

# [Inventory system argumentative essay](https://assignbuster.com/inventory-system-argumentative-essay/)

A perpetual inventory tracking system is a method of immediately accounting for inventory sales in the inventory account, if there is no theft or spoilage. It is an inventory management system where store balances of inventory are recorded after every transaction. It eliminates the need for the store to close down constantly for inventory stock-taking as perpetual inventory systems allow for continuous stock-taking. Perpetual inventory systems keep a running account of the company's inventory. Perpetual inventory systems involve more record-keeping than periodic inventory systems.

Every inventory item is kept on a separate ledger. These inventory ledgers contain information on cost of goods sold, purchases, and inventory on hand. Perpetual inventory management systems allow for a high degree of control of the company's inventory by management. Perpetual inventory management is generally used by companies who have the ability to scan the inventory items sold and who use point-of-sale inventory systems. Perpetual inventory systems provide the business owner with a record of what is sold, where it was sold from, when it was sold, and for what price it was sold.

As a result, it allows for businesses to have more than one location with one centralized inventory management system. Even with a perpetual inventory management system, the company still needs to shut down at least annually to do a periodic, or manual, inventory count. The scanned data should tell the business owner exactly what inventory should be on hand. The major advantage of doing a periodic inventory count is to determine how much inventory has been lost, stolen, or subject to spoilage.

What is a Periodic Inventory System? A periodic inventory system does not require day-to-day tracking of physical inventory. Purchases, cost of goods sold, and inventory on hand cannot be tracked until the end of the accounting time period when a physical inventory is performed and ending inventory is compared against the sum of beginning inventory and purchases. Cost of ending inventory can be calculated by using the LIFO or FIFO inventory accounting methods, or other less common methods.