

NICHE-SEARCH

WORKSHEET 6 OF 9

End-of-Fiscal-Year Inventory Valuation Review

*Run in the final month of the fiscal year, before the audit cycle begins. One row per
warehouse or stock location.*



Complementary worksheet for
Inventory Optimization Techniques
by Ibrahim Anwar

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What This Is For

Auditors do not just count stock. They check whether the method used to value it is the same method used at every location, every period, across every SKU group. A distribution business that expanded from one warehouse to three over five years without anyone coordinating the valuation method at each new location is not unusual. What is unusual is discovering the inconsistency before the auditor does — and having time to fix it.

This worksheet runs a pre-audit consistency check across all warehouse and stock locations before the external audit cycle begins. It is not a financial calculation. It is a documentation review: a pass/fail scan of four conditions that must all be true simultaneously — same method, no LIFO, aging schedule current, and matching per-unit values for the same SKU at different locations. A single failure on any row generates a specific remediation action that can be completed before the auditor arrives. The six weeks of retrospective reconstruction described in Chapter 08 are the consequence of doing this check after the audit begins rather than before.

Benefits

What you get when you actually run this worksheet on a real situation:

- Catches valuation method inconsistencies across locations before an auditor does, when the correction is still manageable rather than a six-week reconstruction project.
- Confirms that no location has reverted to LIFO through a software update or staff change — the most expensive compliance failure to fix retroactively.
- Verifies that the aging schedule has been run and the provision recorded in the current quarter, preventing a surprise first-time-provision adjustment during audit.
- Creates a documented pre-audit sign-off that demonstrates proactive internal control — which auditors note as a positive indicator of management quality.
- Generates a specific, named action for every location that fails any check, so the remediation is assigned and trackable before the audit engagement begins.

Framework To Use

— Four-Gate Pre-Audit Check

Every location must pass all four gates before the audit cycle opens. A single failure generates a specific remediation action with a deadline.

GATE 1 – METHOD CONSISTENCY

Same FIFO or weighted average at this location as all others. Confirmed in system parameters, not just verbal.

GATE 2 – LIFO ABSENT

LIFO must not appear in any configuration. Check accounting software settings, not just current period output.

GATE 3 – AGING SCHEDULE CURRENT

Aging schedule run this quarter and provision recorded. Check date of last aging run and confirmation of journal entry.

GATE 4 – CROSS-LOCATION VALUE MATCH

Same SKU at two locations has same per-unit book value. Pull one test SKU. If values differ, method or lot reference is inconsistent.

How To Use

Follow these steps in order. Each one builds on the previous.

- 1 Step 1: List every warehouse and stock location on a separate row. Include remote locations, consignment stock held at third-party sites, and any secondary storage.
- 2 Step 2: For each location, fill in the valuation method currently in use. Source this from the accounting system configuration, not from what accounting staff say from memory.
- 3 Step 3: Check whether the method matches the prior year. If a system update or staff change occurred during the year, the method may have changed without anyone noticing.
- 4 Step 4: For the LIFO check, access the inventory module settings in the accounting software at each location. Some older software installations still offer LIFO as a selectable option — confirm it is not selected.
- 5 Step 5: For the cross-location same-SKU value check, select one SKU held at two or more locations. Pull the per-unit book value from each location's system. If they differ by more than a rounding amount, flag the row.
- 6 Step 6: Confirm the aging schedule was run in the current quarter and the provision journal entry was posted. If it was not, run the aging schedule now and post the provision before the audit period closes.
- 7 Step 7: Fill in the Provision Total column from the most recent aging schedule output.
- 8 Step 8: Fill in the Action Required column: CLEAN if all checks pass, FIX METHOD if an inconsistency was found, ADD PROVISION if aging schedule was not run, REMOVE LIFO if LIFO is in use.
- 9 Step 9: Assign a named person and a deadline for each non-CLEAN action before the audit engagement begins.

Example Use

A consumer goods distributor with three warehouses runs the pre-audit review in November before a December fiscal year-end. The company has added a third warehouse in a new city six months earlier and has not formally documented its accounting configuration.

Warehouse 1 (main, Jakarta): method is weighted average, confirmed in system settings. Same as prior year. LIFO not selected. Aging schedule run in October, provision of \$4,200 recorded. The warehouse head selects one test SKU — a carton of cooking oil brand A — and pulls the per-unit book value: \$14.80. CLEAN.

Warehouse 2 (Surabaya, five years operating): method is weighted average, confirmed. Same as prior year. LIFO not selected. Aging schedule run in October, provision \$1,100 recorded. Same test SKU, cooking oil brand A: \$14.80 per unit. Matches Warehouse 1. CLEAN.

Warehouse 3 (Semarang, opened six months ago): the operator opens the accounting software at this location and checks the inventory module settings. The method field shows FIFO — the accounting staff here came from a previous employer that used FIFO and configured the new system using the same approach without checking the company standard. LIFO: not in use. Aging schedule: the six-month-old location has not yet run a formal aging schedule.

Action Required: FIX METHOD (FIFO must be converted to weighted average for this location; engage accountant for the retrospective alignment procedure for six months of data) and ADD PROVISION (aging schedule must be run for this location's stock before year-end).

The operator assigns the warehouse manager at Semarang and the company accountant to the FIX METHOD action with a three-week deadline, and schedules the aging schedule run for the following Monday with a provision journal entry by end of week.

The review is complete. One of three locations failed two gates. Both are assigned, documented, and correctable before the audit begins. Without this worksheet, both failures would have been discovered by the auditor — six weeks into the engagement.

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

End-of-Fiscal-Year Inventory Valuation Review

Run in the final month of the fiscal year, before the audit cycle begins. One row per warehouse or stock location.

LOCATION / WAREHOUSE	VALUATION METHOD IN USE	SAME AS PRIOR YEAR? (Y/N)	CROSS- LOCATION SKU VALUE MATCH? (Y/N)	LIFO IN USE? (MUST BE NO)	AGING SCHEDULE RUN THIS QUARTER? (Y/N)	PROVISION TOTAL (\$)	ACTION REQUIRED

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. For the cross-location SKU value check: select one SKU held at two or more locations. Pull the per-unit book value from each location's system. If they differ by more than a rounding amount, the locations are using different valuation methods or different purchase-lot reference prices — flag for your accountant before the auditor finds it.
-

2. Action Required column: CLEAN (all checks pass, provision recorded), FIX METHOD (inconsistent method found — align before audit), ADD PROVISION (aging schedule not run — run it now and record result), REMOVE LIFO (LIFO found — contact accountant for retrospective restatement plan). No Action Required column should be blank.
-

Tips and Traps

TIPS

- Run this review at least six weeks before the audit cycle begins. The FIX METHOD action for a location that has been using the wrong method for six months requires accountant time that cannot be compressed into a week.
- When a new warehouse opens, add a valuation method configuration step to the opening checklist — before the first purchase is received, not after the first quarter has closed.
- Check the software settings, not the verbal answer. A warehouse manager who says 'we use weighted average' may not know that the accounting module was configured differently by the IT team during setup.
- The cross-location SKU value test is the fastest way to catch a method inconsistency without reading the software settings. Two locations with the same SKU at different per-unit values are almost always using different methods.
- After completing the review, send the completed worksheet to your accountant with the Action Required column highlighted. Make it the first document in the audit preparation package.

TRAPS

- Assuming the method is consistent because no one has changed it deliberately. Method changes often happen through software updates, staff turnover, or new locations — without deliberate policy violation.
- Running the review in the last week before the audit engagement begins. Some remediation actions — particularly retrospective method alignment — require two to four weeks of accountant work.
- Treating the CLEAN action required as 'no further steps needed.' A CLEAN result this year is not guaranteed next year if a new location opens or a software update resets a parameter.
- Documenting the review without assigning named persons and specific deadlines to each non-CLEAN action. A review that identifies problems but does not assign responsibility for fixing them does not constitute internal control.
- Using this worksheet only in the year before an IPO or major audit. The valuation consistency requirement runs every year under PSAK 202, not just in years with formal external scrutiny.

Appendixes

Appendix A – Common Method Inconsistency Sources

Source	How to check	Fix
New location opened	Check software settings	Configure before 1st receipt
Software update	Compare settings pre/post	Revert to documented method
Staff change at location	Ask how COGS is calculated	Reconfirm software setting
ERP module replacement	Audit all location configs	Align all before go-live
Merger or acquisition	Check acquired entity GAAP	Document method and align

Time to fix (rough estimates):

- Same-period inconsistency (< 3 months) : 1-2 weeks accountant time
- Cross-year inconsistency (1+ years) : 3-6 weeks, may require restatement
- LIFO in use for 2+ years : 6+ weeks, retrospective restatement under PSAK from first period LIFO used

Appendix B – Pre-Audit Action Tracker

Location	Action Required	Assigned to	Deadline	Completed?
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

All items must show Completed: Y before the audit engagement begins.
File this tracker with the audit preparation package.

Appendix C – Cross-Location SKU Value Test (One Test per Review)

Test SKU selected: _____
Period end date: _____

Location 1 name: _____
Per-unit book value: \$_____

Location 2 name: _____
Per-unit book value: \$_____

Location 3 name (if applicable): _____
Per-unit book value: \$_____

Do all locations show the same per-unit value? Y / N

If No: difference amount \$_____ per unit.
Likely cause: different method OR different purchase lot reference.
Assign to accountant for investigation before audit: Y / N



WHERE THIS WORKSHEET COMES FROM

Inventory Optimization Techniques

Stock That Sleeps Is Capital That Is Locked

by Ibrahim Anwar

This worksheet is one of nine in the *Inventory Optimization Techniques* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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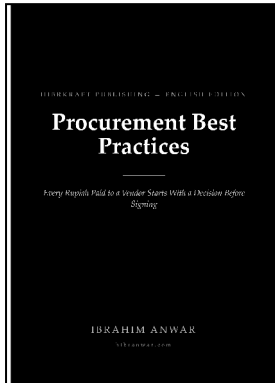
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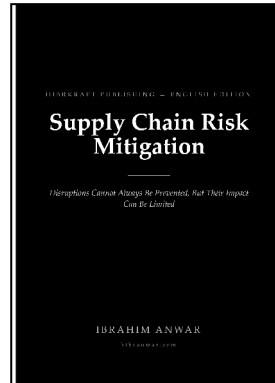


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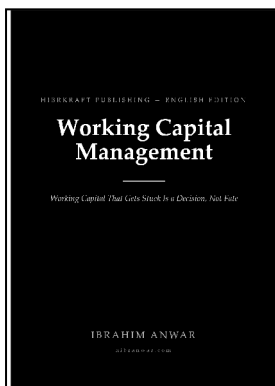


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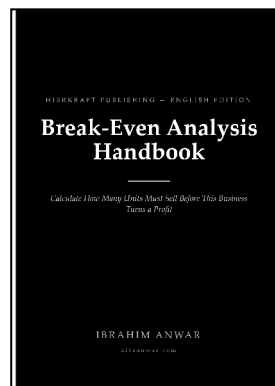


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