received or Closed if the item has been fully invoiced.
If using an overage quantity tolerance, you can limit the total quantity you can receive over the quantity ordered. When over the tolerance, you will receive a message that you can’t enter the quantity.

• Example
  • Net order quantity is 100 (quantity ordered – quantity cancelled)
  • Overage tolerance percent set to 10%
    • Quantity received 110 or less, no message
    • Quantity received 111 or more, message displays
Reporting/Analytics

Dynamics GP Reports
Custom Views
SalesPad Dashboard
Socius Analytics
Stock Status Report
- Can be printed at any time for an at-a-glance report of the current status of your inventory.
- Includes:
  - Quantity on hand
  - Quantity allocated
  - Quantity back-ordered
  - Quantity on order
  - Current cost
  - Extended cost

Historical Stock Status Report
- A list of posted transactions in Inventory Control
- Sorted by item and includes audit trail information.
- Print this report if you select to maintain transaction history in the Inventory Control Setup window.

Historical Inventory Trial Balance Report (HITB)
- Shows your inventory value as of a specific date or date range and the value of the five different quantity types.
- Use this report to balance your inventory value with the appropriate accounts in General Ledger.
Custom Views

- **Inventory Price Levels**  
  All price levels for all items.

- **Inventory with Dates**  
  Current quantities and the last sales and purchase dates along with the vendor for each item.

- **Inventory with Dates by Site**  
  Current quantities and the last sales and purchase dates along with the vendor for each item – by site ID.

- **Quantities on Hand**  
  Current quantities on hand with total and average costs.

- **Sales Quantities by Customer by Item by Year**  
  Total sales quantities (invoices minus returns) by customer by item by year, with an overall total column.

- **Sales Quantities by Item by Year**  
  Total sales quantities (invoices minus returns) by item by year, with an overall total column.

[https://victoriayudin.com/gp-reports/inventory-sql-views/](https://victoriayudin.com/gp-reports/inventory-sql-views/)
The SalesPad Dashboard Designer harnesses the power of the DevExpress Dashboard functionality to give users new and powerful tools to visualize company data.
Visualize Your Data in New Ways
Socius Analytics Dashboards

Easy to use, highly customizable role based dashboard that deliver data analytics and keep you up to date with the critical information you need to make business decisions.

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