

Inventory Valuation

Inventory is the backbone of your business and most likely your largest business asset.

The value of your inventory determines the taxes that you pay, influences the items that you purchase, and it impacts future business decisions.

So obviously, it's important to be able to reliably estimate the current value of your inventory.

But how do you do this?

You should be able to subtract the cost of your purchases from your sales income.

The key word here is should. Wouldn't it be better to be able to get a more accurate number?

The Eagle for windows system offers numerous ways of obtaining a more accurate way of inventory value, including the inventory valuation report and business advisor.

Let's start by taking a look at the inventory valuation report.

The Inventory Valuation Report, or RIV, helps you track the extended value of each inventory item, both cost and retail price, using the quantity on hand figures in the system.

Run it monthly to track such things as year-to-date sales dollars, inventory turn, gross margin return on investment, and sales to inventory ratio at both the item and store levels.

Another option is to run it nightly to send inventory data to business advisor.

Whether you are analyzing long-term data or monitoring daily sales, remembered that the inventory valuation report is a snapshot of your inventory at the exact time that you run this report.

You'll get the most accurate data if you run it when there's no activity taking place on the Eagle.

Now that you've seen the type of information that included, let's take a look at how to run the report.

Start by typing RIV in the launch bar of the Eagle browser.

This report is also available in the inventory reports menu.

After launching RIV, make any changes in the print setup page that you'd like and then open the Options page.

The first step is to decide whether you use average cost, manufacturers cost, or replacement cost when calculating your inventory.

You can set the default for this option in options configuration.

Next, review the options that are available in this report and click to select the ones that you want to apply.

For instance, click H to send the data to business advisor, or K to include kit record data.

Notice that you can include items with a negative quantity on hand, or exclude items with a blank or zero quantity on hand.

The default is to print both pricing and stocking units in the report, but you can make any changes in the selection that you wish.

On the From/To page, select a store or stores that you wish to include on this report.

The print sequence list determines how items on the report are grouped.

If you choose number five, user defined, you'll need to set up the print sequence on the flexible sort page.

Enter any ranges that you want to include on this report or leave them blank to include all inventory information when the report runs.

And finally, specify what codes if any, you want to include in the report on the code selection page.

As an example, you could run this report for all items that have the popularity code of X to determine inventory value of your slow moving items.

As with other Eagle reports, you may wish to save the settings that you use most often in this report as the default.

You can also save the report so you can run it in a future without having to run through the setup again.

Just click Save, name the report, and press OK.

Now if you set the inventory valuation report up to run nightly, with option eight selected, you can track the value of your inventory in business advisor.

Let's take a look.

When you launch business advisor from the browser, it opens on a management summary screen.

In the bottom left corner, you'll find inventory data.

The date shown here indicates the last time the RIV was run.

You can quickly see what the value of your inventory is, and how the cost is calculated.

In this case, average cost with use.

If you'd like to switch to replacement cost, open the preferences menu, and change the selection in the management summary preferences.

You could also compare the current totals to past dates if needed.

Just click the calendar and select the date for which you want to view the past inventory value.

Since you're in business advisor, you have the ability to drill down on any of the inventory figures in blue.

Double-clicking an inventory value for example, takes you to a screen that breaks out the inventory value by department.

You could drill down even further, by double clicking a department to see the data for the classes associated with that department.

If you feel that there's a discrepancy with the figures, this ability to drill down into smaller groups of data, usually makes it easier for you to find the discrepancy.

Since the RIV report only uses three figures, cost, retail, and quantity on hand to compute it's value, it's usually pretty easy to pinpoint what the problem is.

Starting from the total inventory valuation, drill down to the department level.

When you've identified a suspect department, start looking at the classes that form the department.

From there, you can examine individual item level.

In this module, you've seen how the inventory valuation report helps you with in-depth analysis of your inventory, as well as daily monitoring to help prevent problems.

And depending on how you set up your report, it can send information to business advisor which allow you to have further analysis.

So now that you have an understanding of how these two tools work together, I'd encourage you to spend some time within the options of the inventory valuation report to determine which ones give you the information that you need.

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