

Inventory Control Management

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Introduction

Inventory control is very important element in business. Inventory control means regulating inventories by accounting and physical methods . A system which insure the provision of the required quantity of inventories of required quality of the required time. Inventory control include control raw material store , supplier , spare parts , tools partly finished goods etc. in the business an significant economy in the total cost. Systematic inventory control and efficient controls cuts loses and waste of material that otherwise unnoticed . the purchase of material , due to consideration should be given to the quality . It is no use purchasing of inferior quality . Should be purchase the proper quality material in order to minimize the loss of material proper storage condition must be provide to different of material . All rounds efforts should be made to keep these losses at the minimum. Inventory system should be give complete and up to date accounting information about the availability of material period sometime proper information availability of material may cause mew purchase to be of material already on stock . There should be proper co-ordination and co-operation between various department dealing in material. There should be proper classification and codification of material. In this system apply strategy material requirement should be properly planned. Adequate records should be introduce to control material during production and quantitycontinuous stock taking , perpetual Inventory , ABC analysis methods doing very important in inventory control . There are various technique use in inventory control management . Is that determination economic order quantity , fixation stock level , physical verification of stock , control ratio etc. the function of inventory control is the maximum turnover with sufficient stock to meet all requirement to maintain adequate inventory for smooth production of business .

Recent Development for Inventory control

1] **Stock Taking** :- Stock taking involves verifying the physical qualities of stores in hand . In other words , it means physical verification of goods . Stock taking necessary to know correctness of the balance of inventory in bin-cards and ledger accounts . Records maintain to quality and value of inventory in hand can be maintained according to periodic and perpetual methods .

2] **Periodic Stock Taking** :- Under this system , stock taking is undertaken at the end of accounting year . as the stock taking involves verifying physical quantities of stores in hand ,some firms temporarily suspend plant operation when this is done. This stock verification may also be done at intervals of less than a year . The following procedure is required to be adopted starting at periodic stock taking.

A] Bin –cards posting :- It must be ensured that posting are complete and up to date .

B] Bin-cards:- It must be seen that the bin –cards are kept alongside the corresponding items .

C] **Physical Verification** :- The personal verifying the should personal verify the stock of each item on the date fixed such verification .

D] **Stock Verification Sheet** :- Posting of verification tobe in bin-card and the relevant stock verification sheet tobe prepared .

E] **Forwarding To Store Accounting** :- The stock verification sheet and relevant stage are forward to the store after verification and necessary adjustment in this stock ledger for surplus or deficit for any .

3] **Continuous Stock Taking** :- In any perpetual inventory system , the book balance as show by Bin-Cards and should agree with actual physical balance in stores . This is best way by continuous stock taking , which is an integral part of the perpetual inventory system . The primary function of this system functioning properly and to bring records in to line with physical stocks . In this system few item daily counted store ledger and compared with bin-cards . The auditor easily counted and easy enquiry is made and difference is adjusted in the records to make them correspond with physical counting . perpetual inventories as a system of keeping up to date records , the continuous stock taking is physical checking records with actual stock.

4] **Perpetual Inventory System** :- The periodic system has certain serious disadvantage which perpetual inventory system overcomes . It is a methods of recording stores balance at the time of each receipt and i --

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ssue , to facilitate regular checking stock taking . Under this system current balance of stores is always shown in records , any receipt being added to and issue being deducted for balance after each transaction .Under this system , the records used for perpetual inventory are bin – cards and store ledger .Reconciliation of Bin-cards and store ledger account :- the records of each item store are kept simultaneously at two place i.e. bin cards and store ledger , which are the perpetual inventory records .The balance of item of store as show in the Bin- cards and show in the store ledger .

Advantages Of Perpetual System :-

- A] The system help in avoiding the long and costly work of physical checking of all the stocks .
- B] It also avoids dislocation in production which is arise in case of periodic stock .
- C] The profit and loss account and balancesheet can easily prepare at interim periods .
- D]The staff of stores department to work honestly and keep up to date .
- E] Continuous operation is going on all the time .
- F] Discrepancies are readily discovered and rectified this give an opportunity for preventing recurrence in future .

5] **ABC Analysis** :- ABC Analysis is an important technique of inventory control . It is popularly know as always better control . It is based on the concept of selective control management . ABC analysis is a value based system of material control , material are analysis according to their value so that costly and more valuable material are given greater attention and care. All item of material are classified according their value – high , medium , and low values , which are know as A, B, C, item respectively . it is sometimes called always better control method . The following procedure adopted to classify the item according their value [ABC items].

- A] First consider the cost and usage of each item of material over a given period time .
 - B] Multiply unit cost by estimated to get net value .
 - C] up-to date list all items with quantity and value .
 - D] Arrange them in order of Descending value.
 - E] Accumulate value and number of item and calculate percentage of total inventory in values and number.
 - F] Draw and curve of percentage item and percentage value .
- A Item] :- These are high value item which may include a small percentage of total item handled
 B Item :- These are medium value material which should be under the normal control procedures
 C Item :- These are low value materials which may represent a very large number items .

Advantages of ABC Analysis :-

- Closer and suitable control can be exercised on those item which represent large amount of capital invested .
- Investment in inventory is regulated and funds can be utilized the best possible way .
- It helps in maintain enough safety stock for c
- Clerical cost' are reduced .
- IT help in maintain a high stock turnover ratio with the scientific control of inventories .
- It helps in fulfilling the main objectives of inventory control at the minimum cost .

6] **Inventory Ratios** : - There are various methods of judgment of efficiency of material management . Inventory turnover ratio of the value of material consumed during a period to the value of inventory during the period . Ratio analysis one of the effective methods of inventory control .

1] **Inventory Turnover Ratio** :- This ratio is a relationship between cost of materials consumed and average inventory held during period .

$$= \frac{\text{Cost of material consumed}}{\frac{\text{Cost opening stock} + \text{Cost of closing stock}}{2}}$$

Cost OF Average Stock =

** Higher ratio indicate fast moving stock. Low ratio indicate locking up work capital . in order to find out investment in stock . The following ratio can be calculate.

$$\frac{\text{Total Inventory}}{\text{Cost of Production}} = \frac{\text{Cost of Sales}}{\text{Average finished goods Inventory.}}$$

2] **Input-Output Ratio** :- This ratio is a relationship between finished goods and material consumed . It is calculated as follows .

$$= \frac{\text{Value of Out-Put}}{\text{Value of Input of Materials}}$$

This ratio facilitates the performance of the firm it also helps to know whether the use of the firm favorable or un favorable.

3] Ratio of slow moving items to total Inventory . This ratio is calculated to find out the proportion of slow moving items to total inventory .

$$= \frac{\text{Slow moving stores}}{\text{Total Inventory}}$$

**] This ratio identify the slow moving items . Higher ratio indicates that there many slow moving item and therefore capital is locked up . It is indicator to management should take immediate step to set right this situation

Conclusion

Inventory control is an important part of material management. This system very useful to management and business activity . All apply methods has been providing valuable technique for inventory control .The main function of Inventory control is to obtain the maximum inventory turnover with sufficient stock to meet all requirement. Through by Inventory control technique maintain adequate inventory for smooth production, avoid excessive investment in stock and helpful to management in taking decision. Some types of methods are very useful inventory planning and control , determine the cost usage of each item of material over given period of time .

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