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# **A Guide To Conducting Stock Transfer In 2020**

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# Stock Transfer by Orderhive

Businesses carry out warehouse stock transfers innumerable times over the span of years. Expansions, adding new storage facilities, and moving to new locations happen continuously. Transferring stocks is a well-planned process, but it becomes extremely complex in the absence of proper data. An estimated [43%](#) of SMBs are either short of proper tools or simply don't track their inventories at all. In this article, we will understand the basics of carrying out a stock transfer with a detailed process guide. At the end of the article, the readers will be able to confidently transfer their inventory in a systematic manner.

Hop on to learn this topic in the below sections:

## **Types Of Stock Transfer**

We can divide types of stock transfers that are practiced in the industry in two ways. The first one is based on the locations between which the process is carried out. In the second method, the execution of the process. Without wasting much time, let us understand them:

### **Inter-company transfer**

Here, two different companies participate in transferring the inventory. This requires the involvement of multiple departments of companies like sales, procurement, logistics, and liaison. Both companies use different identification codes, which also adds to the complexity.

### **Intra-company transfer**

The inventory is exchanged between two locations of the same company. Due to the involvement of a single entity, the operations are simple. However, documentation is equally vital to maintain efficiency. Both of them can happen between permutations and combinations of the respective plants and warehouses of both firms. Moving towards the more important classification, let us learn how they are undertaken in terms of the implemented process.

### **One-Step Process**

Here, the issue, as well as the receipt, are made in a single step. The merchandise selected is issued to the concerned location through a single STO (Stock Transfer Order.) Usually, this method is used in transactions within the same company. Thus, the valuation of the inventory held by the firm remains unchanged. Only the quantity at the respective locations change. Even if applied in the same firm, this is not advisable, and if utilized, the locations should be very near to each other.

### **Two-Step Process**

This is a better way of handling operations as you can track efficiency and use it between two separate entities. The STO document is issued at both ends. The first warehouse/plant will remove the item and mark it "in-transit." When the destination location receives the merchandise, the STO document marks the transaction as

"completed." The valuation and quantity at both locations change after the transfer is completed. This helps in tracking the efficiency of the stock transfer, and it also aids inventory management.

## What Is The Need Of Using A Stock Transfer Order

Many traders and companies still rely on excel sheets or handwritten documents for conducting stock transfers. They can do the job upto a certain level, but as the business grows, these tools make things tough to manage. This includes theft, undetected damage to goods, misplacing them, and inefficiencies in processing. When considering the short lead times in the supply chain ecosystems, these shortcomings adversely affect multiple businesses. Hence, businesses use [warehouse management](#) software solutions to generate Stock Transfer Orders to overcome numerous challenges economically.

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“Sourcing has become a commodity. We changed the game. We bring strategy, business skills and end to end fulfillment from prototyping to manufacturing to shipping to warehousing to your customer’s door PLUS strategy and tactics so you actually make real money. We (PROUDUCT) brought value back to sourcing.”

– [Richie Norton](#)

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## How To Run A Stock Transfer

You have to treat STOs like other commercial documents like Purchase Orders. Therefore, the procedure of issuing an STO needs fulfillment of multiple processes. They are as follows:

- Run an inventory availability check to confirm whether the concerned product(s) is present at the source or not
- Run a storage space availability check at the destination location
- Create a schedule for making the transfer
- Confirm the availability of internal teams for moving stock or logistics partners in case of distant locations
- Carry out cost analysis in case of third party carrier
- Mark the items with appropriate barcodes for tracking them
- Notify the Quality Assurance (QA) teams on both ends
- Demand Purchase Order or Requisition Request from receiving end
- Make entries in the accounting ledgers as applicable
- Dispatch the merchandise after QA check
- Mark the goods "in-transit" if using the two-step process
- Unload the items on source location and perform quality and usability tests
- Mark received and placed the merchandise at the designated area
- In the case of dropshipping, complete cross-docking
- Notify the source location of receipt and make corresponding accounting entries



## Where Do Stock Transfer Impact Businesses

The transfer of items from one company location to another is done to fulfill the orders at the corresponding demand center. It is also done to perform repairs in case the goods are sent back by the customers due to damage or service. Many businesses bring these items to the nearest warehouse and transfer it shortly to the main center so that they don't have to pay more for instant logistics support. Therefore, managing stock transfers in such cases need a high level of accuracy for running on schedule.

When the transaction is made between two separate entities, the receiving party's commitments depend on the transfer. The merchandise received is either used as raw materials or sold further. Hence, any mishap will result in a stranded supply chain.



Owing to these reasons, strong documentation is mandatory to best serve the interests of all stakeholders.

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Market Fact: As per a survey, 75% of the leading organizations extensively use analytics software. (Source [Deloitte](#))

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## **Benefits Of Documenting Stock Transfers**

Introducing documentation in any business process comes with multiple benefits. STOs render both functional and business intelligence advantages. As commercial entities, transferring certain hazardous materials also makes it imperative to maintain documentation. Some of the omnipresent benefits of using STOs are as follows:

- It helps to maintain records through documentation
- Helps control damage caused due to the improper transfer process
- Makes audits accurate and reliable
- Fixes the accountability of all stakeholders
- Improves the execution and keeps operations on track as per schedule
- STOs also make cross-company accounting simple
- Aids taxation and compliance audits

## Executive Summary

Towards the end, we will provide the executive summary for your perusal:

1. Stock Transfer is done both internally within an organization and between two separate organizations.
2. The procedure of transferring inventory can be done in two ways: One Step Method and Two-Step Method.
3. While the One-Step Method is relatively simple, the Two-Step Method is better from a functional point of view and financial auditing.
4. Using Stock Order Transfer aids fighting malpractices, discrepancies, and inefficiencies.
5. Running a stock transfer requires proper coordination between both locations.
6. Stock transfer affects both ongoing operations and the entire supply chain at large.
7. Documenting stock transfer is helpful for both legalities and enhances profitability.

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