

KnowledgeBase Article KB2119

Cycle Counting

Cycle Counting is an inventory auditing procedure where a subset of inventory is counted at a specified point in time to verify inventory accuracy. Cycle counts contrast with traditional physical inventory in that a full physical inventory may stop operations while all items are counted. Cycle counts are less disruptive to daily operations, provide an ongoing measure of inventory accuracy and procedure execution, and can be tailored to focus on items with higher value, higher volume, or that are critical to business processes. The purpose of cycle counting is to verify the inventory accuracy without performing a full inventory.

In Guardian, the **ABC** analysis utilizes the *Pareto Principle*—items with a higher frequency and higher value are counted most often. Higher frequency, higher value is defined as those parts which are high in quantity used multiplied by the cost per part...those with the highest total value are the parts to be inventoried most frequently.

The **ABC** analysis is used to identify those parts which are in the highest percentage of value for all parts as indicated below:

- A.** Typically performed monthly, “A” parts comprise the top 80% of value for all production. These are parts that are either extremely high in value or are so numerous and/or frequent that they make up 80% of the overall value. In most cases, this is a relatively small number of parts.
- B.** Typically performed quarterly, “B” parts comprise the next 15% of value for all production. These are parts with average frequency and value.
- C.** Typically performed annually, “C” parts comprise the last 5% of value for all production. These are parts typically in low volume or low volume and value.

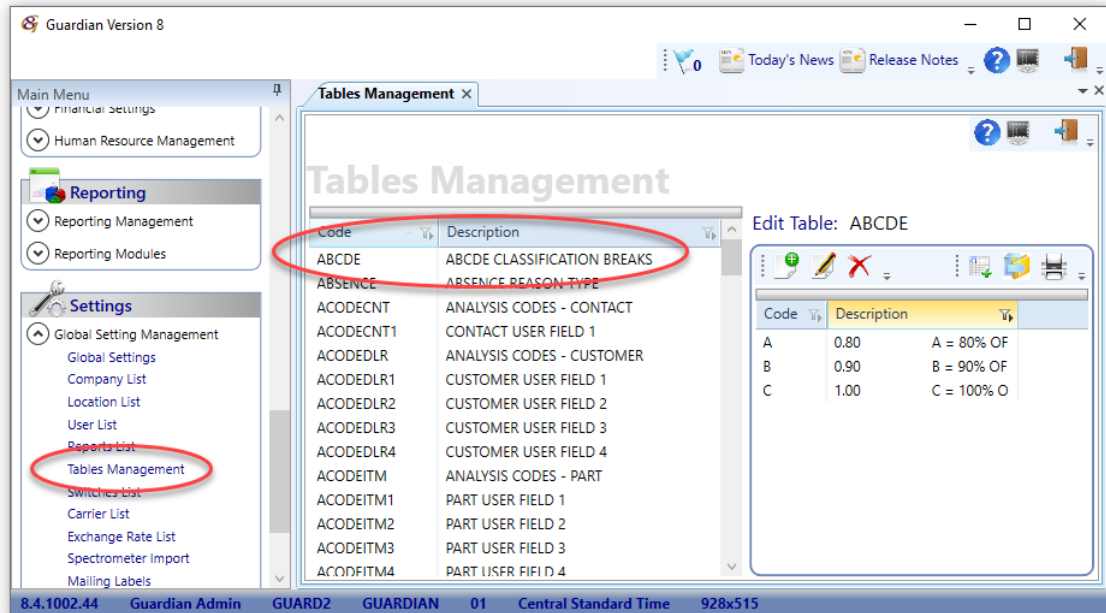
A simplified example is indicated below:

The company's overall part consumption has a value of \$1,000,000. \$800,000 of that is produced by 100 of their 1,000 parts. Those 100 parts would be checked for inventory accuracy on an “**A**” schedule, or monthly. The next \$150,000 is produced by 300 of their 1,000 parts. These parts are on the “**B**” schedule or are checked quarterly. The last \$50,000 of value is produced by 600 of their 1,000 parts which are then checked for inventory accuracy annually on the “**C**” schedule.

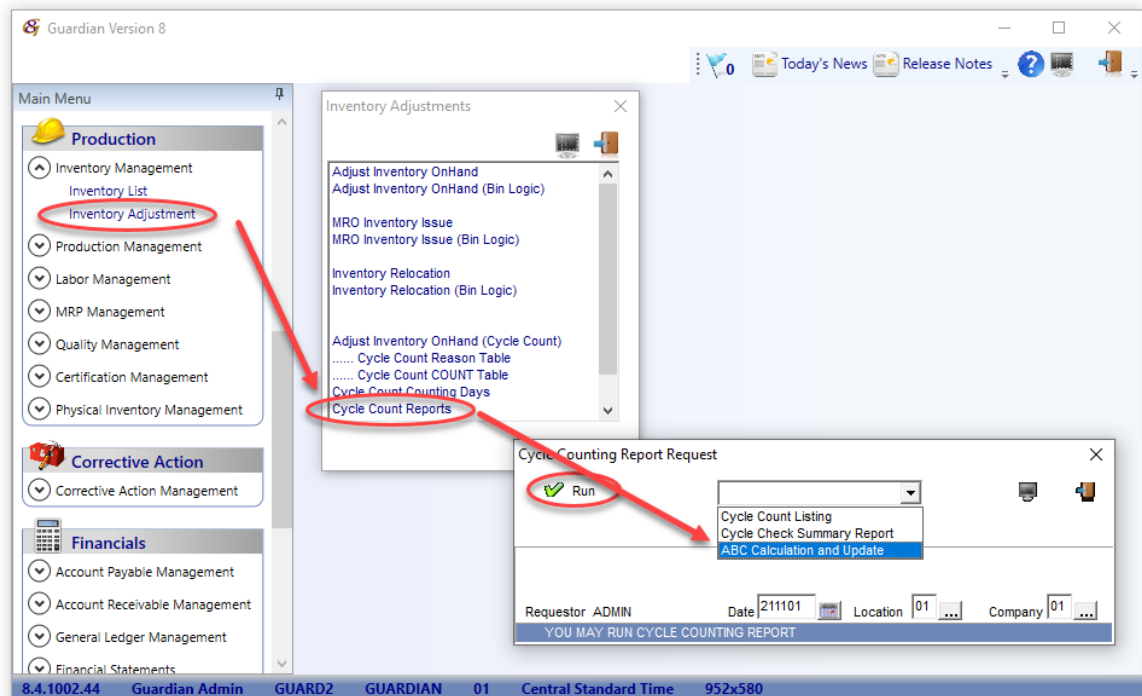


In Guardian, the process to maintain the **Cycle Count**:

1. Define the percentages in the **ABCDE Table** located in Settings > Global Settings Management > Tables Management > ABCDE Table.
 - a. Note the figures used below...80% is represented by 0.80, etc. To count the last 5%, C parts are listed as 1.00 (100%)

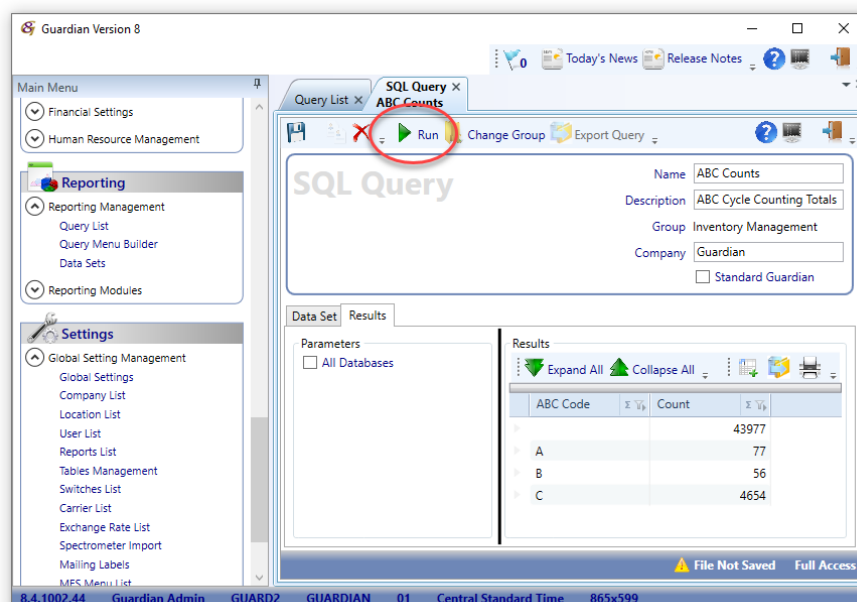
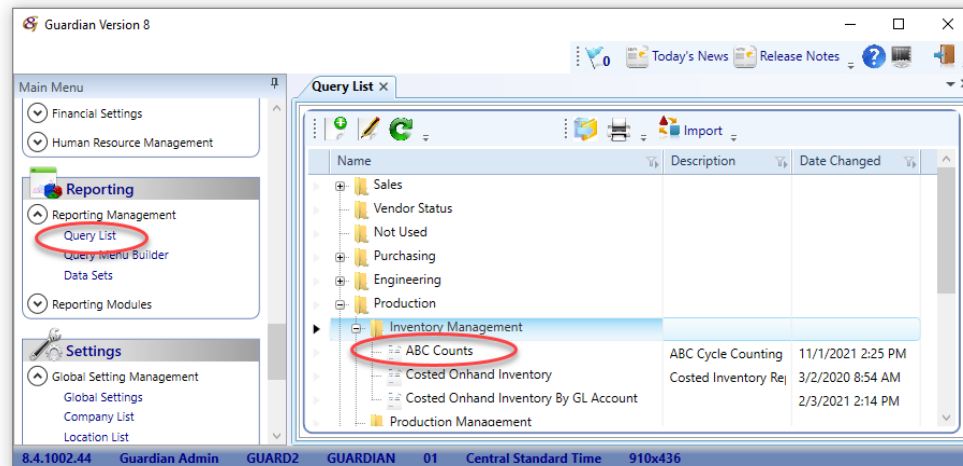


2. Run the **ABC Calculation and Update** report from Production > Inventory Management > Inventory Adjustment > Cycle Counting Reports > ABC Calculation and Update.



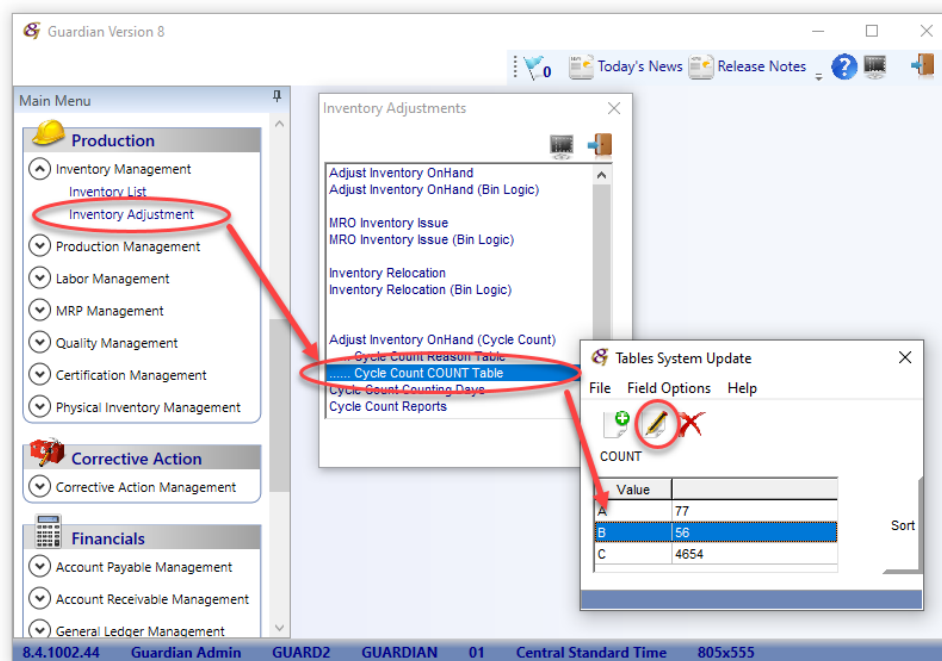


- a. This report clears all previous **ABC** codes for all parts
 - b. This report extends Inventory usages (Customer Disbursements + Inventory - Inventory Returns) by Frozen Cost to get Usage Value of Inventory Usage Transactions for the specified Date Range for each part and assigns the corresponding ABC Code
 - c. ABC calculation occurs within each inventory category—percentages are representative of each category, not all inventory.
 - d. Parts not used during the specified time period, are not included in the ABC calculation.
3. Navigate to the Reporting > Query List > Inventory Management > ABC Counts and click *Run* to determine the number of parts for each ABC Inventory Category.



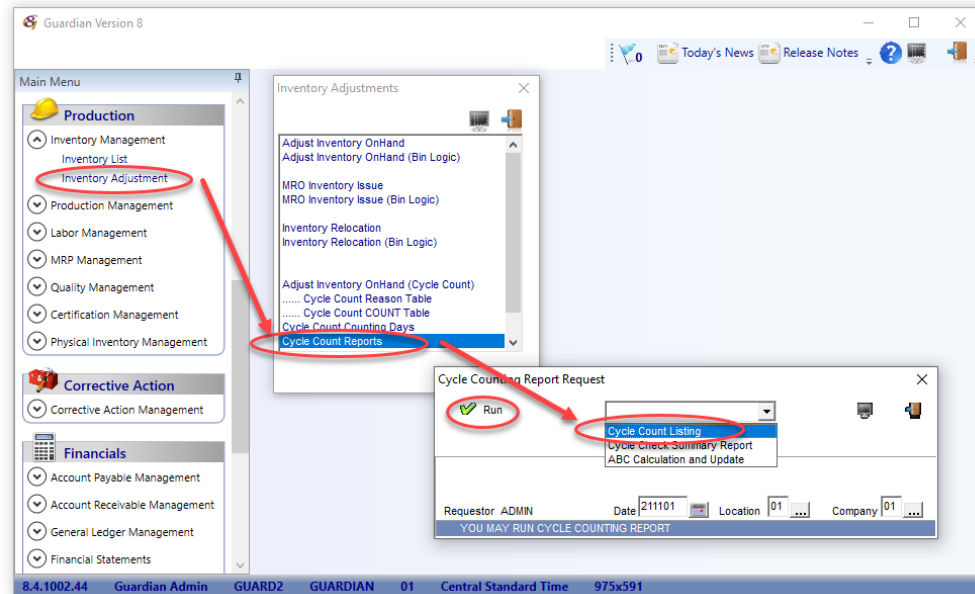


- a. The count indicated for no ABC_Code are parts not used during the time specified on the ABC Calculation and Update report.
 - b. Divide the number of A parts by the number of cycle counts performed in a month giving the number of parts to count, monthly
 - c. Divide the number of B parts by the number of cycle counts performed in a quarter giving the number of parts to count, quarterly
 - d. Divide the number of C parts by the number of cycle counts performed in a year giving the number of parts to count, annually
 - e. *Example:* The company will inventory parts on a daily basis, 5 days per week. Basic math indicates that will be 20 inventory days each month, 60 inventory days each quarter and 240 inventory days each year.
 - i. A is divided by 20 to equal the number of A parts to count every day
 - ii. B is divided by 60 to equal the number of B parts to count every day
 - iii. C is divided by 240 to equal the number of C parts to count every day
4. Update the Settings > Global Settings Management > Tables Management > COUNT Table to reflect the number of the parts to count at every count cycle as computed above (ie. Daily)

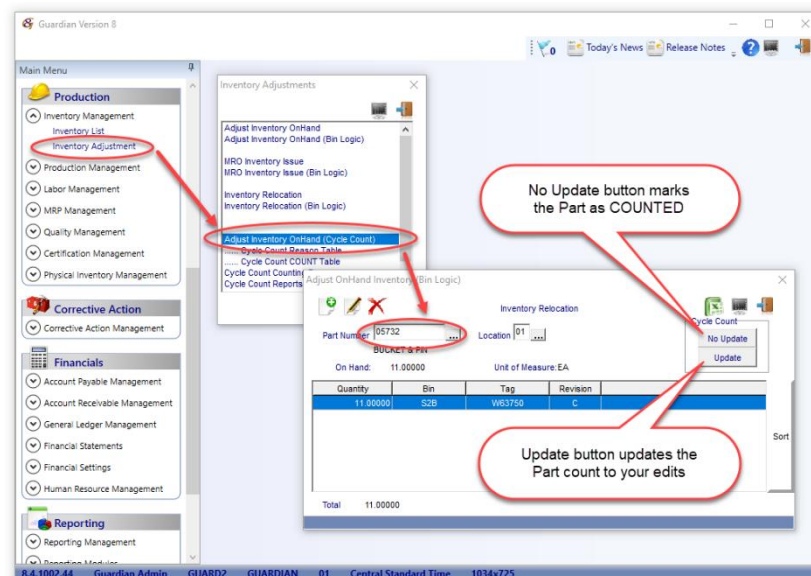




5. Run the Inventory Listings to record the Inventory (monthly, quarterly, annually) located in Production > Inventory Management > Inventory Adjustment > Cycle Counting Reports > Cycle Count Listing.
 - a. Each Part will be listed on a separate page. These pages are used to perform the Physical Inventory



6. Compare the actual inventory with the listed inventory reported above. Use the Production > Inventory Management > Inventory Adjustment > Adjust OnHand Inventory (Bin Logic) screen to update the inventory. After entering a Part Number, edit the count. You MUST click *No Update* or *Update* to mark the Part as counted for the specified cycle count.



7. Run the Production > Inventory Management > Inventory Adjustment > Cycle Count Reports > Cycle Check Summary Report to view and/or print the Inventory Report with a summary of changes.