Policy Code # A-FN-105-001/AG-001
Chapter 26: Stocktaking

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APPLICATION

1. This chapter outlines the requirements for merchandise inventory stocktaking, including the preparatory steps, procedures to be followed during and after the physical count, and the responsibilities related to official stocktakings.
2. This chapter applies to all NPP Entities that hold inventory for resale, with the exception of CANEX as CANEX stocktakings are governed by the CANEX Stocktaking SOPs and are out of scope of this chapter except where explicitly referenced.

APPROVAL

3. This policy is issued under the authority of the Chief Financial Officer (CFO).

ENQUIRIES

4. Enquiries regarding this policy should first be directed to the local NPP Accounting Office. If further guidance is required, enquiries should then be referred to the Senior Manager, Financial Policies via email to: financepolicy@cfmws.com.

DEFINITIONS

5. **NPP Entity ("Entity")** - any NPP activity that presents a complete set of financial statements. It includes messes, CANEX, CF Museums, Ships, Task Forces, Unit Funds, Base Funds, and their subsidiaries.
6. **Official Stocktaking** – a stocktaking conducted by independent parties who are not affiliated with the entity undergoing the stocktaking.
7. **Stocktaking** – the process of physically counting inventory on hand at a specific date/time and reconciling results to the accounting records.
8. **Unofficial Stocktaking** – a stocktaking conducted by non-independent parties or individuals who are directly affiliated with the entity undergoing the stocktaking.

POLICY

9. Stocktaking is a mandatory internal control that confirms inventory on hand is complete and accurately recorded.
10. Official stocktakings supporting the following objectives:
    a. Confirming inventory quantities and values;
    b. Identifying discrepancies between recorded inventory and physical stock on hand;
    c. Assessing the effectiveness of inventory controls and related procedures;
    d. Supporting manager accountability for safeguarding and managing inventory;
    e. Providing information needed to adjust accounting records and support the

preparation of reliable financial reports/statements.

11. Official stocktakings are conducted under the authority of the Base/Wing/Ship/Unit/Task Force Commanding Officer (CO) and administered by the CO's delegate.

12. The cost of stocktakings is divided into the following areas of responsibility:

    a. NPP Entities (excluding CANEX):

        i. Stocktaking – Public via the Stocktaking Team or via a Stocktaking Company paid by Public; and

        ii. Red Check – Public via entity staff.

    b. CANEX Operations:

        i. Stocktaking – Non-Public via a Stocktaking Company paid by the Outlet; and

        ii. Red Check – Public via Accounting Staff.

13. The CO's delegate shall ensure that stocktakings are conducted in an organized manner and in accordance with the prepared plan. Detailed procedures for the physical count are provided in Annex A.

14. Except for small-scale operations, and Kitchens/Food Service outlets, stocktakings should normally be done at retail value and then converted to cost using an approved cost multiplier.

    Note: The inventory count (retail and/or cost) excludes any GST/HST/QST and PST which may be included in the posted selling price.

15. When the current cost method is used to value inventory, stocktaking cost values shall be verified against the most recent vendor invoice(s) before adjustments are made for material variances.

16. All change funds, petty cash funds, and gift cards shall be verified at each official stocktaking. Copies of the verifications are to be attached to the stocktaking certificate (Annex C).

FREQUENCY

17. Official stocktakings shall be conducted at scheduled intervals as directed by the CO's delegate with one mandatory count at each fiscal year end. Official stocktakings are also mandatory for all entities upon a handover of responsibility.

18. A handover of responsibility for stock between entity staff constitutes an official stocktaking; however, it does not negate the requirement to complete a mandatory official stocktaking at fiscal year end.

19. At the discretion of entity management, unofficial stocktakings may be conducted between official stocktakings for information purposes only; accounting records shall not be adjusted based on the results of an unofficial stocktaking, without pre-approval from the Regional Accounting Manager.

    Note: If the results of an unofficial stocktaking indicate potentially material issues, a recount shall be conducted. If the recount confirms potentially material issues the entity manager must inform the NPPAM and CO's delegate so that an official stocktaking can be conducted.

20. Where deemed necessary, the CO's delegate, may direct that stocktakings be conducted more frequently.

PREPARATION

21. In preparation for official stocktakings to be carried out throughout the year, the CO's delegate, shall:

a. Appoint a stocktaking team of sufficient NCMs to conduct the stocktakings required throughout the year;

b. Schedule and control all official stocktakings;

c. Ensure that Entity Managers and NPPAMs are advised of the stocktaking schedule and that all stocktaking team members have been properly briefed on their duties and responsibilities; and

d. In lieu of appointing a stocktaking team, the CO's delegate may engage a Stocktaking Company to conduct the stocktakings.

22. In preparation for an official stocktaking, the Entity Manager, or their delegate, shall ensure that:

a. Stock is arranged neatly and in such a way as to facilitate accurate counting,

b. All relevant documents have been completed and submitted to the NPP Accounting Manager (NPPAM) for processing;

23. In preparation for an official stocktaking, the NPPAM, or their delegate, shall ensure that:

a. Accounting records have been updated; and

b. Cut-off procedures have been followed, as detailed in Annex A.

24. Where official stocktakings are carried out on a surprise basis, the CO's delegate shall obtain confirmation from the entity manager, or their delegate, that all merchandise, cash, and credit documents have been made available for inclusion in the count and that all merchandise is either in a normal sellable condition, has been marked down, or is scheduled for write-off/disposal.

POST STOCKTAKING

25. Inventory adjustments shall be recorded on a Closing Inventory Worksheet (CIW) to reconcile and update the General Ledger (GL) balances.

26. The CIW can accommodate both cost and retail counts, and for retail counts the CIW uses cost multipliers to determine the cost value.

27. See Annex A for detailed procedures.

REPORT OF STOCKTAKING

28. The CO's delegate shall inform the CO of the results of official stocktakings in a timely manner, including any accounting action taken to record discrepancies, concerns, or matters requiring the CO's awareness.

AUTHORITIES / RESPONSIBILITIES

29. While the accuracy of the physical count is important, the need to verify that all outstanding documentation has been accounted for and recorded in the appropriate accounting period is crucial.

30. The CO's delegate for each NPP Entity is responsible for the oversight of NPP stocktakings.

ANNEXES

Annex A - Stocktaking Procedures

Annex B - Stock Count Sheet

Annex C – Official Stocktaking Certificate