

SPECIFIC-CASE

WORKSHEET 7 OF 9

SKU with 90 Days Zero Movement — Release Decision Worksheet

Scenario: a single SKU in your warehouse has reached exactly 90 days without a single sales transaction. The release policy threshold has been triggered. You need to decide which release mechanism applies, calculate the cost of holding versus releasing, and assign a responsible person with a deadline — before the next monthly review meeting.



Complementary worksheet for

Inventory Optimization Techniques
by Ibrahim Anwar

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What This Is For

The 90-day threshold is the first point in the release policy where the cost of holding has become material enough to compare honestly against the cost of discounting. Before 90 days, the argument for waiting is defensible. At 90 days, the argument requires a calculation rather than a feeling. This worksheet forces that calculation for one specific SKU: here is what holding costs per day, here is what the discount loses, here is which number is larger if we hold for another 90 days.

The sheet is built for a single SKU rather than a list, because the 90-day release decision benefits from the operator's full attention on one item at a time. A bundle of 15 stagnant items reviewed quickly produces rounded answers and diffuse accountability. One item, one calculation, one named responsible person, and one deadline produce a decision that gets executed rather than filed.

Benefits

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

- Forces a dollar comparison between the cost of releasing now and the cost of holding further — turning a feeling of reluctance into a calculation with a clear winner.
- Identifies the daily carrying cost on this specific SKU, making the cost of a further 90-day delay concrete rather than vague.
- Establishes which of three release mechanisms applies to this SKU — graduated discount, bundle, or vendor return — based on the written policy, not case-by-case judgment.
- Assigns a named responsible person and a deadline before the worksheet is filed, closing the accountability gap that leaves stagnant stock decisions open-ended.
- Creates a documented release decision record that supports subsequent accounting entries and auditor inquiries about why a provision or discount was applied.

Framework To Use

— Hold vs. Release Cost Comparison

Two paths, two dollar outcomes. The one with the smaller total loss is the decision — not which one feels more comfortable.

<p>PATH A — RELEASE AT 30% DISCOUNT TODAY Realization = book value × 70%. Accounting loss = book value × 30%. Carrying cost stops immediately. Cash returned to working capital for reinvestment. No further condition decline risk.</p>	<p>PATH B — HOLD FOR ANOTHER 90 DAYS HOPING FULL PRICE Additional carrying cost = book value × rate × (90/365). If sold at full price after 90 days: net loss = carrying cost only (smaller). If sold at deeper discount or not sold: total loss = carrying cost + larger discount gap. Risk increases with time.</p>
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How To Use

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

- 1** Step 1: Write the SKU name and code at the top of the worksheet. Pull units on hand and purchase price per unit from the stock record.
- 2** Step 2: Calculate total book value: units on hand multiplied by purchase price per unit.
- 3** Step 3: Calculate the daily carrying cost: total book value multiplied by carrying cost rate divided by 365.
- 4** Step 4: Calculate the carrying cost already accumulated at 90 days: daily carrying cost multiplied by 90.
- 5** Step 5: Calculate estimated realization at 15% discount: total book value multiplied by 0.85.
- 6** Step 6: Calculate estimated realization at 30% discount: total book value multiplied by 0.70.
- 7** Step 7: Calculate the carrying cost over the next 90 days if held further: daily carrying cost multiplied by 90.
- 8** Step 8: Note any market demand signals — inquiries received, secondary market prices found, similar product pricing observed.
- 9** Step 9: Write the hold versus release comparison at the bottom: 'Release at 30% loss = \$X. Hold 90 more days and sell at full price = carrying cost \$Y (smaller). Hold 90 more days and sell at 40% discount = total loss \$Z (larger).' Identify which outcome is most realistic given current demand signals.
- 10** Step 10: Select the release mechanism from the written policy. Assign a named responsible person and a specific deadline before leaving the worksheet.

Example Use

A pharmacy supply distributor finds a SKU for a discontinued medical supply packaging unit at exactly 90 days idle. The product is functional but the specification has been updated by the manufacturer, and the updated version has already taken over the catalog.

SKU: Specimen collection kit (old spec, Model 14-B). Units on hand: 80. Purchase price: \$6.50 each. Total book value: \$520.

Daily carrying cost: $\$520 \times 25\% \div 365 = \0.36 per day. Carrying cost accumulated at 90 days: $\$0.36 \times 90 = \32.40 . Not a large number on its own. But the 90-day threshold has been crossed and the policy requires a decision.

Estimated realization at 15% discount: $\$520 \times 0.85 = \442 . Estimated realization at 30% discount: $\$520 \times 0.70 = \364 . Carrying cost over the next 90 days if held: \$32.40.

Market demand signals: two pharmacy distributors approached in the past month, neither interested in the old spec. The manufacturer's new Model 14-C has already displaced this product in all active catalogs. No secondary market pricing found for the old spec.

The operator writes the comparison: "Release at 30% discount = \$156 accounting loss, \$364 cash returned. Hold 90 days and sell at full price = \$32.40 carrying cost added, \$520 cash eventually. Hold 90 days and sell at 40% discount = \$32.40 carrying cost plus \$208 discount loss = \$240.40 total loss. The full-price outcome requires a buyer for discontinued spec. Current demand signals make that outcome very unlikely."

Decision: release at 30% discount. Mechanism: offer to three hospital supply contacts and two pharmacy distributors at a stated reduced price. Responsible person: sales manager. Deadline: offers sent within five business days of this session. If no takers in 21 days, escalate to owner for bundle or write-off decision.

The worksheet is filed with the release decision record.

Reflection Prompts

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

1. Fill the rows in order: SKU name and code; units on hand; purchase price per unit (\$); total book value (\$); daily carrying cost (\$); carrying cost accumulated at 90 days (\$); estimated realization at 15% discount (\$); estimated realization at 30% discount (\$); carrying cost over next 90 days if held further (\$); market demand signal (any quotes, inquiries, or secondary-market prices found); release mechanism selected (graduated discount, bundle, or vendor return); responsible person and deadline.

2. Decision logic: if realization at 30% discount is greater than (total book value minus accumulated carrying cost minus next-90-days carrying cost), releasing now is financially superior to holding. Write that comparison as a single sentence at the bottom of this sheet and file it with the release decision record.

Tips and Traps

TIPS

- Run this worksheet for each stagnant SKU individually, not as a batch. The discipline of calculating one SKU's hold-versus-release comparison precisely produces a better decision than averaging across a group.
- When market demand signals are absent — no inquiries, no secondary market pricing — treat the 30% discount scenario as the realistic outcome rather than the optimistic full-price scenario. Optimism on stagnant stock consistently extends the holding period past the financial break-even.
- If the daily carrying cost seems small, calculate the annualized figure: \$0.36 per day on this SKU is \$131 per year on \$520 of stock — a 25% drag with no sales to show for it.
- The responsible person assigned to execute the release must have direct access to the customer list. Assigning a warehouse person with no customer contact to execute a customer offer produces a task that cannot be completed.
- File the completed worksheet with the accounting record of any subsequent provision entry or discount sale. When an auditor asks why a 30% discount was applied to a specific invoice, the worksheet is the documented basis.

TRAPS

- Calculating only the cost of releasing (the discount loss) without calculating the cost of holding (the carrying cost plus the risk of a deeper discount later). A one-sided calculation always makes holding appear more attractive than it is.
- Selecting the 15% discount tier because it feels smaller without checking whether demand signals support any buyer at that price. If two buyers have already declined at full price, 15% is unlikely to succeed either.
- Assigning the release to 'the team' without a specific name. A release decision assigned to a team is assigned to no one.
- Setting a 30-day deadline when the SKU already has 90 days of no movement. The deadline must be aggressive enough to stop the carrying cost accumulation, not comfortable enough to defer the uncomfortable conversation.
- Using the worksheet to document the decision without reading the decision back before filing it. The comparison at the bottom of the sheet should be read aloud before the worksheet is put away.

Appendixes

Appendix A — Hold vs. Release Decision Formula

Release at 30% discount today:

Net realization = book value × 70%
 Accounting loss = book value × 30%
 Cash returned = book value × 70%
 Carrying cost ends immediately

Hold 90 more days and sell at full price:

Additional cost = book value × rate × (90/365)
 Net realization = book value (full)
 Net position = book value – carrying cost
 This path wins if full-price sale is realistic within 90 days

Hold 90 more days and sell at a deeper discount (40% example):

Carrying cost = book value × rate × (90/365)
 Realization = book value × 60%
 Total loss = book value × 40% + carrying cost
 This path loses vs. releasing at 30% today

Decision rule:

If demand signals support full-price sale within 90 days → hold
 If demand signals are absent or weak → release at 30% now

Appendix B — Release Mechanism Selection Guide

Mechanism	Best conditions	Avoid when
Graduated discount	Product still functional, market price discipline matters	Product discontinued or spec superseded
Bundle with fast mover	Slow mover complements a fast mover in the same customer's purchase pattern	Products unrelated; bundle creates confusion
Vendor return	Return clause exists in contract; stock in original condition	No return clause; goods used or condition changed

Appendix C – Release Decision Record (File With Accounting)

SKU: _____ Date: _____

Units released: ___ Release price: \$___ Mechanism: _____

Accounting loss recognized: \$ _____

Provision previously recorded: \$ _____

Net P&L impact of release: \$ _____

Responsible person: _____

Buyer / channel: _____

Invoice or transaction reference: _____

This record supports the discount applied on invoice [reference]
and the provision adjustment journal entry on [date].

Approved by: _____ Date: _____



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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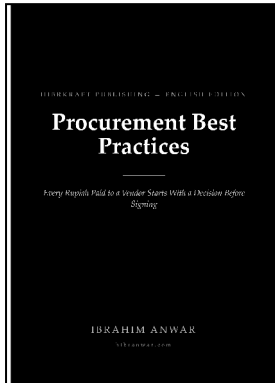
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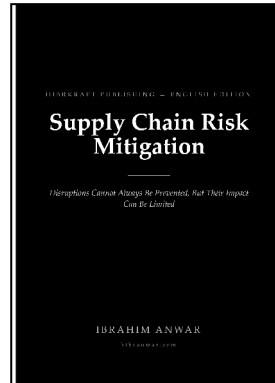


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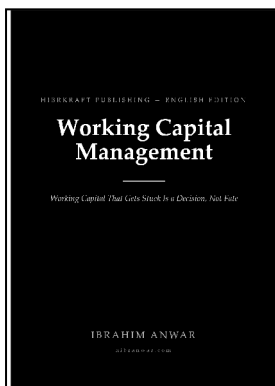


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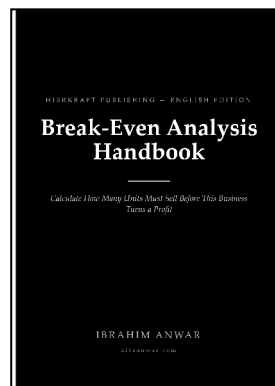


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