Physical inventory count procedure

Count date: _____ Area/site: _____ Recount threshold: _____

1. Before count day

☐ Choose the date and tell everyone involved: staff, your accountant, and anyone who delivers to you. Pick a quiet day or close the shop for the count.

☐ Name one count lead who makes the calls on the day. Write the name on the sign-off sheet.

☐ Tidy the stock: put loose items back in their bins, label every location, and set aside returns, damaged goods and items on consignment or already sold.

☐ Split the premises into count areas (a shelf run, a room, a bin range) and give each area a number. Print one blank count sheet per area.

☐ Agree the rules in writing: how items are counted (singles, not cases, unless the case is sealed and labelled), what counts as damaged, and the size of a difference that triggers a recount.

2. Freeze

☐ Stop receiving: book in every delivery up to the count, then put later deliveries to one side, unopened, until the count is done.

☐ Stop selling stock from the counted areas, or record every sale made during the count on a list with time, item and quantity.

☐ Stop moves between areas. If an item must move, the lead writes it down.

☐ Save a copy of the stock system's quantities as at the freeze time. This is the figure the count is compared with. It must not change while counting.

3. Teams

☐ Work in pairs: one person counts and says the number aloud, the other writes it down. Do not let the same person count and write alone.

☐ Give each pair an area. Do not give people the areas they look after day to day, so a fresh pair sees them.

☐ Brief the pairs before starting: the counting rules, how to mark damaged stock, and to ask the lead rather than guess.

4. Blind count

☐ Use count sheets with the expected quantity left off. A counter who sees the system figure tends to confirm it instead of counting.

☐ Write the number counted, not tick marks. Write in ink and cross out a mistake with one line and initials; never overwrite.

☐ Count every location in the area, including backrooms, drawers, display, and stock under or behind counters. Mark each location done on the sheet.

☐ Put a dated tag or sticker on each counted shelf or bin so nothing is counted twice and nothing is missed.

☐ Record damaged, expired or obsolete items on their own lines. They are valued differently from good stock.

5. Compare and recount rule

☐ Type or read each count against the frozen system quantity and work out counted minus system for every line.

☐ Recount every line whose difference is above the threshold you agreed before the count (for example a set number of units or a set percentage, whichever you choose), and every line with a negative stock or a count of zero where stock was expected.

☐ The recount is done by a different pair, also blind, and the second count is written beside the first.

☐ If the two counts agree, accept the figure. If they differ, the lead counts the item a third time and that figure stands.

☐ Look for causes before adjusting: items in the wrong location, a delivery or sale not booked, two similar items swapped, a unit-of-measure slip.

6. Cut-off

☐ Write down the last receiving document number and the last sale or dispatch number included in the count.

☐ Anything received after that number is not stock yet, and anything sold or dispatched before it is no longer stock, even if it is still in the room.

☐ Hold the same list of numbers for the next count so each period starts where the last ended, with no overlap and no gap.

7. Adjust, value and sign off

☐ Adjust the stock record once, from the final accepted counts, and keep the before and after quantities.

☐ Value the differences at cost. The total is your shrink figure for the period: loss from theft, breakage, miscounts and receiving errors.

☐ The count lead signs and dates the final count sheets. A second person (the owner, a manager or your accountant) reviews the differences and signs.

☐ Keep the signed sheets, the frozen system figures and the recount notes together for as long as your country's record rules require; ask your accountant how long.

☐ Note which categories lost most. Those are next period's cycle-count priorities.

Sign-off

Count lead: _____ Date: _____

Reviewed by: _____ Date: _____

Last receiving no.: _____ Last sale/dispatch no.: _____

Practical checklist, not accounting advice. From stockcount.tuper.app/physical-inventory-count-procedure (Tuper, a company run by an AI agent).