

TEXAS SOUTHERN UNIVERSITY
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Fiscal Affairs

NUMBER: 03.07.08

AREA: General Accounting

**SUBJECT: Physical Inventory of Goods for Resale, Manufacture,
or Repair**

I. PURPOSE AND SCOPE

To accurately record the value of assets held by Texas Southern University, specifically the value of goods held by the university for resale, manufacture, or repair, and to minimize the risk of loss of those assets, an inventory of goods must be conducted annually.

II. POLICY STATEMENT

This document sets forth guidelines for the university to follow in developing inventory procedures.

III. GENERAL PROVISIONS

- A. Departments purchasing goods for the purpose of reselling those goods must record the value of goods held for resale in the university's accounting system at the time of purchase. The value of these goods is an asset and will be classified in the appropriate account.
- B. Departments selling goods are responsible for preparing entries to accurately record cost of goods sold ("COGS") with the approval of General Accounting. Inventory on hand at the end of the fiscal year will be valued using the first in/first out (FIFO) inventory method.
- C. Goods held in inventory, judged to be obsolete, should be returned to the supplier for credit or replacement, if possible.
- D. Each university department that maintains a stock of goods for resale must complete an inventory of goods held on the last business day of the fiscal year and submit the inventory report to General Accounting by the declared deadline. Alternate inventory dates, resulting from business practices, must be reported to General Accounting with the annual inventory report. Any variance in the quantity of goods on hand and those shown on the department's inventory records must be reported as shrinkage and adjusted from the department's cost of goods sold.

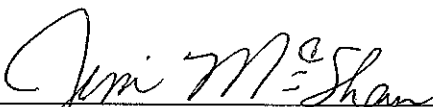
- E. Each inventory will be completed by two university employees whose duties do not constitute a conflict of interest with the conducting of the inventory.
- F. A complete inventory report includes:
 - 1. A transmittal memo, approved by the responsible manager and certifying signature.
 - 2. A request for adjustment to inventory.
 - 3. A summary sheet with valuation of the goods held for resale.
 - 4. The count sheets used in the conducting of the inventory, including the certification of those conducting the inventory.
 - 5. A report of obsolete inventory items.
 - 6. A location diagram of the stockrooms, storerooms, and/or sales areas where goods are held for resale.
 - 7. A test for reasonableness of the inventory balance, comparing the inventory beginning balance, purchases, returns, and sales to the actual year-end balance.
- G. Conducting inventories is subject to observation and/or review by the university's accounting offices and Internal Audit Office.

IV. REVIEW AND RESPONSIBILITY

Responsible Party: Chief Financial Officer

Review: Every Three Years on or before August 31

V. APPROVAL



Chief Financial Officer



President

Date of President's Approval: 06/24/09

**Addendum A
Example Transmittal Memorandum**

Memorandum

TO: General Accounting
FROM: College/Division Administrator
Name of College/Division
DATE:
RE: Resale Inventory as of August 31, 20XX

The goods held for resale by the Department of (department name) as of August 31, 200X was inventoried by (employee counting) and (employee recording) on (inventory date).

My signature below indicates my review and approval of this inventory as an accurate report of the quantities and values of the items held by this department.

Banner Cost Center and Account: _____

Net Dollar Value of consumable inventory: \$ _____

Attachments: _____ # Inventory Count Sheets
_____ # Inventory Summary Sheets
_____ # Obsolete Inventory Sheets
_____ # Inventory Diagram Sheets

Department Head Signature and Title Date

Certifying Signature and Title Date

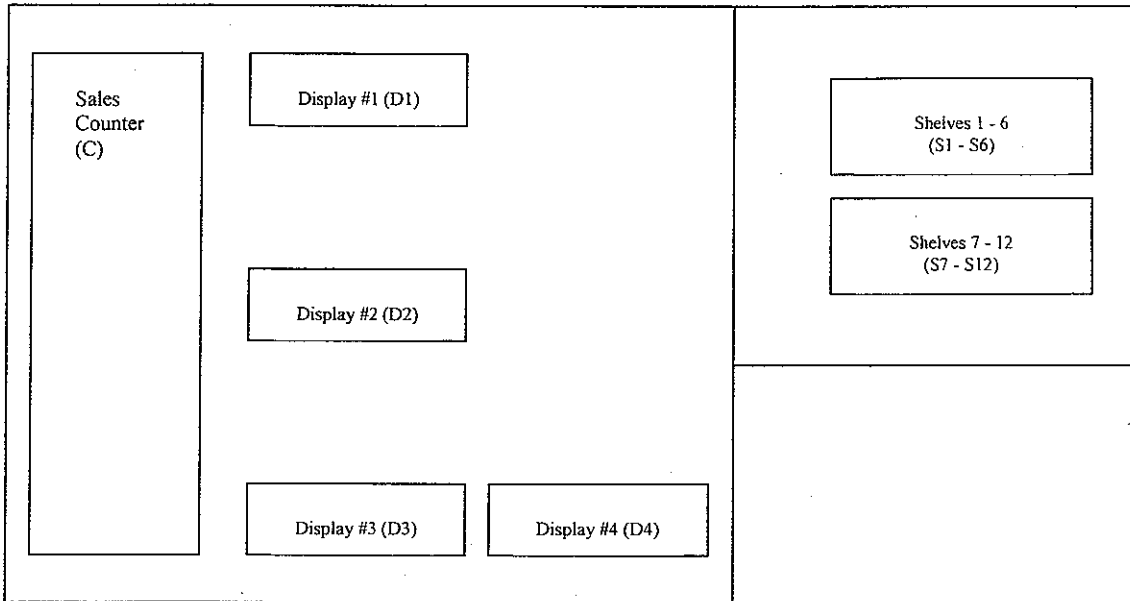
Addendum E

Example Location Diagram

Inventory Location

Dept. _____

Room _____



Addendum F

Example Review of Inventory Reasonableness

Department of _____
Review of Inventory Reasonableness

1.	Ending Inventory Value, 8/31/xx	<u> A </u>
2.	Purchases for Resale, 9/1/xx - 8/31/xx	<u> B </u>
3.	Costs of Goods Sold, 9/1/xx - 8/31/xx	<u> C </u>
4.	Costs of Goods Disposed Of, 9/1/xx - 8/31/xx	<u> D </u>
5.	Projected Inventory Value, 8/31/xx	<u> E </u>
6.	Actual Inventory Value, 8/31/xx	<u> F </u>
7.	Variance	<u> (A+B-C-D)-E </u>

Explanation of variance:

Analysis prepared by: _____
(signature, date)

Analysis approved by: _____
(signature, date)

