📦 What is Inventory?

Inventory refers to the goods or materials a business keeps for the purpose of selling or producing other items. In Tally, inventory helps you track what you have in stock, how much you've sold, and what needs to be reordered.

📑 Types of Inventories

1. **Raw Materials** – Basic inputs used in making products (e.g., flour, fabric).

2. **Work-in-Progress (WIP)** – Items still in production.

3. **Finished Goods** – Ready-for-sale products.

4. **MRO Supplies** – Maintenance items used in production but not part of the final product.

🎯 What is Inventory Management?

Inventory Management is the process of tracking, controlling, and organizing stock. In Tally, it helps you:

- Avoid stockouts or overstocking.

- Monitor item movement.

- Improve cash flow.

- Make smarter purchasing decisions.

📊 Methods of Inventory Valuation in Tally

Tally allows multiple inventory valuation methods:

1. **FIFO (First In, First Out)** – Older stock is sold first.

2. **LIFO (Last In, First Out)** – Newer stock is sold first.

3. **Average Cost** – Uses the average cost of all items.

4. **Standard Cost** – Uses a fixed price for valuation.

5. **Market Price** – Uses current selling price.

🔄 Inventory Systems in Tally

1. **Perpetual System** – Real-time stock updates after every transaction.

2. **Periodic System** – Manual stock updates after physical stock counts.

📈 Key Inventory Features in Tally

- **Godowns/Warehouses** – Track multiple storage locations.

- **Units of Measure** – Kg, Liters, Pieces, etc.

- **Stock Categories** – Group similar items for better reporting.

- **Batches and Expiry Dates** – Useful for items with expiry (pharmacy, food).

- **Reorder Levels** – Set alert levels for when stock is low.

- **Inventory Reports** – Tally generates:

  - Stock Summary

  - Movement Analysis

  - Ageing Analysis

  - Reorder Status

  - Item-wise Profitability

⚖️ Inventory Costs to Track

- **Purchase Cost** – Cost of buying items.

- **Carrying Cost** – Cost of storing items.

- **Ordering Cost** – Cost of placing an order (transport, labor).

- **Stock-out Cost** – Losses when stock runs out.

⚙️ Inventory Control Techniques

- **Economic Order Quantity (EOQ)** – Best quantity to order for minimum cost.

- **Reorder Point (ROP)** – The stock level that triggers a new purchase.

- **Safety Stock** – Extra stock to handle unexpected demand.

- **ABC Analysis** – Classifies stock:

  - A – High-value, low quantity (tightly controlled).

  - B – Moderate value and quantity.

  - C – Low-value, high quantity.

💡 Benefits of Inventory Management in Tally

- Faster billing and item lookup.

- Easy item tracking across branches.

- Improved purchase and sales planning.

- Better customer satisfaction due to timely deliveries.

- Insightful reports for smarter decisions.

📚 Real-Life Examples

- A **pharmacy** uses batch tracking and expiry features.

- A **retail shop** uses FIFO to manage perishables.

- A **construction firm** uses stock journal for material transfer and consumption.

- A **supermarket** uses barcodes and stock groups to manage thousands of items.

📃 Tally Inventory Reports

Tally makes reporting simple with:

- **Stock Summary**

- **Item-wise Profitability**

- **Reorder Report**

- **Batch-Wise Report**

- **Movement Analysis**

- **Godown-Wise Stock**

🔧 **Inventory Vouchers in Tally**

1. **Purchase Voucher** – To record goods purchased.

2. **Sales Voucher** – To record goods sold.

3. **Stock Journal** – To transfer or consume stock.

4. **Physical Stock** – To update actual stock after verification.

5. **Delivery Note / Receipt Note** – For goods delivery/receiving.

6. **Rejections In/Out** – For returned goods.

🛠️ **Tally Tips for Inventory**

- Use **stock groups** to organize products.

- Create **units of measure** (Kg, Pieces, Liters).

- Enable **inventory features** under F11 > Inventory Features.

- Use **reorder level setup** to get alerts on low stock.

- Always **check stock summary** before placing large orders.