ACCOUNTING & AUDIT

Why small businesses should integrate inventory management and accounting systems

What many warehouse administrators, logistic departments, small business controllers and even accounting teams may not consider is the business value realized from an integrated accounting and inventory management system.

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Are you wasting money on excessive labor costs because your warehouse isn't optimized? What is your cash flow outlook?

What many warehouse administrators, logistic departments, small business controllers and even accounting teams may not consider is the business value realized from an integrated accounting and inventory management system.

Evaluate the following:

- Does your product price vary or do you run promotions regularly?
- Do you track inventory based on serial number, lot, date, pallet or any combination thereof?
- Do you drop ship?
- Do your vendors require minimum or maximum order quantities?
- How do you decide which orders to fill, and based on what criteria?
- Do you pick more than once a day?
- Do you store inventory at multiple sites?

- How often do you reconcile physical inventory?

If you answered yes to any of these considerations, you would likely benefit from integration.

Inventory management is about knowing exactly where and how many of an item you have available. So it makes sense that, to ensure your inventory asset value on your financial reports matches what is physically in stock, you would integrate your inventory package and account package to align operations.

There are three key advantages to this type of integration: optimizing inventory to meet product availability and financial goals maximizes revenue and customer service; providing inventory visibility to supply chain partners and reconciling inventory accurately in all financial reports saves you time and provides operational insight. Integrating the two enables leadership to effectively plan and predictably execute while minimizing labor costs and errors associated with manually reconciling inventory systems with accounting systems.

1. Optimize inventory to meet product availability and financial goals

Inventory optimization determines where in the supply chain the service levels can be set, how much manual work is required to set the service levels and whether the mix will be used by one department, or by multiple departments within the warehouse. Data capture done in real-time ensures data integrity and helps reduce the risk of discrepancies. Creating the right mix and maintaining accessible intelligence to the correct amount of inventory is vital to both customer and investor satisfaction.

2. Provide inventory visibility to supply chain partners

Visibility allows you to see fluctuating inventory levels, including sales peaks and stagnant product. This visibility allows suppliers to ensure their product is available in the warehouse or facility on-demand. It also informs the forecasting process for cyclical inventory movement experienced year-over-year – so sourcing, holding and delivering can be executed efficiently.

3. Accurately reconcile inventory in financial reports

Accurate financial reports can be obtained effectively through integration of inventory transactions with the back office chart of accounts. It is extremely important that these reports are exact because inventory value can be a significant portion of your stated assets. Real-time, accurate data is accessible anytime so there will be increased confidence that operations are in sync.

Manual systems reconciliation is a method of the past. An integrated solution protects your products, partners, customers and bottom line: operational insight at your fingertips.

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