

## Physical Inventory Overview

A physical inventory is the process of verifying or correcting the on-hand item quantities in your Point of Sale inventory by conducting a physical count.

It is recommended that a physical inventory be done after initially entering your inventory when first starting to use Point of Sale and periodically thereafter.

Conducting a physical inventory involves going through the store and recording the actual item quantities on hand. Counts can be recorded on a printed Store Count worksheet or scanned into the optional physical inventory scanner, and then transferred to Point of Sale.

A physical inventory can be saved as you go and then inventory updated when you are done. Point of Sale provides several ways for you to review changes before updating inventory and alerts you if a new transaction has affected an item between when a count was entered and inventory updated.

You can review or reverse the last updated physical inventory.

A physical inventory is for one store only. When a remote store updates a physical inventory, quantity adjustment memos are automatically created and sent to Headquarters during the next Store Exchange. Headquarters can create and update a physical inventory for itself or for any store, while a Remote store may only perform its own physical inventory.

## Considerations:

- Close your business during the physical inventory process, if possible.
- Be sure to receive all items into inventory prior to counting. If not, do not count items that have not been received into inventory until after the physical inventory is finalized.
- Make sure all items have an Average Cost prior to the inventory. This is important to get an accurate inventory value. Items with a \$0 average cost will be valued at \$0 no matter what the count is.
- If you use Unit of Measure functionality, physical counts should be based on the “Base Unit of Measure” – ie for example if you use each and case, your counts should be of the each.

## Basic Steps to Complete a Physical Inventory:

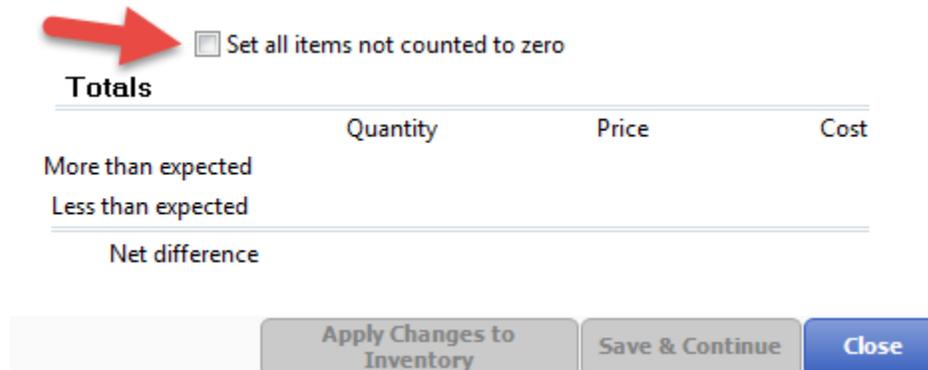
1. Select Start Physical Inventory from the Inventory menu.
  - a. (Multi-Store Headquarters) Enter the Store for which you are entering counts.
2. Physically count item quantities on hand using **one or both** of these methods (Please use hyperlinks for more detailed instructions on each step):
  - a. Print a Store Count Worksheet and take it with you through the store recording counts. Select Run a Report > PI Worksheet from the I Want to menu. Modify the

report as necessary to display and group your items in a manner that makes sense for counting in your store.

- i. [Uncheck](#) the “Set all items not counted to zero” checkbox
  - ii. [Transfer](#) your counts to Point of Sale by:
    1. Using the Add Counts by Hand option. This is usually the fastest manual way to enter counts, even if an item is counted several places in the store on different worksheets. Enter an item identifier (UPC, alternate lookup, or item number) and then the count, pressing <Enter> after each entry. Point of Sale consolidates multiple entries and then transfers the counts to the Physical Inventory window.
    2. Or by entering counts directly in the Counted column on the Physical Inventory window. This is convenient for entering a small number of items or items that are grouped together, but may be time consuming if the same items are scattered throughout your store. Tip: Filtering or sorting the list on this window can help make entry of counts faster.
  - iii. [Review](#) items that may have changed during the inventory if you are unable to close during your inventory
  - iv. [Set](#) all items not counted to zero
  - v. [Apply Changes](#) to Inventory
- b. Alternatively, use the optional QuickBooks-approved physical inventory scanner to go through your store scanning item bar codes and entering counts. Since the physical inventory scanner is portable, you can move freely around your store and scan thousands of items in one session. (physical inventory scanner sold separately – images of the different scanners can be found at the bottom of this document)
1. [Uncheck](#) the “Set all items not counted to zero” checkbox
  2. [Clear](#) the scans from the scanner (in case there are any leftover scans from the previous physical inventory and after each upload and save)
  3. [Scan](#) Items
    - a. Start in one corner of the room - Be sure to be methodical about your counting – this will be especially important if you have any unrecognized scans as POS will inform you of the good scans right before and after the bad scan.
    - b. Choose a small section
    - c. Scan top to bottom and left to right
  4. [Upload](#) scans from this small section:
  5. [Review and Deal](#) with the bad scans
  6. [Review and Save](#) the good scans
  7. [Clear](#) the scans from the scanner that were just saved
  8. Click save and continue after each upload (and if you ever need to leave the window).
  9. [Repeat](#) steps 2-6 above until all items have been counted
  10. [Review](#) items that may have changed during the inventory if you are unable to close during your inventory
  11. [Set](#) all items not counted to zero
  12. [Apply Changes](#) to Inventory

## Detailed Instructions:

Uncheck the “Set all items not counted to zero” checkbox: [\(Return to Summary\)](#)



Set all items not counted to zero

Totals	Quantity	Price	Cost
More than expected			
Less than expected			
Net difference			

Apply Changes to Inventory Save & Continue Close

Clear the scans from the scanner: [\(Return to Summary\)](#)

- Always begin your inventory by clearing the counts from the scanner in case there are any leftover scans from the last use of the scanner
- Always clear counts from the scanner after good scans have been saved

### Clearing Scans from the Physical Inventory Scanner

Physical Inventory Scanner: Overview

Basic

After successfully uploading scans to Point of Sale, reviewing them, and saving to the Physical Inventory window, you must clear the scanner before the next scanning session (so they don't get uploaded a second time to your Physical Inventory).

If you conduct your physical inventory in discreet physical units (by department or aisle for example), clear the scanner after completing each unit and prior to starting scans for the next unit.

*To clear scans from scanner memory from within Point of Sale:*

- Select **Clear Scanner Memory** when prompted on the Upload window and follow the prompts

OR

- From the Physical Inventory window's I Want To menu, select **Clear Counts from Scanner** and follow the on-screen prompts

You can also clear one or all scans from the scanner unit directly as follows.

1. Turn the scanner on.
2. Press **Esc** repeatedly until at main menu, if not already there.
3. Select **Utilities** from the main scanner menu.
4. Select **Clear Records (Delete Data)** on CipherLab scanner).
5. Press **1. All** to clear all scans from memory, or **2. Last Collected** to delete the last scan only.
6. Press **1. Yes** to confirm or **2. No** to cancel.

Scan Items: [\(Return to Summary\)](#)

- Start in one corner of the room - Be sure to be methodical about your counting – this will be especially important if you have any unrecognized scans as POS will inform you of the good scans right before and after the bad scan.
- Choose a small section
- Scan top to bottom and left to right

### Physical Inventory Scanner: Scan Inventory Items

[Physical Inventory Scanner: Overview](#)

Basic

There are two scanning options when using a physical inventory scanner:

- Scan each and every unit of an item; the unit enters a count of one for each scan
- Scan one unit of an item, and then you enter the counted number of units

In either mode, you can also manually key in an item number or UPC after selecting a scan option (if bar codes aren't used or are unreadable).

**Note:** Two models of physical inventory scanner are supported. While the procedures for using them are essentially the same, you may see slight differences in menu wording and button colors, names, or locations.

[Illustration of the CipherLabs 8000 Scanner](#)

[Illustration of the Metrologic SPS500 Optimus Scanner](#)

***To scan each and every unit of an item:***

1. Turn the scanner on.
2. Press **Esc** repeatedly until at main menu, if not already there.
3. Select **Collect Data**.
4. Select **Scan Barcode**.
5. Hold the scanner at a slight angle so that you see the red reflection from the infrared light on the bar code.
6. Press the yellow/orange button to scan the item bar code (or manually enter the item number or UPC and then press either **Enter** button).  
A beep confirms a successful scan and a quantity of one is assigned to the scan. The unit is immediately ready for the next scan.
7. Repeat until all units have been scanned, for all items being counted.

***To scan one unit and enter item count:***

1. Turn the scanner on.
2. Press **Esc** repeatedly until at main menu, if not already there.
3. Select **Collect Data**.
4. Select **Scan & Enter Qty**.
5. Scan the bar code for one unit of the item you are counting. A beep confirms a successful scan.
6. Use the keypad to enter the total number of units counted for the scanned item.
7. Press **Enter**.
8. Repeat for all items.

**Next Step:** [Upload](#) the scanned data to Point of Sale

Upload scans from this small section: [\(Return to Summary\)](#)

## Physical Inventory Scanner: Upload Scans to Point of Sale

[Physical Inventory Scanner: Overview](#)

Basic

### To upload scans to Point of Sale:

1. Place the scanner into the cradle and ensure the adapter is plugged into a USB port on your workstation.
2. Turn the scanner on.
3. If the Point of Sale Physical Inventory window is not already open, select **Start** (or **Continue**) **Physical Inventory** from the Inventory menu.
4. From the I Want To menu, select **Add Counts from Scanner**.
5. Follow the displayed instructions to upload the scans from the scanner unit.
6. When the upload is finished, you are prompted to **clear the scanner memory**. You can do so now, or wait until you have finished reviewing and saving the scans. But it is important that you clear the scanner so the same scans are not uploaded again in the next batch.

When you close the upload window, the scans are displayed for your review on the Get Scans window. The scans are not added to the Physical Inventory window until you select a save option at the bottom of this window.

**Next Step:** [Review uploaded scans](#)

Review and Deal with the bad scans: [\(Return to Summary\)](#)

## Physical Inventory Scanner: Unrecognized Scans

[Use a Scanner: Overview](#) | [Save Scans](#)

Basic

An unrecognized scan means that either there was an error in the scan (usually a result of a torn or marred tag) or that the bar code (*item identifier*) you scanned or entered does not exist in your Point of Sale inventory. For example, if you are scanning UPC bar codes, those UPC codes must be entered in the item records in inventory so that Point of Sale recognizes them when they are retrieved from the physical inventory scanner.

You can print a list of unrecognized scans for follow-up. After correcting the condition, you can re-scan in another session or enter those items manually on the Physical Inventory window.

### To view and print the unrecognized scans:

1. Select the **Unrecognized Scans** tab on the Get Scans window.

The unrecognized scans are displayed in one color, while the good scans before and after each unrecognized scan is displayed in a contrasting color. This helps you identify the relative position of the bad scans in your store so you can locate and make corrections to the items.

Scanned Value	Item #	Dept Name	Description 1	Attr
---			Unrecognized Item	
222	222	APPAREL: KID'S: BASEBALL	Baseball Team Shirt	B/W
333			Unrecognized Item	
043000018699	3	EQUIPMENT: BASEBALL: BATS	Adult Baseball Bat	31 c

Unrecognized Scans (red)

Good Scans (green)

2. Select **Print Unrecognized Scans** to print the list.

**Next Step:** [Save good scans to the Physical Inventory window](#)

Review and Save the good scans: [\(Return to Summary\)](#)

## Physical Inventory Scanner: Review and Save Scans

[Physical Inventory Scanner: Overview](#)

B:

Saving the physical inventory scans moves them from the Get Scans window to the Physical Inventory window.

[View example Get Scans window](#)

Select	Scanned Value	UPC	Dept Name	Item Name	Attribute	Size	Scanned Qty	O/H Qty
<input checked="" type="checkbox"/>	019627030126	0019627030126	Kid's Apparel	Sliding Pants	White	XL	3	3
<input checked="" type="checkbox"/>	051000175205	0051000175205	Kid's Apparel	Sliding Pants	White	LRG	7	7
<input checked="" type="checkbox"/>	051000032348	0051000032348	Kid's Apparel	Sliding Pants	White	MED	2	2
<input checked="" type="checkbox"/>	051000149978	0051000149978	Kid's Apparel	Sliding Pants	White	SML	1	1
<input checked="" type="checkbox"/>	043000018699	0043000018699	Kid's Apparel	Sliding Pants	White	>SML	0	1

If any **Unrecognized Scans** are reported, review and print them before saving good scans to your physical inventory. [Learn more](#)

**To save the good scans to your physical inventory:**

1. On the Get Scans window, select the **Item Scans** tab.
2. If you do not want to save all of the scans, select (click or touch) the checkboxes to the left of the items to be saved and then choose **Save Selected** at the bottom of the window.

OR

Choose **Save All** at the bottom of the window to save all good scans items to the main Physical Inventory window.

### Notes:

- The **Select All** and **Select None** buttons on the Get Scans window can help quickly select scans if not saving all of them. For example, to save all but a few scans, choose **Select All** and then clear the checkboxes for the few you don't wish to save.
- Once transferred to the Physical Inventory window, you can review and correct quantities by typing over the value in the **Counted** column.

**Next Step:** [Review your counts before updating inventory](#)

Click **“Save and Continue”** after each upload. While we don't recommend conducting a count during store/selling hours, if you choose to do so, click **“Save and Continue”** and close the window if necessary.

**DO NOT APPLY CHANGES TO INVENTORY OR CHECK THE BOX “SET ALL QUANTITIES NOT COUNTED TO ZERO” UNTIL YOU ARE READY TO FINALIZE.**

Clear the scans from the scanner that were just saved: [\(Return to Summary\)](#)

## Clearing Scans from the Physical Inventory Scanner

Physical Inventory Scanner: Overview

To clear scans from scanner memory from within Point of Sale:

- Select **Clear Scanner Memory** when prompted on the Upload window and follow the prompts

OR

- From the Physical Inventory window's I Want To menu, select **Clear Counts from Scanner** and follow the on-screen prompts

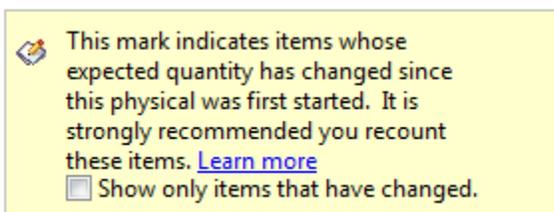
You can also clear one or all scans from the scanner unit directly as follows.

1. Turn the scanner on.
2. Press **Esc** repeatedly until at main menu, if not already there.
3. Select **Utilities** from the main scanner menu.
4. Select **Clear Records (Delete Data)** on CipherLab scanner).
5. Press **1. All** to clear all scans from memory, or **2. Last Collected** to delete the last scan only.
6. Press **1. Yes** to confirm or **2. No** to cancel.

Repeat steps 2-6 above until all items have been counted. [\(Return to Summary\)](#)

Review items that may have changed during the inventory if you are unable to close during your inventory: [\(Return to Summary\)](#)

- In newer versions of POS, items that show the mark below should be reviewed as these items have had a change during the time of your inventory – this is especially true if you are unable to close during your inventory.
- Check the box to show only those items that have changed. Recount these items and update the quantities by hand in the “Counted” column
- This is located at the bottom left hand corner of the Physical Inventory Screen



Physical started October 4, 2016 08:29 AM

- If you have an older version of POS and do not see the above, you should take note of the date and time you start your physical inventory and do the following at this point:
  - Run a “Sales - Item Summary” Report for the time period of the physical inventory
  - This report will show what items were sold during this time
  - Recount these items and update the quantities by hand in the “Counted” column

Set all items not counted to zero once all items have been counted: [\(Return to Summary\)](#)

- This is the final step before finalizing **A FULL STORE INVENTORY ONLY!**
- \*\*\*\*\* It is very important that you **do not check this box** if you are doing only a partial inventory.
- This setting ensures that all inventory items for which no physical count was entered are zeroed out when you update inventory.
- It is extremely important that this was not checked at the start of the inventory and only checked at this point (otherwise POS may not actually zero out items not counted) - so to be sure you can toggle this on and then off again by unchecking it and rechecking it right now.

Set all items not counted to zero

**Totals**

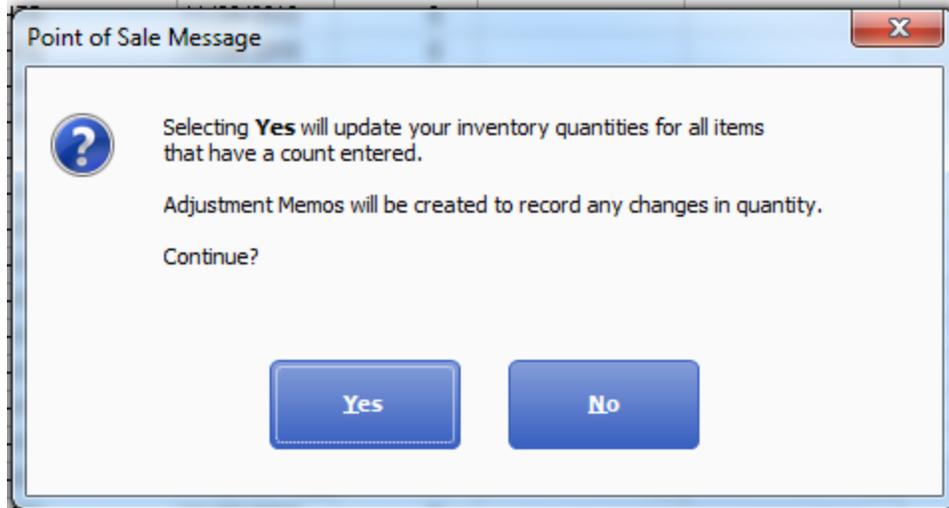
Quantity	Price	Cost
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Apply Changes to Inventory: [\(Return to Summary\)](#)

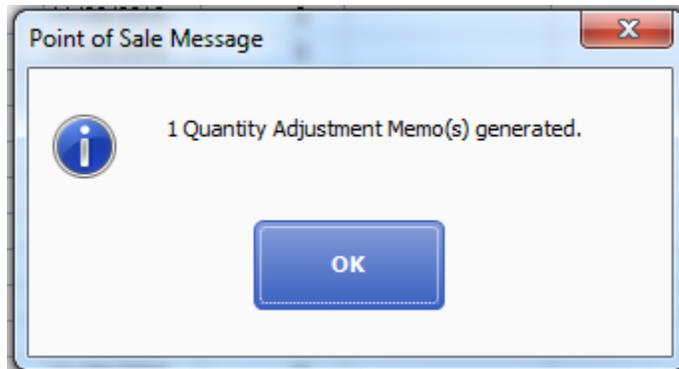
- This finalizes the inventory and updates the inventory on-hand quantities with the counted quantities
  - Once you are sure you are ready to finalize your counts, click “Apply Changes to Inventory”



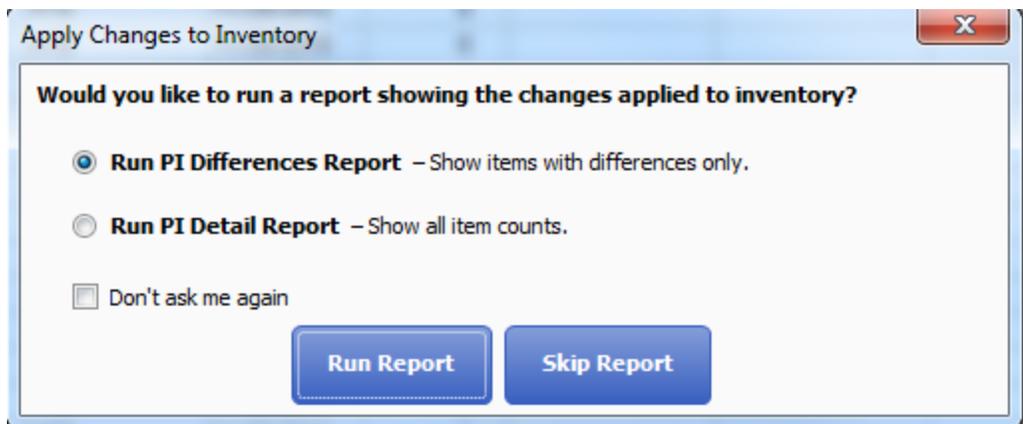
- Choose “Yes” when asked to continue



- And then "OK" when the message appears telling you how many Quantity Adjustment Memos have been created (each 500 inventory adjustments will create 1 memo)



- Choose and Run the Reports you want to see/print or Skip the reports



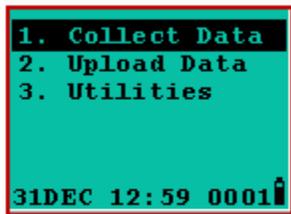
**\*\*\*\*\*VERY IMPORTANT\*\*\*\*\***

- You should be aware that if you are integrating QBPOS to QB Accounting, a journal entry will be made to adjust the value of inventory changes made in QB, dated the day you finalize your inventory.
- After you finalize your inventory in QBPOS, you should run an inventory valuation report in QBPOS, exchange data with QB Accounting, and then take note of the value of inventory in your Inventory Asset Account. If the value is different between the two programs, an adjusting journal entry should be made in QB Accounting to make it match to QBPOS.
- If you are doing a year end or month end physical inventory but you do not finalize the inventory prior to the year end or month end date, you should understand that the date of the journal entry will be the day of the finalization of the inventory, so before you do the above, you may want to change the date of that journal entry to the year end or month end date. We cannot advise you what to do here, so please show your accountant these notes and consult with them prior to making any changes.

[\(Return to Summary\)](#)

# Images

Please note that two models of the physical inventory scanner are supported. While the procedures for using them are the same, you may see slight differences in menu wording and button colors, names, or locations.



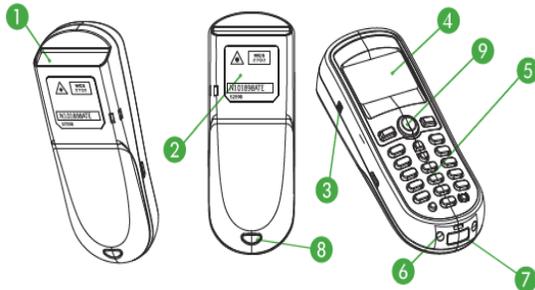
Sample Upload Screen

[\(Return to Summary\)](#)

## Metrologic Model



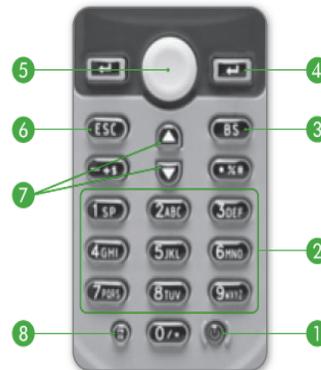
## Scanner Features



### Scanner Features

- 1 Output window (laser)
- 2 Safety and product label
- 3 Speaker
- 4 LCD display
- 5 Keypad
- 6 Charging and communication contacts
- 7 IR communication port
- 8 Battery compartment release
- 9 Scan button

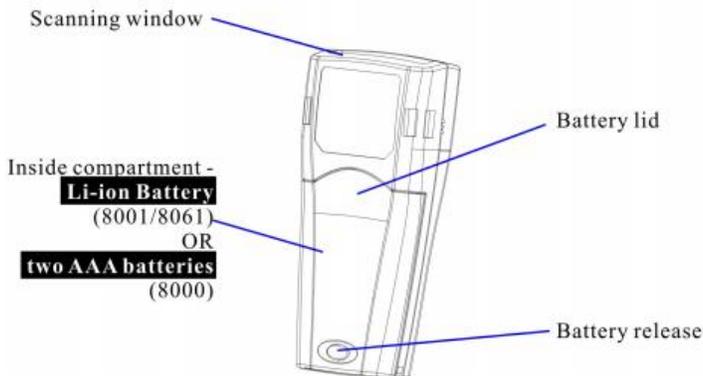
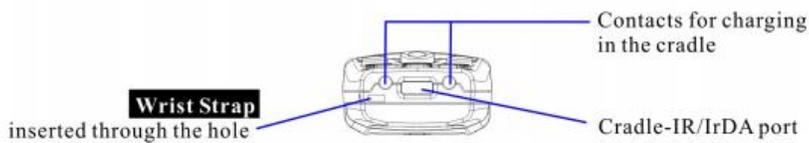
## Keypad Functionality



### Keypad Functionality

- 1 **Power:** Powers the unit on or off. To prevent accidental shutdown, it requires 1.5 seconds of pressing the power button to power unit on/off.
- 2 **Alphanumeric:** Use to input alpha characters or numbers.
- 3 **Backspace:** Use the Backspace key to toggle back one space or press down more than 1 second to send a "clear" code.
- 4 **Enter:** There are two enter keys on either side of the scan key. Use for command execution or input confirmation.
- 5 **Scan:** Press this button to trigger the scanner to read a barcode.
- 6 **Escape:** Use the Escape key to stop and exit the current function.
- 7 **Arrow:** Use to toggle up and down between menu selections.
- 8 **Toggle for Alpha (a):** When the system is in alpha mode, a small icon will be shown in the lower right corner of the display. When in alpha mode, each numeric key can be used to input one of three capital letters located on that numeric key.  
**Function (FN):** Press this key at the same time with one of the numeric keys to generate a function. Press this key with the UP/DOWN arrows to adjust the LCD contrast. Press this key with the ENTER key to turn the backlight on/off.

## Cipherlab Model



[\(Return to Summary\)](#)