Obsolete Inventory Handling Policy for Dataco Global

Purpose and Scope

This policy establishes guidelines and procedures for identifying, managing, and disposing of obsolete inventory at Dataco. It applies to all departments handling physical inventory and aims to minimize financial losses while ensuring efficient use of storage space and resources.

Definitions

Obsolete Inventory: Items that are no longer usable, sellable, or valuable to Dataco due to:

- Product expiration
- Technological obsolescence
- Damage beyond repair
- Discontinued product lines
- No movement or demand for over 12 months

Identification Procedures

1. **Regular Inventory Review**

   - All inventory must be subject to a monthly count and status review[5].
   - Department managers must conduct quarterly assessments to identify potentially obsolete items.
   - Items without movement for 9+ months should be flagged for evaluation.

2. **Documentation Requirements**

   - All identified obsolete inventory must be documented by the Storeman and verified by the Asset Accountant[5].
   - Documentation must include:
     - Item description and SKU
     - Original purchase date and cost
     - Reason for obsolescence
     - Current condition
     - Recommended disposal method

Approval Process

1. **Obsolete Inventory Committee**

   - The Accounting Officer or delegated authority must convene an Asset Officer committee for obsolete inventory disposal[5].
   - The committee should include representatives from:
     - Finance
     - Operations
     - Supply Chain
     - Asset Management

2. **Write-Off Authorization**

   - The delegated authority may approve inventory write-offs when items[5]:
     - Have expired and are redundant
     - Are of specialized nature and outdated due to newer products
     - Cannot be used for original intended purposes
     - Have been damaged and rendered useless

3. **Financial Considerations**

   - Finance department must assess tax implications of write-offs
   - Accounting treatments must comply with GAAP/IFRS standards
   - Write-off thresholds:
     - Up to $5,000: Department Manager
     - $5,001-$25,000: Director of Operations
     - Above $25,000: CEO and CFO approval required

Disposal Methods

1. **Return to Supplier**

   - When possible, obsolete items should be returned to suppliers for credit
   - All return negotiations must be documented and approved

2. **Resale Options**

   - Items with residual value should be sold through:
     - Discounted sales to employees
     - Liquidation to specialized vendors
     - Online marketplace listings

3. **Donation**

- Usable but obsolete items may be donated to:
    - Educational institutions
    - Nonprofit organizations
    - Community programs
- All donations require proper documentation for tax purposes

4. **Recycling and Waste Management**

- Items that cannot be resold or donated must be:
    - Recycled through approved vendors when possible
    - Disposed of in compliance with environmental regulations
    - Properly documented for environmental compliance

5. **Destruction**

- Items containing sensitive information or proprietary technology must be:
    - Securely destroyed under supervision
    - Documented with destruction certificates

Record Keeping

1. **Inventory Update Requirements**

- All disposed items must be promptly updated in inventory records/register/database[5].
- Updates must include:
    - Disposal date
    - Disposal method
    - Authorization reference
    - Financial impact

2. **Audit Trail**

- Maintain complete audit trail of obsolete inventory from identification to disposal
- Records must be retained for a minimum of 7 years

Prevention Strategies

1. **Demand Forecasting**

- Implement robust demand forecasting to prevent excess inventory
- Regular review of purchasing patterns and adjustments

2. **Inventory Turnover Targets**

   - Establish industry-appropriate inventory turnover targets
   - Monitor and report on turnover metrics quarterly

3. **Just-in-Time Ordering**

   - Implement JIT ordering where appropriate to minimize excess inventory
   - Develop strong supplier relationships to support flexible ordering

4. **Product Lifecycle Management**

   - Actively monitor product lifecycles
   - Plan phase-out strategies for products approaching end-of-life

Compliance and Reporting

1. **Quarterly Reports**

   - Generate quarterly reports on:
     - Total obsolete inventory value
     - Disposal methods utilized
     - Financial impact
     - Prevention effectiveness

2. **Annual Review**

   - Conduct annual policy review
   - Update procedures based on lessons learned

Roles and Responsibilities

1. **Department Managers**

   - Regular inventory monitoring
   - Initial identification of obsolete items
   - Implementation of prevention strategies

2. **Asset Accountant**

   - Verification of obsolete inventory documentation[5]
   - Financial impact assessment
   - Record keeping compliance

3. **Accounting Officer/Delegated Authority**

- Final approval of write-offs[5]
- Convening of Asset Officer committee
- Oversight of disposal process

4. **Storeman/Inventory Manager**

- Preparation of obsolete inventory for disposition[5]
- Execution of approved disposal methods
- Updating inventory records

Policy Violations

Failure to comply with this policy may result in:

- Departmental budget impacts
- Disciplinary action
- Additional oversight requirements

Note: This policy has been generated specially for hackathon. It has no relation with Syngenta or any other company.