Product Training
Stock Counting

Where "Lean" principles are considered common sense and are implemented with a passion!

winman
ADVANCED ERP SYSTEMS

Inventory

The procedures and processes to ensure that perpetual inventory levels are accurate and remain accurate.

- ABC Classifications
- Cycle Counting
- Physical Inventory

ABC Classifications

❑ Based upon Pareto Principle of 80/20 (in his case he was talking about wealth distribution)
❑ "A" parts are the most important and valuable parts, typically 70% of total value
❑ "B" parts account for the next 20% of value
❑ "C" parts are the remaining 10%

Cycle Counting

❑ Cycle Counts are conducted regularly to validate the perpetual inventory levels. Often, a strong cycle count program will eliminate the need for an annual physical inventory.

❑ Items are counted at regular intervals. These intervals are determined by the item classification.

❑ Cycle Counts (and physical counts) only count inventory. This does not include items issued to Manufacturing Orders.

Cycle Counting & ABC Parts

The "ABC" code determines the frequency that an item is counted. Since "A" items represent the most inventory dollars or importance, we want to count them frequently. "C" items represent low value, therefore we have no need to count them often.

An example of count intervals
- ❑ "A" Items count every 30 days
- ❑ "B" Items count every 90 days
- ❑ "C" Items count every 365 days

Count intervals are defined by your needs. They are user definable.

Defining Classes

WinMan ranks all of your items according to **overall value usage** over time based upon actual cost. The highest value is rank #1, next #2 etc. Once this ranking has been done, you have choice of three options to classify items.

Inventory Class by Rank

Classifying by rank means that you want to designate the absolute ranks that make up Class "A" items and Class "B" items. The remaining items will be Class "C".

To set the top 25 parts to be "A", and next 50 to be "B" with the remaining "C":

Class A – Up to rank 25

Class B – Up to rank 75

All other items will be designated as "C" parts.

Inventory Class by Individual Percentage

Each item has an overall usage value that can be expressed as percentage of the Total Overall Usage of all products in WinMan. An item with an overall usage of £150 where the total overall usage for all items is £1,000 has an individual usage percentage of 15%.

The criteria for determining the part classification is defined by the low threshold. That is, if we wanted to designate "A" items as those items that were at least 10% of the total overall usage, 10% would be threshold for "A" classification. Any item that was 9% of the total overall usage would fall into the next classification. The threshold for "B" items must be lower than that of the "A" items. Thresholds are only specified for "A" and "B" items. Anything not falling under either A or B will be classified as a "C" item.

Inventory Class by Total Usage

This is similar to rank, but in this case, WinMan considers the total overall usage percentage.

Part	Value Usage	%ge of Total	Cumulative %	
Red Tees	1,000	27.40%	27.40%	
Green Tees	750	20.55%	47.95%	
White Tees	600	16.44%	64.39%	
Blue Tees	500	13.70%	78.08%	
Yellow Tees	400	10.96%	89.04%	
Black Tees	200	5.48%	94.52%	
Orange Tees	100	2.74%	97.26%	
Brown Tees	100	2.74%	100.00%	
Total	3,650	100.00%		

You may decide that you want the first 75% of your stock to be Class A, the next 20% to be Class B, and all remainder to be Class C. This would result in the following Classes.

Part	Value Usage	%ge of Total	Cumulative %	Class
Red Tees	1,000	27.40%	27.40%	
Green Tees	750	20.55%	47.95%	A
White Tees	600	16.44%	64.39%	
Blue Tees	500	13.70%	78.08%	
Yellow Tees	400	10.96%	89.04%	B
Black Tees	200	5.48%	94.52%	
Orange Tees	100	2.74%	97.26%	C
Brown Tees	100	2.74%	100.00%	
Total	3,650	100.00%		

This would be set up as below;

Class A products	Up To Total Percentage	75%
Class B products	Up To Total Percentage	95%
Class C products	The rest	

Setting Inventory Item Class Criteria

By Rank

By Individual Percentage

By Total Percentage

Cycle Count Interval

If "ALL", then all of the conditions must be met, otherwise just satisfying one condition sets the class.
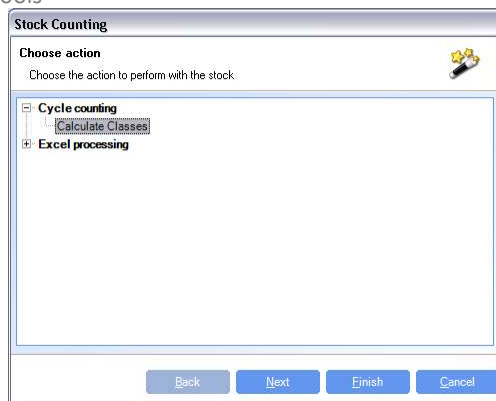
Modifying Item Class Criteria and Intervals

❑Inventory -> Stock Counting

❑Select an Item (any item will work)

❑Click on "Modify Cycle Count"

❑Click "OK" to save

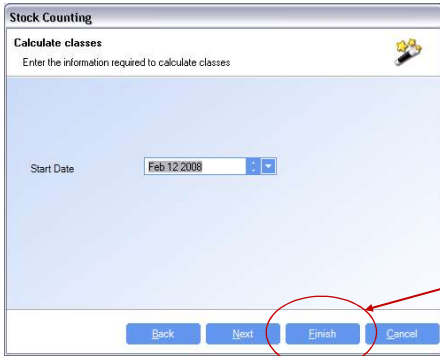# Inventory Classification
Applying

In the "Actions" area, select "Tools"

Stock Counting

Choose action
Choose the action to perform with the stock

- Cycle counting
    - Calculate Classes
- Excel processing

Back   Next   Finish   Cancel

Inventory Classification
Applying

Select the start date for usage calculation:

Click "Finish" to update the ABC classifications.

Usage is defined as WIP issues and shipments.

Cycle Counts
## Reset Stock Quantities

Click on the Action "Reset Stock Quantities"

This creates a snap shot of your inventory levels so that when you apply the counts the system and adjust the count as it was and you can continue to do your work. For example:

106 – Item A – Perpetual

103 – Cycle Count (not applied yet)

After the cycle count was completed transactions were allowed to begin again.

71 – Issue 35   (106-35)

Now we apply the cycle count of 103.

68 – Perpetual is set at 68 (71 + (103 - 106))
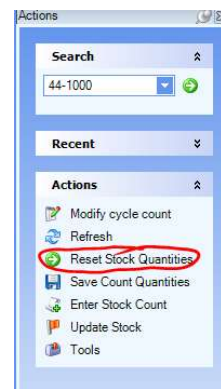
Cycle Counting

Due Products

Product Id	Product Description	Perpetual Inventory Last Co	Perpetual Inventory Next Cou	Perpetual Inventory Cla	Stock Quan	Actual Quan
1007-101	150 kV, Front Shiel		02/25/2008	C	25	0
1007-257	camera indexer tes		02/25/2008	C	1,002	0
1007-260	tube lens mount		02/25/2008	A	1,992	0
1007-383	Reference Holder		02/25/2008	A	4	0
1007-553	Mounting structure		02/25/2008	C	1,000	0
1007-570	granite restraints		02/25/2008	A	1,992	0
1007-661	camera box spacer		02/25/2008	C	200	0
1007-691	SEE BOM- Spring		02/25/2008	C	28	0
4000-03	Computer		02/25/2008	A	14	0
4000-07	Keyboard		02/25/2008	C	200	0
4000-08	Display Unit		02/25/2008	C	200	0
4000-09	Laser Read head		02/25/2008	C	200	0
4000-10	9 Volt Power Suppl		02/25/2008	C	200	0
CAP2	Capacitor 2		02/25/2008	A	2,952	0
CON1	Consignment Item		02/25/2008	C	600	0
INVCOMP1A	INVCOMP1A		02/25/2008	A	962	0
INVCOMP1B	Replacement for I		02/25/2008	A	950	0
INVCOMP2	Component 2		02/25/2008	A	896	0
INVPARENT	Parent Part for Inv		02/25/2008	C	88	0

Cycle Counting

Exporting to Excel

Actions
- Modify cycle count
- Refresh
- Reset Stock Quantities
- Save Count Quantities
- Enter Stock Count
- Update Stock
- Tools

Stock Counting

Choose action
Choose the action to perform with the

- Cycle counting
- Excel processing
  - Export
  - Import

Stock Counting

Filter items
Choose which stock items you wish to work with

- Products due now
- Products due to a date
- All items

[Back] [Next] [Finish] [Cancel]

Cycle Counting
Exporting to Excel

All areas are listed in the drop down box, allowing the materials group to limit the cycle count list to a single area.

Note the check box which allows for or eliminates items with a zero count.

If you have several areas you might want to print out one sheet per area.
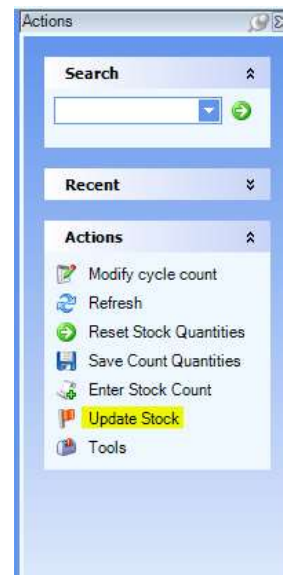
Cycle Counting
Exporting to Excel

	A	B	C	D	E	F	G
1	Product Id	Product Description	Location Id	Serial Number	Stock Quantity	Actual Quantity	Classification Id
2	CON1	Consignment Item	CONSIGNMENT	GR00000006-0001	50	0	GENERAL
3	1007-257	camera indexer test	MAIN		501	0	GENERAL
4	1007-383	Reference Holder	MAIN		1	0	GENERAL
5	1007-101	150 kV, Front Shield	MAIN	GR00000000-0001	20	0	GENERAL
6	1007-101	150 kV, Front Shield	MAIN	GR00000001-0001	5	0	GENERAL
7	1007-691	SEE BOM- Spring sample holder	MAIN	GR00000004-0002	28	0	GENERAL
8	MICXROXCT	Micro X-Ray Tomography Facility	MAIN		100	0	GENERAL
9	1007-173	10Xnikon, Sleeve	MAIN		1000	0	GENERAL
10	1007-260	tube lens mount	MAIN		1000	0	GENERAL
11	1007-553	Mounting structure	MAIN		500	0	GENERAL
12	1007-661	camera box spacer	MAIN	GR00000004-0001	100	0	GENERAL
13	1007-570	granite restraints	MAIN		1000	0	GENERAL

Note that the actual quantity is 0 when you generate the spreadsheet. The person doing the cycle count will put in the actual quantities.

Cycle Counting
Adjusting the Inventory

1. Import Excel Spreadsheet
   Follow the wizard
2. Select "Save Count Quantities" once the Excel file has been imported.
3. In "Actions", click on "Update Stock".

Cycle Counting
Adjusting the Inventory

SYSTEM SETTING:
When an item has a net quantity gain due to a stock count, the value of the item added from the adjustment is the average cost as found in Products. Use the Stock Counting system option **When increasing inventory, use (A)verage existing stock cost, (T)otal standard cost or (M)aterial standard cost** for alternate costing. Total standard cost will use the total standard cost of the items as found in Products, and Material standard cost will use only the portion of standard cost related to material. Use A, T or M as values for the type of costing required.

SYSTEM SETTING:
In cases where the average cost has no value, the system can alternatively use the total standard cost or standard material cost in place of the average. Use the Stock Counting system option **When increasing inventory and no average cost is available, enable to use the total standard cost,** enable the option and set the value to Y to use total standard cost. If the option is not enabled, the standard material cost will be used.

Physical Inventory

The process for taking and reporting the physical inventory is identical to cycle counting with the exception for the items to choose, "All Items".

ABC classes also are not needed if only physical counts will be used.