

## How can I tell if I am selling underwater inventory?

- The sale transaction shows a negative on-hand count of the item.
- You receive a warning that the item is not in stock.

It is best to focus concern on the point in your workflow at which items leave your inventory. For example, your workflow can include entering sales orders and then fulfilling them. Because items do not leave stock when you enter the sales order, your focus is not on that transaction. However, when you enter the fulfillment, items do leave stock and you need to be cautious that the fulfillment does not include underwater items.

## How can I avoid selling underwater inventory?

You can avoid being in an underwater state with inventory items by following these tips:

- Insist on prompt entry of item receipts.
- Require item receipts to be entered with the date of receipt instead of the entry date if the receipt is not entered the same day it is received.
- Always use sales orders to sell inventory.
- Always fulfill orders from sales orders.
- Set the **Fulfill Based on Commitment** preference to *Limit to Committed*.

For more information on this preference, see the [Order Management Accounting Preferences](#) . .


- Avoid entering standalone cash sales and invoices. Standalone transactions have no commitments or checks and balances to prevent you from selling out or going underwater.
- Use the Inventory Level Warnings preference. This preference gives you instant feedback on each transaction as to whether or not you have items in stock.

For more information on this preference, read [Inventory Level Warnings](#).

- Perform a physical inventory count on a regular basis to assess whether your inventory data is consistent with the physical count of your stock.  
If the physical count is higher or lower than the quantity on hand based on the item record, the count needs to be reconciled to match actual inventory levels.
- Use the Review Negative Inventory page to identify inventory items that are underwater. To learn more, see [Reviewing Negative Inventory](#).

## Reviewing Negative Inventory

You can identify any negative inventory values that can be corrected by adjusting them to be positive. This process *does not* create a physical count. A physical count should already be completed before you begin this task.

 **Note:** Because an item's inventory level should be zero or positive prior to distribution, you should run this report before distributing inventory. Read more about inventory distribution in [Distributing Inventory](#).

### To review negative inventory:

1. Go to Transactions > Inventory > Review Negative Inventory.

2. On the Review Negative Inventory page, in the **As of Date** field, enter the date you want to review inventory through. For example, if you enter June 1, 2010, then the list will show inventory that has a negative count as of June 1st of 2010.
3. The list of inventory items that shows identifies any items that have negative inventory.  
If you use the Multi-Location Inventory feature, you can filter the list by location in the **Location** field.
4. Use the list to adjust the amounts for those items so they are no longer negative. For each negative-quantity item on the list, you can enter an inventory adjustment to correct them. For details about entering an inventory adjustment, read [Adjusting Inventory](#).

Reviewing negative inventory items is a required task for the period closing checklist. For more details, read the help topic [Inventory Tasks on the Period Close Checklist](#).

To learn more, see [Understanding and Avoiding Underwater Inventory](#).

## Warehouse Processing

When you receive items and materials from your vendors, they may need processing in your warehouse to get them ready to ship to customers. Three warehouse processes that can help manage your inventory are identification, manufacturing, and organization.

- The identification process uses the Bar Codes and Labels feature to identify and track items. Bar codes also identify transactions and enable you to process them more quickly.
- In the manufacturing process, items are assembled or packaged for sale as kits or groups.
- Organization is achieved in a warehouse using the Bin Management feature or Advanced Bin / Numbered Inventory Management feature. You can track bins and associated bins with items to exactly where an item is stored within a warehouse.

## Identification with Bar Coding

Using bar codes and labels streamlines your inventory workflow because scanning bar codes to process items and transactions saves time by not having to manually enter item and transaction numbers. Scanning bar codes also reduces the chance for errors such as pulling the wrong item to fulfill an order or entering the wrong transaction number.

Other uses for bar codes include the following:

- Print labels to affix to the items that show the item price, and bar codes for item number and serial number.
- Scan bar code labeled items to add them to a sales transaction or receive them on a purchase transaction.