

INVENTORY DAYS

Where's **MY CASH** Gone?® PRINTABLE WORKBOOK



We'll start this workbook with a quick test, to see how much you can recall from the book. Try to get the answer from memory first before consulting the book - it's fun, but it will also make your brain get out of autopilot and into learning mode!

What is *Inventory*?

What are *Inventory Days*?

What is the formula for working out *Payable Days*:

Circle the correct answers:

It is better to have a *high* / *low* number of inventory days.

My goal as the business owner is to *reduce* / *increase* inventory days.



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Calculate your current inventory days:

Step 1:

Print out two different balance sheets, one to establish a starting point and one to establish an end point.

Step 2:

Calculate average payables

$$\text{average inventory} = (\text{beginning inventory} + \text{ending inventory}) \div 2$$

Step 3:

use your average inventory and your COGS to calculate your Inventory Days.

$$\text{inventory days} = \text{average inventory} \times \text{days in time period} \div \text{COGS}$$

My current inventory days are:

Now let's work on reducing them...



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- Was this the first time you calculated your inventory days? yes / no
- Do you carry a large inventory? yes / no
- Does your inventory take up a large amount of space? yes / no
- Is there something better you could do if you freed up that space? yes / no
- Do you see your inventory as *your stuff*, or *your money*? stuff / money

In the book, we talked about Mack, the mechanic and how he was able to find a new supplier of spare parts that would deliver them within 3 hours. What can you do to emulate this?

Have you investigated all supply options to see whether someone will be able to deliver inventory to you on the same day?

Remember Graeme the Jeweller, and how he was able to get his clients to pay him before he even ordered the parts? What can you do to emulate this?



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If you stock a range of products, do you have a really good idea of what sells and what doesn't? yes / no

How much cash you have tied up in inventory?

Use this table to make a rough account of your inventory.

Fast	Slow	Obsolete



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What can you do to reduce the slow sellers?

What can you do to get rid of the obsolete items?

How do you manage ordering your inventory?

Is it systemised and easy enough that you could teach it to a teenager and have them run it? yes / no

Shrinkage is the term used to describe the mysterious way inventory seems to quietly disappears without trace. Often it is used as a euphemism for theft.

Are you aware of any shrinkage in your business? yes / no

Do you take active steps on a continual basis to monitor and prevent it? yes / no

What could you do to reduce shrinkage?



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Suppliers

- Do you treat your suppliers as partners? yes / no
- Do they know what you actually do? yes / no
- Are they aware of the current issues facing your industry? yes / no
- Do they know the personalities in your business? yes / no
- Do you know theirs? yes / no
- Do you know their constraints and limitations? yes / no
- Can you do them any favours that could make thier lives easier? yes / no
- Do you have to place minimum sized orders with your suppliers? yes / no
- Have you tried to vary this so it suits your business? yes / no
- Have you tried to find a supplier who is willing to accommodate your optimum reorder size? yes / no
- When you place your orders for replenishment stock, do you order just what you need or do you go for the cheapest quantity regardless of whether you need that much or not? yes / no
- Do you pay for delivery charges? yes / no
- Have you ever tried to talk to your suppliers to see if you can reduce this? yes / no



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No doubt by going through this workbook you'll have some things that you can do, so take action **right now**. Most of them are really easy to fix, and are just a matter of **doing it**. If you have any trouble with implementing any of these strategies, or if you're confused in any way, please get in contact with my team.

Bruza

info@onlinebusinesscoach.com

To do list from this workbook:

