



How to resolve stock and cut-off issues in Pharmacy:

What is “Cut-off”?

At any month-end (including year-end) when we are measuring a pharmacy’s profit, there is one tricky item that can throw profit way out. It is what we call “cut-off” and for a pharmacy relates to stock.

At “Cut-off” (on the last day of the month) all stock included in Tonic/RxOne, must be included in Accounts Payable, and vice-versa. No exceptions.

Typical situations leading to cut-off errors:

- Stock arrives at the shop on 31st (last day) of the month, and you are too busy to enter it into the system until the next day.
- You buy stock at the end of one month, but the supplier doesn’t invoice it till the first day of the following month.
- If you have an early 1st of the month order with extended Credit terms from your Wholesaler please be very careful and advise your Accountant:
 - Eg March month, 1st April order delivered to your Pharmacy in late March and entered into your Stock system in March.
 - Make sure you send a copy of your Wholesaler March Statement to your Accountant as the **not due Amount** (1st of the month order) should be included in the Accounts Payable.
- If you pay your Wholesaler by Credit Card please ensure any outstanding Credit Card balances relating to Stock purchases are included in Accounts Payable.

So make sure you have prompt practices for recording stock in, or stock transferred between your pharmacies, around month-end.

Why is getting cut-off right so important?

Stock is a large item in the profit calculation. An inaccurate stock figure at month or year-end produces a mis-statement of income. This not only makes measuring your performance inaccurate (sometimes very inaccurate), at year-end it results in a false return of income to IRD.

Why is stock so important?

Stock is how you generate most of your business. How fast it moves, what margin it carries, how accurately it is recorded, and how much of it gets stolen or expires, are all important things to manage well. Stock (after your staff) is probably your most important asset.

In addition to cut-off errors, stock in the system can be recorded wrongly. For example, be very careful with split packs (especially in the First Aid category). Make sure you Retail Staff reduce the Cost Price in the Stock File (to equivalent part pack) when setting the split pack LOWER Retail Selling Price.

How often should I stocktake?

You shouldn't need to do a full stocktake other than at year-end or the sale of the business. Ideally you do monthly rolling stocktakes, and that way you don't need to do a full stocktake till you sell the business.

Hint: Print off your 31/03 Stock File at Year End and review for any **unusual large items**. You can dump the Toniq/Excel Stock file into excel and then sort the Ethical & Retail Stock lines from largest to smallest for an easy review.

What is a rolling stocktake and why is it so important?

This is how rolling stocktakes work:

Each month you check one-twelfth of your stock on the shelves, to what is recorded on the stock printout from Toniq/RxOne, and update the computer for any discrepancies. If you have big or numerous differences, sort out why. Was it an inputting error? Theft?

Regular checking of stock keeps your stock security better controlled, and your stock count in Toniq/RxOne more accurate, without the need for a large stocktake.