

# YOUR INVENTORY RECORD KEEPING GUIDE

Proper inventory record keeping is a necessary tool for a jewelry business to be successful.

## SAVES YOU TIME AND MONEY

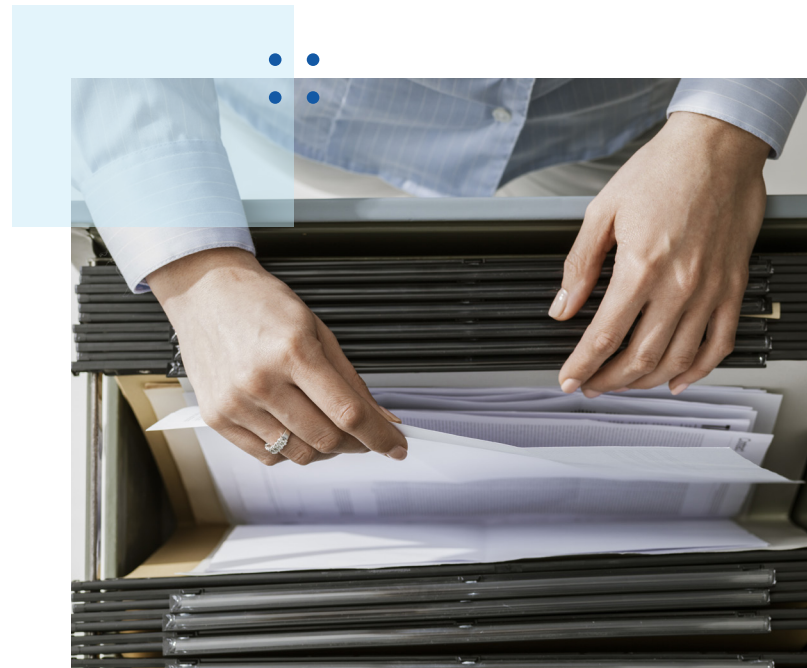
If you have a loss, your inventory records will prove what inventory has been lost and its value so your claim can be settled quickly. If you can't prove missing items existed, the payment for your loss may be delayed or possibly denied. **In addition, inventory records are required by your insurance policy.**

## HELPS YOU WITH PLANNING

Inventory records can indicate when to reorder merchandise and can help you know what's selling and what's not. Your records can also alert you to missing items and errors in entry, and help deter internal theft.

This guide provides information for all segments of the jewelry industry. Because each jewelry operation differs in size, method of operation, and type of finished products, it's a good idea to work with your accountant to create an inventory record keeping system that works for your business.

Use the tips and information in this guide as a starting point for your conversations.



# YOUR INVENTORY RECORD KEEPING GUIDE

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# YOUR INVENTORY RECORD KEEPING GUIDE

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## INVENTORY RECORDS CHECKLIST

This checklist will help you determine if your inventory records system follows the recommendations in this program.  
Consult your accountant for a thorough evaluation of your inventory records system.

- ☐ My inventory records contain a detailed listing of all owned stock for sale, customers' goods, property of others (including customer, consignment, and memo goods), scrap gold and other metals and merchandise temporarily away from my store.
- ☐ I keep purchase invoices, sales receipts, inter-store transfer records, and an annual physical inventory list of all my stock.
- ☐ I maintain a perpetual inventory system or an equivalent system.
- ☐ I update my records regularly.
- ☐ I am exact and accurate in my record keeping.
- ☐ I perform a detailed and itemized listing of my physical inventory at least once a year. Inventory or jewelry lines carried by sales people are included in the annual physical inventory.
- ☐ My accountant has reviewed my inventory system.
- ☐ I store a copy of my annual physical inventory records off premises.
- ☐ For my computer-based perpetual inventory system, I back up my files on removable media and store the media or use cloud storage.
- ☐ If I use a manual perpetual inventory system, I keep my records separate from my merchandise.
- ☐ I store all of my records, including purchase invoices and sales receipts, in a fireproof container or safe that does not hold merchandise.
- ☐ I keep a copy of the physical inventory used to report inventory value on the Jewelers Pak application.
- ☐ I maintain certifications and grading reports in a separate location from the diamonds/colored stones.

# YOUR INVENTORY RECORD KEEPING GUIDE

## INVENTORY RECORD KEEPING REQUIREMENTS

To comply with the inventory record keeping requirement of your Jewelers Block policy, you must do the following:

**1 Take a detailed and itemized inventory every 12 months.**

We define a detailed and itemized inventory as including, but not limited to:

- A listing that describes merchandise and links items to their original source documents (i.e., purchase invoices).
- The value\* of each item at your cost.
- The date the inventory was taken.
- The exact total value of all inventory items; not a rounded or estimated value.
- The exact quantity (number of units or number of grams) of each item.

**2 Maintain purchase invoices** of all items.

**3 Maintain a record of the cost of component parts** for manufactured (assembled) items.

**4 Maintain sales receipts** that identify items sold by inventory numbers, descriptions, or some other method that will trace the items to the listing of the physical inventory and the original source documents (i.e., purchase invoices).

\* Throughout this guide, value is defined as your actual cost.

Inventory Number	Description of Article	Date Rec'd	Your Cost	Manufacturer's Name	Date of Sale

### Sample inventory record format

With this information, you can maintain accurate inventory records. You can add other columns to your records if you feel it will help track merchandise. Additional columns could include manufacturing style number; manufacturer invoice number; type of metal (14k gold, platinum, silver, etc.); type and weight of stones; customer's name; selling price of item; and method of payment.

# YOUR INVENTORY RECORD KEEPING GUIDE

## STORING INVENTORY RECORDS

Keep your inventory records for a **minimum of seven years**. If you have stock older than seven years, keep the inventory records for that stock until the items have been sold. Receipts document initial ownership of an item, while inventory records document the items that have not sold, how long items typically take to sell and any changes in the value of the piece while in inventory.

If you have a manual inventory system, keep your records **separate from your merchandise to minimize the chance of your records being stolen**. For a computer-based system, **back up your files on removable media and store the media at a location away from your business**.

Store your inventory records, including purchase invoices and sales receipts, in a **fireproof container or safe** that does not hold merchandise.

Keep copies of your two most recent annual physical inventories away from your business, such as at your home, a bank vault, or your accountant's office.



# YOUR INVENTORY RECORD KEEPING GUIDE

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## DEVELOPING A PERPETUAL INVENTORY SYSTEM

A perpetual inventory system tracks every item for sale, from the time you receive the merchandise until you are no longer responsible for it. Some items – such as low-valued merchandise, raw materials and parts, chains sold by the gram – have different record keeping requirements, which are described later in this guide under “Merchandise requiring special records.”

In conjunction with the perpetual inventory system, you should retain:

- Purchase invoices
- Sales receipts
- Annual detailed and itemized physical inventory

To track your merchandise effectively, maintain your perpetual inventory on a daily basis.

In addition to keeping records of your own merchandise, keep an up-to-date detailed listing of:

- Your customers' goods, if you are a retail jeweler
- Merchandise that belongs to others in the jewelry business (consigned or memo goods)
- Items that are temporarily away from your business

**Take a physical inventory at least once a year.** If you update your records regularly, your perpetual inventory should match your physical inventory. Keep a copy of any adjusting entry necessary to balance the perpetual to the physical inventory.

### Unique inventory numbering

Develop an inventory identification system that assigns a unique inventory number to each piece of jewelry. Even though two items may have identical makes and prices – for example, two watches – each should receive its own inventory number. One exception is computerized systems that inventory merchandise by using stock-keeping units (SKU).

Similar items are given the same SKU number and tracked by quantity. This is an acceptable inventory method.

Inventory numbers should be assigned in sequence by number, letter, or letter/number combination. The letter/number system allows you to identify your inventory by categories. For example, a gold chain could be CH100; a wedding ring could be WR100.

# YOUR INVENTORY RECORD KEEPING GUIDE

## DEVELOPING A PERPETUAL INVENTORY SYSTEM

### Inventory codes for categories

Assign a code to each category of merchandise. Codes also can be used to refer to specific suppliers. Develop codes that are easy for you and your employees to understand and remember. To be effective, you must use these codes consistently. The following are commonly-used codes and their categories:

BRC Bracelets	G Giftware
CH Gold chains	GR Gent's rings
CHR Charms	GT Gent's jewelry
CL Clocks	LG Lab grown
CR Rings with colored stones	NECK Necklaces
CS Stones (loose colored)	PD Pendants
D Diamonds (loose diamonds)	R Rings (gold)
DR Rings with diamonds	WG Watches (gents)
EAR Earrings	WL Watches (ladies)
ER Rings (engagement)	WR Wedding rings
F Mountings and findings	

You may need other categories or subcategories. For instance, under Category D, Diamonds (loose diamonds), you may want to add a separate listing for diamonds by clarity.

D.0 Flawless	D.6 SI1
D.1 Internally flawless	D.7 SI2
D.2 VVS1	D.8 I1
D.3 VVS2	D.9 I2
D.4 VS1	D.10 I3
D.5 VS2	

You could refine these subcategories further by including the color of the stones – which should be indicated regardless of clarity – in each subcategory:

D.41 D
D.42 E
D.43 F
D.44 G

Under each of these headings, you can list all diamonds of that color and clarity according to cut and carat weight.

# YOUR INVENTORY RECORD KEEPING GUIDE

## DEVELOPING A PERPETUAL INVENTORY SYSTEM

### Step-by-step process for creating a perpetual inventory system

- 1 When a new piece of merchandise arrives, **compare the purchase invoice to the merchandise to make certain you received the correct item.**
- 2 **Assign a unique inventory number** or number/letter combination, based on your inventory identification system and **record the inventory number in the perpetual inventory system**, along with the following:
  - Description of the item
  - Date the item was received
  - Your cost for the item
  - Manufacturer's name
  - Quantity or weight
- 3 **Record the inventory number on the purchase invoice** you received with the merchandise and file the purchase invoice.

- 4 **Record the inventory number on the sales tag for the item.**

Information on the sales tag will help track merchandise to the purchase invoice and perpetual inventory. In addition to the inventory number, you may want to include the following information on the sales tag (see example below):

- Unique inventory number
- Cost code for items
- Category code
- Retail price
- Carat weight, color, clarity of stones
- Supplier code

A	CH104		\$200.00	D
B	ATXX			E
C	CH			F



# YOUR INVENTORY RECORD KEEPING GUIDE

## DEVELOPING A PERPETUAL INVENTORY SYSTEM

- 5** When an item of jewelry is sold, record the inventory number, date of sale, customer's name and address, and selling price on the sales receipt. (See sample at right.) It also may be helpful to record a brief description of the item on the sales receipt. Instead of writing the information on the sales receipt, some jewelers attach the sales tag to the receipt.

The sales receipt should be a three-part form. Enter the date of the sale into the perpetual inventory system. Most jewelers also enter the sale price and divide the form accordingly.

- Part one goes to the customer;
- Part two is filed for inventory purposes; and
- Part three goes to your accountant or bookkeeper.

**Gold Mine Jewelers**  
 123 Oak St, Madison, WI 54321 Phone: (555) 555-1000

NAME Sandy Olsen					DATE 12/24/YR	
ADDRESS 350 Main St, Round Lake, WI 51234						
SOLD BY SB	CASH X	CHARGE	LAY-AWAY	ON ACCT	MDSE RETD	
ARTICLE(S)				STOCK #	AMOUNT	
14K yellow gold chain 18"				CH104	480	00
Booklink 4.09 gr						
SPECIAL INSTRUCTIONS:				AMOUNT OF SALE	480	00
				TAX	24	00
				TOTAL	504	00
				AMOUNT PAID	504	00
RECEIVED BY:				BALANCE	0	00
All claims and returned goods MUST be accompanied by this bill.						
Invoice No. 28093			PRODUCT 607		Thank you.	

# YOUR INVENTORY RECORD KEEPING GUIDE

## CUSTOMER-RETURNED MERCHANDISE



### Customer-returned merchandise

If a customer returns an item, re-enter the item in your perpetual system in one of two ways:

- 1 Locate the returned item's inventory number in your perpetual inventory.** In the Date of Sale column, mark the item returned and record the return date. Keep the original inventory number for the returned piece.
- 2 Create a new inventory number for the returned item,** but note in your perpetual inventory that the item was returned and include the old inventory number.

## YOUR INVENTORY RECORD KEEPING GUIDE

### MERCHANDISE TRANSFERRED BETWEEN STORES (RETAIL)

When transferring items between stores, complete a **transfer document**. (See sample below.)

FROM: Gold Mine Jewelers (Location #1)  
 123 Oak St.  
 Madison, WI 54321

TO: Gold Mine Jewelers (Location #2)  
 321 Main St.  
 Portage, WI 53023

Date	Inventory #	Description	Cost
3/1/YR	GT3	14K Gold Cufflinks	399.00
3/1/YR	EAR36	14K Gold Earrings	225.00
3/1/YR	GR12	14K Men's Wedding Ring	499.00
3/1/YR	CR23	18K Amethyst Ring	599.00

Use a three-part form or make three copies. One copy remains with the sending location; one copy is sent with the jewelry to the receiving location; and the third copy is forwarded to the home office, accountant or bookkeeper.

Record the transfer in each store's perpetual inventory system. Location 1 should record the transfer as a sale, as shown below. In the Date of Sale column, add a code that indicates transfer. For example, T2 indicates transfer to the second location.

Inventory Number	Description	Date Received	Cost	Manufacturer's Name	Date of Sale
GT1	14K Onyx Cufflinks	1/17/YR	200.00	Adams Mfg.	
GT2	14K Dia. Tie Tac	2/1/YR	100.00	Metals Inc.	
GT3	14K Gold Cufflinks	2/15/YR	400.00	Adams Mfg.	3/01/YR T(2)

Since Location 2 is receiving the merchandise, Location 2 should treat the transfer as a purchase. In the following example, the transfer is recorded in the Manufacturer's Name column as T1, which indicates the item was transferred from Location 1.

Inventory Number	Description	Date Received	Cost	Manufacturer's Name	Date of Sale
GT3	14K Gold Cufflinks	3/01/YR	400.00	T(1)	

## YOUR INVENTORY RECORD KEEPING GUIDE

### MERCHANDISE TEMPORARILY AWAY FROM YOUR BUSINESS + RECORDING A CHANGE IN VALUE

#### Merchandise temporarily away from your business

Maintain a complete and separate inventory for items that are temporarily away from your business, whether in your possession or in the hands of an authorized party. (See the example below.)

Date Item Rec'd	Inventory #	Description	Cost	Date of Sale
3/1/YR	WG35	Men's Pulsar Watch	150.00	
3/1/YR	WL156	Women's Pulsar Watch	150.00	
7/15/YR	BRC6	18K Bangle Bracelet	500.00	

Keep a copy of this inventory listing at your store or home office. A copy also should be given to the authorized person who will carry the merchandise. Any activity, such as sales or memorandums to potential clients, should be recorded on this separate inventory listing. Remember to include these items in the annual inventory for your business.

All merchandise that is not sold should be re-inventoried when returned to your business.

In addition, sold items, memorandum goods, etc., should be reconciled to ensure your inventory is accurate. Inventory or jewelry lines carried by sales people must be included in the annual physical inventory.

#### Recording a change in value

If your replacement cost increases or decreases for certain items in your inventory, you may amend their values on the next physical inventory you conduct and provide to the insurance company as the basis for your premium.

If you follow these record keeping guidelines, and maintain and update your system on a regular basis, you will meet the inventory record keeping requirement of your policy.



# YOUR INVENTORY RECORD KEEPING GUIDE

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## MERCHANDISE REQUIRING SPECIAL INVENTORY RECORDS

The following items require special documentation:

### **Pawned items**

Record pawned items in the manner that meets the requirements of your local and state laws. For insurance purposes, maintain a record for pawned items that includes:

- Name and address of the person who pawned the item
- Date item was received
- Description of item
- Dollar value of the loan, plus accrued interest

### **Pawned items in default**

After you take legal title to a pawned item, the item should be recorded and reported as owned inventory. The values assigned should be your estimated replacement cost value.

Any item that is valued at more than \$1,000 should be professionally appraised. Keep this appraisal with your inventory records.

### **Estate merchandise**

If you **purchase estate merchandise** or other jewelry from a private party (non-jeweler) for resale, you must be able to verify the existence and value of this property in the event of a claim.

To document the existence and value of the property, record the following information at the time of acquisition:

- Name, address, telephone number, and driver's license number of the seller.
- A detailed and itemized list of all items sold to you. (You should obtain professional appraisals for any items with values of more than \$1,000.) This list should include:
  - A description of each item
  - Your cost for each item
  - The date purchased
  - The name of the seller
- The canceled check used to make the purchase. If cash is used to make the purchase, you should keep records that will identify the source of the cash and the exact amount of the purchase price.
- In a barter situation, you should keep a specific listing that identifies all of the items and values involved in the complete transaction.

# YOUR INVENTORY RECORD KEEPING GUIDE

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## MERCHANDISE REQUIRING SPECIAL INVENTORY RECORDS

### Memo/consignment merchandise

- 1 Prior to sending out memo items, a consignor should research the consignee:
  - Conduct a background check
  - Obtain a credit rating from the Jewelers Board of Trade
  - Check references
  - Secure a certificate of insurance
  - Have a separate, signed written agreement about who is responsible for paying for insurance and shipping
- 2 If you take in items on memo, obtain the following:
  - Description and value for each item from the seller
  - Copy of the memo agreement
  - Seller's name, address, and phone number
- 3 When you accept items on consignment from a customer, the consignment agreement must show the value the customer will receive when the items have been sold. Also, maintain records of items that are sold or returned to the consignor or the person who gave you the items on memo.
- 4 Check with your local authorities about any regulations concerning the purchase and resale of this type of property. Also contact your attorney to create a legally binding consignment or memo agreement that includes a legal paragraph describing the terms of the agreement.
- 5 Make sure the memo agreement includes terms, ex. 10, 15, 30 days. The agreement should be signed and contain a detailed description of the items being memoed. The consignor/memoholder should keep a detailed inventory on premises of all memo goods.
- 6 In the event of a loss, your Jewelers Mutual policy specifies that we will pay policyholders the smallest of the amounts shown below:
  - Your original cost for the property, unless you have valued this property higher or lower on your last written physical inventory as reported on the application attached to your policy
  - The cost to repair, replace, or rebuild the covered property with material of like kind and quality
  - The limit of insurance

# YOUR INVENTORY RECORD KEEPING GUIDE

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## MERCHANDISE REQUIRING SPECIAL INVENTORY RECORDS

### Scrap gold and other metals

If you purchase jewelry from consumers with the intent to resell it to a refiner, you can, insure the metals at:

- Your purchase price
- The market value
- The refiner's confirmed purchase price

Most insurance companies will pay a claim based on how you reported the value in your inventory and on your insurance application and at each renewal if it changes.

We offer policyholders a Scrap Gold and Metals coverage option. To insure scrap gold and other metals at market prices, you must:

- Determine the value of scrap gold and other metals on premises based on current market prices and enter that value in your inventory for insurance purposes.
- Report that value on your insurance application and at each renewal if it changes. To add coverage at the market price before your policy renews, contact your agent with the highest daily value. Your agent will inform you of the additional premium charge for your approval.

- Keep a daily log that includes the weight of scrap gold purchased during the day and the market value as of that day. Local, state, and federal requirements may specify a more detailed log.
- Maintain copies of the refiner receipts to support the usual value of scrap gold and other metals.

The Scrap Gold and Metals coverage option **does not apply to:**

- Estate jewelry that you will resell to the public
- Consigned jewelry
- Pawned jewelry
- Gold or other metals acquired and stored as an investment

# YOUR INVENTORY RECORD KEEPING GUIDE

## MERCHANDISE REQUIRING SPECIAL INVENTORY RECORDS

### Customer repairs

When a customer brings an item for repair, record information on a three-part, carbonless job form or envelope. On the form or envelope, record the following:

- Customer's name
- Address
- Phone number
- Item description
- Customer's estimate of the item's value

We also recommend taking a picture of the item with the customer repair document.

Give one copy of the form to the customer, leave one copy with the merchandise, and place the third copy with your inventory records, which are stored separately from, your merchandise. Keep a separate record in a ledger book or computer record.

DATE PROMISED \_\_\_\_\_

**YOUR STORE NAME**  
YOUR ADDRESS  
YOUR ADDRESS  
YOUR PHONE NUMBER

**JOB RECEIPT** 013301

Received of \_\_\_\_\_ Date \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City & State \_\_\_\_\_ Zip \_\_\_\_\_

Phone \_\_\_\_\_ Business \_\_\_\_\_

ARTICLES & CUSTOMER ESTIMATED VALUE \$ \_\_\_\_\_

INSTRUCTIONS \_\_\_\_\_

ESTIMATE DEPOSIT CHARGES

The description and value of articles listed above are correct to the best of my knowledge. I understand the following: (1) In accepting these articles, the store and its employees are not responsible for deterioration or condition of stones or jewelry at the time of receipt; (2) The store accepts the articles listed above solely for the purpose of repair and does not act as insurer of these articles; (3) The store is not responsible for loss, damage or theft of these articles unless due to its own negligence; (4) Any damage or loss due to the negligence of the store or any of its employees will be limited to the actual cost to repair or replace the item(s) and is not to exceed the value stated above; (5) When value is listed, it will be assumed that the value is less than \$50.00; and (6) After 90 days, the store may dispose of unsold property in accordance with state law.

CUSTOMER SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

I have received and inspected the above listed article(s). The work performed is to my satisfaction and the article(s) are in good order.

CUSTOMER SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

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- Work to be completed
- Estimated cost for the repair
- Customer's signature
- Date the item was received

**When accepting an item, check it for damage.** Missing prongs, chipped or cracked stones, cracks in shanks, missing stones, etc., should be noted on the job form. When describing the item, give only a general description. For example, use the term "white stone" instead of "diamond" or "yellow band" instead of "14k yellow gold band." This could prevent you from having to replace a cubic zirconium with a diamond, in case of a loss.

If the customer does not want to assign a value, you may leave the line blank. The description of the item will be used in the event of a claim.

**NOTE:** If the customer assigns a value that you think is too high, there are two alternatives you may want to consider:

- 1 Tell the customer what you think the item is worth and ask the customer to assign that value to the item.
- 2 Decline the job if the customer insists on overvaluing the item. Overvaluing can be an indication you are being set up for a loss or complaint.



# YOUR INVENTORY RECORD KEEPING GUIDE

## MERCHANDISE REQUIRING SPECIAL INVENTORY RECORDS

### Merchandise that is not invoiced at time of receipt

You may receive items that are not invoiced by the supplier until you decide to keep them or they are sold. In these circumstances, it's important to retain packing slips from the supplier and any identification numbers from packages, such as air bills or shipper numbers. If a loss occurs, these records could be used to determine which non-invoiced items from the supplier were in your possession.

### Custom-made jewelry

If you custom make jewelry, record the following in your perpetual inventory:

- Cost of component parts
- Supplier of component parts
- Invoice number of component parts
- Value of your time to design and manufacture the item
- Date when the item was completed

As an alternative, you can value custom-made items based on your wholesale price (the price you offer retailers) minus your profit percentage.

### Gold chains and jewelry bought and sold by the gram

Maintain a separate ledger for inventorying gold that is bought and sold by the gram. Keep a running total of gram weight for various types of gold, such as 14K or 18K gold. This system is similar to balancing a checkbook.

Date	In	Out	Gram Bal.	Per Gram	Value In	Value Out	Total Value
1/1/YR			242 gm				10,890.00
2/15/YR		17 gm	225 gm	38.00		646.00	10,244.00
3/22/YR		43 gm	182 gm	42.00		1,806.00	8,438.00
5/7/YR	102 gm		284 gm	37.00	3,774.00		12,212.00
7/1/YR		34 gm	250 gm	39.00		1,326.00	10,886.00
8/7/YR		12 gm	238 gm	39.00		468.00	10,418.00
8/20/YR		52 gm	186 gm	41.00		2,132.00	8,286.00
9/1/YR		9 gm	177 gm	36.00		324.00	7,962.00

# YOUR INVENTORY RECORD KEEPING GUIDE

## MERCHANDISE REQUIRING SPECIAL INVENTORY RECORDS

### Loose diamonds and colored stones purchased in bulk

Maintain a separate ledger for loose diamonds and colored stones.

**.20 carats and more:** These stones should have individual inventory numbers (See [page 7](#) for descriptions of category codes). Recording merchandise by individual inventory numbers is shown on the next page.

Inventory Number	Carat Wt.	Cut	Date Received	Supplier	Cost
D.1145	1	Marquise	1/15/YR	Diamond Imports	3,500.00
D.1146	.50	Round Brilliant	3/1/YR	Diamond Imports	2,000.00

**Under .20 carats:** Stones of this size that are equal in color, cut, clarity and carat weight can be inventoried by weight. If they are not equal in color, cut, clarity and carat weight, then each stone should be individually identified with an inventory number.

**Type of stone:** Round Brilliant **Quality:** VS  
**Size:** .15CT **Inventory Number:** LD-DI0357

Date	Supplier	Price Per Carat	Carats		
			In	Out	Bal.
12/1/YR	Diamond Imports	1,000.00	100		325
12/9/YR		1,000.00		150	175

**B & B Diamonds**  
 5555 - 45th St.  
 New York, NY 11111  
 (222) 555-5555

1234

Sold to: Gold Mine Jewelers  
 123 Oak Street  
 Madison, WI 54321

3/9/YR

#1 - Lot .10 CT WT 2.7 CT	Price Per Carat	Total
	500.00	1,350.00



# YOUR INVENTORY RECORD KEEPING GUIDE

## MERCHANDISE REQUIRING SPECIAL INVENTORY RECORDS

Record the lot of diamonds in your perpetual inventory as follows:

Inventory #D2401 .10 CT Ave Cost P.C. 9/3/YR- \$500.00				
Date	In	Out	Bal.	Cost Value
9/3/YR			4	200.00
12/12/YR	20		24	1,200.00
(physical inventory) 12/31/YR			24	1,200.00
1/14/YR		3	21	1,050.00
3/9/YR	27		48	2,400.00

### Giftware, charms, fashion jewelry

Record the quantity of these items on your inventory. Although identification of each item is not required, maintain all documents for these items. The sales tag should include the category number of the item, its cost, and gram or carat weight if applicable.

### Sale of items that do not have unique inventory numbers

When you sell gold, diamonds, giftware, charms, or other items that do not have a unique inventory number, record the gram, carat weight, or quantity on a sales receipt, so it can be subtracted from the running inventory record. In addition, record the date of the sale, customer's name and address, a brief description, and selling price on the sales receipt.

Gold Mine Jewelers					
123 Oak St., Madison, WI 54321 Phone: (555) 555-1000					
NAME Sandy Olsen					DATE 12/24/YR
ADDRESS 350 Main St, Round Lake, WI 51234					
SOLD BY SB	CASH X	CHARGE	LAY-AWAY	ON ACCT	MDSE RETD
ARTICLE(S)				STOCK #	AMOUNT
1 - gold bracelet 7"				2.6 grams	292 50
1 - 14K yellow gold serpentine chain 16"				3.2 grams	360 00
1 - 14K yellow cross pendant				1.3 grams	146 25
SPECIAL INSTRUCTIONS:				AMOUNT OF SALE	798 75
				TAX	39 94
				TOTAL	827 69
				AMOUNT PAID	827 69
RECEIVED BY:				BALANCE	0 00
All claims and returned goods MUST be accompanied by this bill.					
Invoice No. 28093		PRODUCT 607		Thank you.	

# YOUR INVENTORY RECORD KEEPING GUIDE

## RECORDING AN ANNUAL PHYSICAL INVENTORY

**You now have the necessary tools to establish and maintain detailed, accurate records.**

If you do not have an acceptable perpetual inventory system, now is the best time to develop one. If you update your records regularly, your perpetual inventory should match your annual physical inventory.

- 1 Begin with all of your stock labeled, identified and priced.** Your sales tags should include category numbers which indicate the type of merchandise. Category numbers are helpful because it's convenient to record your annual physical inventory by category. Keep a separate record for each category.  
  
Sales staff jewelry lines and scrap gold measurements should be included in the annual physical inventory.
- 2 Gather all merchandise from each category into separate areas.** This prevents the need to re-inventory categories if merchandise is missing.
- 3 Work in teams of two, with one person reading the tags and another person recording the information** onto separate inventory records either on paper or by computer.

The annual physical inventory should include the date inventory was taken, the category number, and each item's inventory number, quantity, and brief description, as shown below.

**Category #:** CH      **Inventory date:** 12/31/YR  
**Employee:** Jeff Brown      **Date:** 12/31/YR  
**Employee:** Sue Phillips      **Date:** 12/31/YR

Inventory #	Quantity	Description	Cost
CH102	1	24" gold chain 5.5gr	250.00
CH103	1	18" gold chain 2.3gr	105.00
CH105	1	18" gold chain 3.3gr	150.00

There is no need to provide complete descriptions of items listed in your annual physical inventory. The inventory number is sufficient to find the purchase invoice, which gives a complete description of that item.

## YOUR INVENTORY RECORD KEEPING GUIDE

### RECORDING AN ANNUAL PHYSICAL INVENTORY

- 4 When a category has been inventoried, check it for accuracy.**  
If the number of items and dollar values match, place the merchandise in the safe, vault, or under your showcases. This prevents merchandise from being inadvertently recounted or mixed into other categories.
- 5 After all items have been inventoried, complete a cover sheet, similar to the one at right.** (See [page 7](#) for descriptions of category codes.)
- 6 Compare the perpetual inventory value to the physical total.**
- 7 Store your annual physical inventory in a fire-resistive container or safe that does not hold merchandise.** Keep a copy of the last two annual physical inventory in a safe place away from your business, such as at your home, accountant's or bookkeeper's office, or in a bank safe deposit box. You will need the exact total for your Jewelers Block insurance application or at time of renewal.

#### Inventory Summary Taken 12/31/YR

Category #BRC	\$ _____	Category #CR	\$ _____
Category #CHR	\$ _____	Category #DR	\$ _____
Category #CL	\$ _____	Category #SR	\$ _____
Category #G	\$ _____	Category #R	\$ _____
Category #ER	\$ _____	Category #GR	\$ _____
Category #GT	\$ _____	Category #WR	\$ _____
Category #F	\$ _____	Category #CS	\$ _____
Category #CH	\$ _____	Category #D	\$ _____
Category #PD	\$ _____	Category #WG	\$ _____
Category #PN	\$ _____	Category #WL	\$ _____
		TOTAL	\$ _____
Price of gold 12/31/YR \$ _____		Perpetual total	\$ _____
		Difference	\$ _____

\_\_\_\_\_  
Signature of Authorized Representative

# YOUR INVENTORY RECORD KEEPING GUIDE

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## MANUFACTURING AND WHOLESALE JEWELERS

Jewelry manufacturers and wholesalers differ in size, method of operation, and type of finished products. It's difficult to recommend one inventory system that will work for every business. Many of the recommendations listed earlier in this guide apply to manufacturers and wholesalers; some do not.

We offer the following recommendations for manufacturers and wholesalers and encourage you to consult with a professional accountant when establishing or reviewing your inventory record keeping procedures.

- **Take a detailed and itemized inventory once a year.**

This includes, but is not limited to:

- ▶ A listing, which describes raw materials and parts, samples, finished goods, and merchandise in such a manner that will trace items to the original source documents (i.e., purchase invoices).
- ▶ The value of raw materials and parts, samples, finished goods, and merchandise.
- ▶ The date the inventory was taken.
- ▶ The exact total value of all inventory items; not a rounded or estimated value. Inventory or jewelry lines carried by sales people must be included in the annual physical inventory.

- **Maintain purchase invoices of raw materials and merchandise.**
- **Maintain sales receipts**, which identify items sold by inventory numbers, descriptions, or some other method that will trace items to the listing of the physical inventory and the original source documents (i.e., purchase invoices).

Depending upon your business, you should also keep a detailed list of merchandise that:

- Belongs to others in the jewelry industry, and
- Is temporarily away from your business, whether in your possession or in the hands of an authorized party.

**Assign inventory numbers** to your merchandise. You can create inventory numbers of categories, such as type of merchandise (gold, loose diamonds, etc.) or supplier. Use a method that works best for your business.

Assign inventory numbers in sequence by number, letter, and or letter/number combination. Be sure to develop consistent codes that are easy for you and your employees to understand and remember.

## YOUR INVENTORY RECORD KEEPING GUIDE

### RAW MATERIALS AND PARTS + LOOSE DIAMONDS AND COLORED STONES PURCHASED IN BULK

#### Raw materials and parts

Raw materials and parts include precious metals, plate, tubing, shot, findings, unset mountings and similar materials used to manufacture jewelry. It's easiest to inventory this type of property by weight. As material is used, subtract the weight from the inventory. When new material is purchased, add the weight. Additions, subtractions and balances should be recorded daily, as shown below.

Type of metal: Gold Inventory number: G-MR100

Date	Supplier	Value at Cost			Gram Weight		
		In	Out	Bal.	In	Out	Bal.
12/11/YR	Metal Refiners	1,215.00		10,890.00	27 gm		242 gm
12/12/YR			765.00	10,125.00		17 gm	225 gm

#### Loose diamonds and colored stones purchased in bulk

**.20 carats and more:** Each stone should have an individual inventory number. Below is an example of recording merchandise by individual inventory numbers.

Stones - Loose Diamonds (Category D.11)

Inventory Number	Carat Wt.	Cut	Date Received	Supplier	Cost
D.1145	1	Marquise	1/15/YR	Diamond Imports	3,500.00
D.1146	.50	Round Brilliant	3/1/YR	Diamond Imports	2,000.00

**Under .20 carats:** Stones of this size that are equal in color, cut, clarity, and carat weight can be inventoried by weight, as shown below. If they are not equal in color, cut, clarity, and carat weight, each stone should receive an individual inventory number.

Type of stone: Round Brilliant Quality: VS

Size: .25CT Inventory Number: LD-DI0357

Date	Supplier	Price Per Carat	Carats		
			In	Out	Bal.
12/1/YR	Diamond Imports	1,000.00	100		325
12/9/YR		1,000.00		150	175

B & B Diamonds  
 5555 - 45th St.  
 New York, NY 11111  
 (222) 555-5555

1234

Sold to: Gold Mine Jewelers  
 123 Oak Street  
 Madison, WI 54321

3/9/YR

#1 - Lot .10 CT WT 2.7 CT	Price Per Carat	Total
	500.00	1,350.00

## YOUR INVENTORY RECORD KEEPING GUIDE

### FINISHED GOODS

#### Finished goods

Record all jewelry items that have been completely manufactured in the finished goods category. Assign an inventory number to each item. The following examples can be used to track custom-made items or similar items that are mass-produced. Your inventory records should include each item's value, which includes cost of component parts and labor.

Inventory # ER456				
Casting # C22				
Metal Price			DWT	Amount
Gold				400.00
Head				75.00
TOTAL CASTING				67.78
Shop Labor				
TOTAL LABOR				200.00
Diamonds and Stones				
Type	#	Carats	Price Per Carat	Amount
VS1 Ideal	8	.02/ea	650.00	104.00
TOTAL				104.00
TOTAL COST				779.00

When you manufacture a large quantity of an item and the cost of parts and labor have been recorded, keep a running inventory to track your merchandise as shown below.

Inventory Number: ER456

Date	Description	Value at Cost			Units			Sale or Delivery	
		In	Out	Bal.	In	Out	Bal.	To	Invoice #
1/1/YR				2,500.00			3		
2/21/YR	Engagement Ring	4,000.00		6,500.00	3		6		

When items are sold, record the inventory number on an appropriate sales form and delete the items from your inventory.

Inventory Number: ER456

Date	Description	Value at Cost			Units			Sale or Delivery	
		In	Out	Bal.	In	Out	Bal.	To	Invoice #
1/1/YR				2,500.00			3		
2/21/YR	Engagement Ring	4,000.00		6,500.00	3		6		
3/10/YR			600.00	5,900.00		1	5	Gold Mine Jtrs	13065



# YOUR INVENTORY RECORD KEEPING GUIDE

## MERCHANDISE TEMPORARILY AWAY FROM YOUR STORE

### **Merchandise temporarily away from your store**

Maintain a complete and separate inventory for items that are temporarily away from your premises, whether in your possession or in the hands of an authorized party, such as a commissioned salesperson. Your inventory records can be recorded in the same manner as shown in this guide.

### **QUESTIONS?**

Contact your agent or Jewelers Mutual if you have additional questions or want help finding the best fit for the needs of your business.

**800-336-5642, ext. 2118 or [sales@jminsure.com](mailto:sales@jminsure.com)**

For more information about coverage and service offerings, visit [JewelersMutual.com](https://www.JewelersMutual.com).

