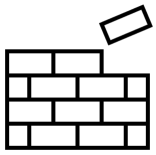
Inventory Overview Page

What Is Inventory?

If you have a small business that sells goods or provides services, you likely hold an inventory of some kind. **Inventory** means any business asset held for future use or sale. This could be:

		
Raw materials: Parts and supplies used to make your product or provide your service	**Work-in-progress: Items that are partially completed**	**Finished goods: Final products ready to be sold to your customers**

Additionally, inventory includes **maintenance, repair, and operations** equipment, such as cleaning supplies, tools and machinery, and other items that support operating a business across the stages of production.

Inventory management is how a business plans, coordinates, and stores its inventory. This includes how much, how often, where you buy materials and how fast you sell your goods.

Why Should I Keep Track of My Inventory?

Keeping track of the supplies, materials, and finished products in your inventory is an essential part of running a successful business.

	Effective inventory management leads to higher profits. Holding too much inventory costs money. By keeping track of the supplies, materials, and items on your shelves, you'll be better able to keep those costs down and increase your profits.
	Good recordkeeping helps you during tax season. Understanding the costs of your supplies and materials will lead to a smoother tax preparation process and keep your business prepared for any potential audit.

For more support, talk to an accountant, schedule an appointment with an NYC Free Tax Prep Provider at nyc.gov/taxprep or NYC Department Small Business Services