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

[Signatures]

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, 20XX 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 B

Example Summary of Resale Inventory for End of Year
Fiscal Year 20__

Department of ______________________
Summary of Resale Inventory for End of Year, Fiscal Year 20__

<table>
<thead>
<tr>
<th>Stock/Item#</th>
<th>Description</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Total Value</th>
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Total Value of this sheet

Summary Prepared by/date: __________________________

Sheet # of ________
Addendum C

Example Count of Resale Inventory for End of Year
Fiscal Year 20__

Department of
Count of Resale Inventory for End of Year, Fiscal Year 20__

<table>
<thead>
<tr>
<th>Bldg</th>
<th>Room</th>
<th>Shelf/Area</th>
<th>Stock/Item#</th>
<th>Description</th>
<th>Quantity</th>
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Inventory Conducted by (signatures) Date(s)

Sheet # of
Addendum D

Example Resale Inventory for End of Year
Fiscal Year ___
Obsolete Inventory Adjustments

<table>
<thead>
<tr>
<th>Stock/Item#</th>
<th>Description</th>
<th>Explanation for Adjustment</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Total Value</th>
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Total Value of this sheet

Summary Prepared by/date: ____________________________
Addendum E

Example Location Diagram

Inventory Location
Dept. ______________

Room ______________

- Sales Counter (C)
- Display #1 (D1)
- Display #2 (D2)
- Display #3 (D3)
- Display #4 (D4)
- Shelves 1 - 6 (S1 - S6)
- Shelves 7 - 12 (S7 - S12)
Addendum F

Example Review of Inventory Reasonableness

Department of ________________________
Review of Inventory Reasonableness

1. Ending Inventory Value, 8/31/xx
   A

2. Purchases for Resale, 9/1/xx - 8/31/xx
   B

   C

   D

5. Projected Inventory Value, 8/31/xx
   E

6. Actual Inventory Value, 8/31/xx
   F

7. Variance
   (A+B-C-D)-E

Explanation of variance:

Analysis prepared by: ________________________
(signature, date)

Analysis approved by: ________________________
(signature, date)
Addendum F (page 2)

Department of  
Review of Inventory Reasonableness, Fiscal Year 20__

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