

**MAPP 03.07.08 Physical Inventory of Goods for Resale,
Manufacture, or Repair**

Section Fiscal Affairs
Area General Accounting
Original 06/24/2009
Reviewed 04/01/2026



TEXAS SOUTHERN UNIVERSITY
**MANUAL OF ADMINISTRATIVE
POLICIES AND PROCEDURES**

I. POLICY STATEMENT

Texas Southern University shall conduct and maintain accurate physical inventories of goods held for resale, manufacture, or repair to ensure proper financial reporting, safeguard University assets, and minimize the risk of loss. All departments maintaining such inventory must comply with established inventory procedures and reporting requirements.

II. 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.

This policy applies to all University departments responsible for purchasing, maintaining, or reporting inventory of goods held for resale, manufacture, or repair.

III. POLICY 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.

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- 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.