



Physical Inventory

International Tower Lighting, LLC performs a physical inventory count one time each year unless deemed unnecessary by the President or V.P. Engineering. Inventory adjustments are recorded in the ITL accounting software and serve as the record for the physical inventory.

Preparation

Before the actual counting of inventory can begin all in-process assemblies or kits must undergo the following procedure:

- 1) Print an Inventory Item list of all inventory items (active and inactive). This will serve as the Master Inventory List for indicating items have been counted.
- 2) Verify that all in-process assemblies or kits are complete. If an incomplete assembly or kit is found then pull all missing parts from inventory.
- 3) Include all assemblies in this process. Assemblies include but are not limited to those with the following prefixes:

High Level Assemblies: SYS-, ILS-, IPS-, IFH-, MON-, RLC-, FH0-

Lower Level Assemblies: ITL-, RNC-, RES-ASSY-, SUP-

- 4) If the parts are too large to move from inventory for an in-process assembly or kit then the required parts may be segregated in the inventory area and marked as "INVENTORY COUNTED". The part number or the assembly or kit should also be included as shown below.

INVENTORY COUNTED
IPS-3400

- 5) Count all high-level assemblies that are finished and in-process (include kits being assembled by outside vendors).
- 6) Build all high-level assemblies in the ITL accounting software to match the count.
- 7) Count all lower-level assemblies that are finished and in-process (include kits being assembled by outside vendors).
- 8) Build all lower-level assemblies in the ITL accounting software to match the count.
- 9) Write the amount of each in-process assembly or kit on the Master Inventory List.
- 10) Build or enter inventory adjustments to zero all inactive inventory items. If necessary, move quantities from an inactive part number to a newer active part number.

Types of Inventory

ITL inventory can be divided into three broad categories: Stock, Assemblies, and Raw Materials. Note that some inventory items may belong to two categories.



Physical Inventory

Stock: Items that are purchased and re-sold without significant modification. Examples are flash tubes, burst chokes, 70uF capacitors.

Assemblies: The end product produced by combining raw materials. Examples are red light controllers, monitoring system, and trigger boards.

Raw Materials: Items that are not directly sold but that must be combined with other items to form an assembly before being sold. Examples are ¼ watt resistors, bare circuit boards, and tantalum capacitors.

Counting Assemblies

The counting of assemblies should take place during the Preparation Phase of inventory. Assemblies must all be counted and built in the ITL accounting software before any stock items or raw materials can be adjusted. The process for counting assemblies is covered in the Preparation section of this document but is also outlined below.

- 1) Count number of assemblies in inventory.
- 2) Add number from step 1 to number in-process.
- 3) Include in this count any kits that at outside vendors for assembly.
- 4) Compare counted total with number indicated in ITL Accounting Software.
- 5) Build the number of assemblies in the ITL Accounting Software that is necessary.
- 6) Check off the counted stock item from the Master Inventory List.

Counting Stock

If an inventory items is purely a stock item, meaning that it is never sold as a part of higher level assembly, then it can be simply be counted and compared with the current inventory level indicated in the ITL accounting software. If necessary, an inventory adjustment can be entered in the ITL accounting software to correct the inventory level. When the counting of an item is complete it should be checked off on the Master Inventory List.

- 1) Count the number in inventory
- 2) Check for any that may be in un-opened boxes.
- 3) Compare counted total with number indicated in ITL Accounting Software.
- 4) Enter inventory adjustment in ITL Accounting Software if necessary to make the counted number match the ITL Accounting Software number.
- 5) Note: Use the current inventory number indicated in the ITL Accounting Software when making
- 6) Check off the counted stock item from the Master Inventory List.

Counting Raw Materials

All steps outlined in the Preparation section must be completed before counting raw materials.



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Standard Operating Procedure 20

Physical Inventory

Revision	Description of Change	Date	Preparer / Approval
1	Initial Release	10/29/07	Prepared By: Andy Rudolph Approved By: Roberto Schipp
2	Updated Address	1/10/11	Prepared By: Andy Rudolph Approved By: Roberto Schipp
3	Updated ITL Logo	6/1/12	Prepared By: Elke Hinson Approved By: Andy Rudolph
4	Updated address	10/26/2015	Prepared By: Elke Hinson Approved By: Andy Rudolph