A STUDY ON INVENTORY MANGEMENT

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ABSTRACT: Inventory Management System is important to ensure quality control in businesses that handle transactions revolving around consumer goods. Without proper inventory control, a large retail store may run out of stock on an important item. A good Inventory Management System will alert the retailer when it is time to reorder. Inventory Management System is also an important means of automatically tracking large shipments. For example, if a business orders ten pairs of socks for retail resale, but only receives nine pairs, this will be obvious upon inspecting the contents of the package, and error is not likely. On the other hand, say a wholesaler orders 100,000 pairs of socks and 10,000 are missing. Manually counting each pair of socks is likely to result in error. An automated Inventory Management System helps to minimize the risk of error. In retail stores, an Inventory Management System also helps track theft of retail merchandise, providing valuable information about store profits and the need for theft-prevention systems. Automated Inventory Management System work by scanning a barcode either on the item. A barcode scanner is used to read the barcode, and the information encoded by the barcode is read by the machine. This information is then tracked by a central computer system. For example, a purchase order may contain a list of items to be pulled for packing and shipping. The Inventory Management System can serve a variety of functions in this case. It can help a worker locate the items on the order list in the warehouse, it can encode shipping information like tracking numbers and delivery addresses, and it can remove these purchased items from the inventory tally to keep an accurate count of in-stock items. All of this data works in tandem to provide businesses with real-time inventory tracking information. Inventory Management System make it simple to locate and analyze inventory information in real-time with a simple database search.
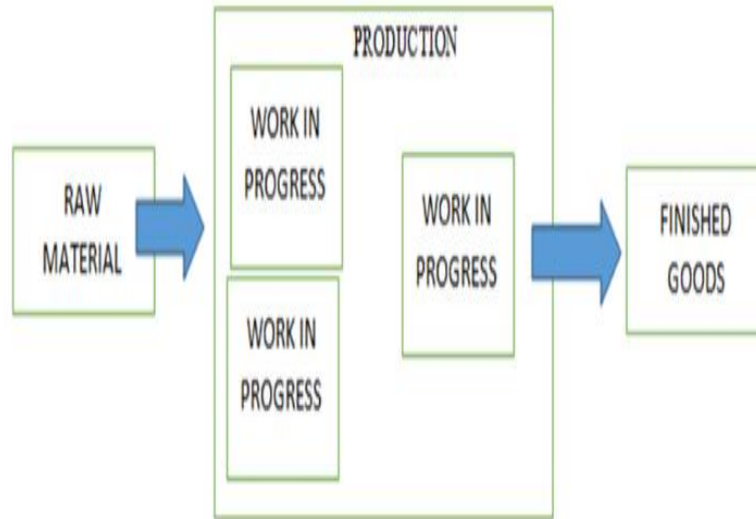
INTRODUCTION

Inventory control is vitally important to almost every type of business, whether product or service oriented. Inventory control touches almost every facets if operations. A proper balance must be struck to maintain proper inventory with the minimum financial impact on the customer. Inventory control is the activities that maintain stock keeping items at desired levels. In manufacturing since the focus is on physical product, inventory control focus on material control. "Inventory" means physical stock of goods, which is kept in hands for smooth and efficient running of future affairs of an organization at the minimum cost of funds blocked in inventories.

The fundamental reason for carrying inventory is that it is physically impossible and economically impractical for each stock item to arrive exactly where it is needed, exactly when it is needed. Inventory management is the integrated functioning of an organization dealing with supply of materials and allied activities in order to achieve the maximum co-ordination and optimum expenditure on materials. Inventory control is the most important function of inventory management and it forms the nerve center in any inventory management organization. An Inventory Management System is an essential element in an

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organization. It is comprised of a series of processes, which provide an assessment of the organization's inventory.

production of raw material into finished goods

OBJECTIVES OF THE STUDY
- To analyze the efficiency of Inventory Management of company
- To identify optimum level of inventory which minimizes the cost?
- To identify the safety stock level for various components.
- To identify inventory requirement of the company for the next year.

INVENTORY MANAGEMENT

It is necessary for every management to give proper attention to inventory management. A proper planning of purchasing, handling storing and accounting should form a part of inventory management. An efficient system of inventory management will determine (a) what to purchase (b) how much to purchase (c) from where to purchase (d) where to store, etc.

There are conflicting interests of different departmental heads over the issue of inventory. The finance manager will try to invest less in inventory because for him it is an idle investment, whereas production manager will emphasise to acquire more and more inventory as he does not want any interruption in production due to shortage of inventory. The purpose of inventory management is to keep the stocks in such a way that neither there is over-stocking nor under-stocking. The over-stocking will mean reduction of liquidity and starving of other production processes; under-stocking, on the other hand, will result in stoppage of work. The investments in inventory should be kept in reasonable limits.

TYPES OF INVENTORY

Inventories Can Be Classified into five basic types on the basis of their production. These various types of inventories cannot be identified and segregated within the organization. As such all types will not be represented in all organization. These five types are

1. Management inventory

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They are needed because of the time required to move stocks from one to another.

2. **Lot size Inventories**

These are as a result of buying materials in quantities larger than the immediate requirement, with a view to minimizing cost of transportation, buying, receipt and handling and to obtaining discount.

3. **Fluctuation Inventories**

These are carried to ensure ready suppliers to consumer even when these are irregular and unpredictable fluctuation their demand.

4. **Anticipation Inventories**

These are usually maintained to meet a predictable but changing pattern of future demand.

5. **Cycle Inventories**

These result from managements attempt to minimize the total cost of carrying and ordering inventory. They arise from ordering in batches or lots, rather from needed basis.

Inventories can be further classified into production inventories maintenance repair and operation (MRO) inventories, in-process inventories and finished goods inventories.

- Production inventory consists of raw materials, parts and components that are used in the production process forming parts of the final product.
- Maintenance, repair and operation supplies which are used in the production of goods or services but do not become part of the product.
- In-process inventories are semi-finished materials, parts and assemblies found at various stages in the production operation.
- Finished goods inventory consists of completed products ready for sale.

RESEARCH METHODOLOGY
RESEARCH

Research is a process in which the researcher wishes to find out the end result for a given problem and thus the solution helps in future course of action. The research has been defined as "A careful investigation or enquiry especially through search for new facts in branch of knowledge"

RESEARCH DESIGN

The research design used in this project is Analytical in nature the procedure using, which researcher has to use facts or information already available, and analyze these to make a critical evaluation of the performance.

SOURCE OF DATA COLLECTION

❖ **Primary Data**
1. Data are collected through personal interviews and discussion with Finance-Executive.
2. Data are collected through personal interviews and discussion with Material Planning- Deputy Manager.

❖ **Secondary Data**
1. The data are collected from the annual reports maintained by the company for the past five years viz., 2013 to 2017

2. Data are collected from the company's website.
3. Books and journals pertaining to the topic.

Findings

1) All the Years are not showing sample profits. This is because of raw material prices have been continuously under pressure due to persistent mismatch between supply and demand.

2) In purchase department for want of any item it should go through several processes. This may include receiving indents, floating enquiries, preparation of order processing form, preparation of purchase order and order follow up inform the supplier. Most of the time was spent in accounts payable.

3) In this type of process, it requires more number of employees and supplier should also wait for until the accounts are matched.

4) This process takes an input, adds value to it and provides an output to an internal or external customer.

Suggestion

There are many recommendations on purchase of inventory goods depending upon demand , they are

- Company may try to order annually rather than monthly depending upon demand for the products.
- Total cost incurred when purchases are made annually is less than the total cost incurred when orders placed monthly.
- Company should make orders at one stretch.
- When orders are made at one time in bulk, then suppliers may provide special discounts.
- Reduction of   transport facilities is noticed when orders in a bulk.
- Ordering cost, inventory carriage cost may not be euchred.

CONCLUSION

Today business scenario inventory management is becoming very crucial part of the organization. The system of inventory management in company very effective. The organization is basically and assembling unit and thus inventory place a most significant role in the decision-making process. From the various calculations and figures relating to inventory management it is clear that the inventory classification of A items is maintain for days, as a result it reduce investment in raw material, reducing the lead time and also the large quantity discount because the stock are kept for days.

In the classification of ABC items procedure is following in company has launched the different type of card system for class C items. Class A & B items are considered under the just in time philosophy as the procurement time has been reduced up to greater extent by the proper co-ordination of buyer and supplier. There is great improvement in the inventory turnover ratio from 5 years. It is increased from 12.54 to 13.57 % this position indicates that the stocks are fast moving and get converted into sales quickly in company. Finally we conclude that company the inventory system is very good with high techniques.

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