TVET CERTIFICATE V in Culinary arts

CUASC501

# Stocks Control and Ordering

## Control and order stocks

Competence

**Credits: 5**

**Learning hours: 50**

**Sector: Hospitality and Tourism**

**Sub-sector: Culinary arts**

**Module Note Issue date:** June, 2020

### Purpose statement

This module describes the skills and knowledge required to maintain stock levels and records, process stock orders, minimize stock losses, and pursues orders for a range of purposes. Moreover this module will also allow the trainee to minimize losses and ordering stock.

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| | 5.2 Suitable coordination of stocktaking responsibilities is maintained for betterstaff supervision within the stock take operations. | |
| | 5.3 Accurate reporting of stock takes is made within designated timelines. | |

Number of pages: 45

# Learning Unit 1: Maintain stock level and record

## LO 1.1: Use stock control systems and equipment

- **Topic 1:Concepts and Meanings**

1. ***Stock:*** The term stock (British English) or inventory (American English) refers to the goods on hands or merchandise kept on the premise of a shop or wherehouse which is to be sold to customers.

Example of stock:

2. ***Store/wherehouse:*** A building or part of building where goods are kept for later use.

3. ***Stock control:***

Is a process of making sure that the correct level of stock is maintained, to be able to meet demand while keeping the costs of holding stock to a minimum. It means right quantity of material is available in right time.

**Topic 2: Identification of tools and equipment for stock control systems**

Any stock control system must enable you to:

- To Track system level
- To make order
-To issue stock

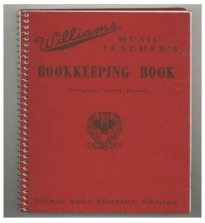
Here are some of the tools and equipment that can and should be integrated with inventory management to give you the control and visibility you need to support efficient operations:

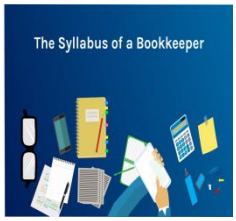
1. ***Manual tools & equipment :***

***i.*** ***Stock book*** which suits small business with few stock items. It enable you to keep a log of items you have bought and sold. A reorder system based on your stock book labels or codes for each item in your stock, including information about the value of each item, when you reveived it and its location.

***ii.*** ***Stock cards:*** where each stock item will have its separate card;the card schopuld have the following inforamations:Description,Location of stock,Reorder level, Quantity and lead time ( if this method is used), supplier details, each time and transaction of stock item(eather added or removed). This system can also be used in book having a separate page for each stock item. You will be able to reorder stock with the information on the record.

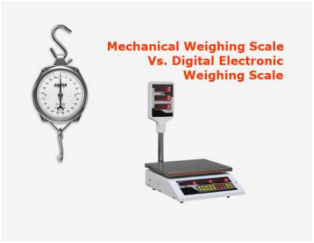
***iii.*** ***Bookkeeping books:*** Referance books, Financial books such as cash book,ledger book,accounting journal, petty cash books, balance sheet, Budgets, Sales invoice....



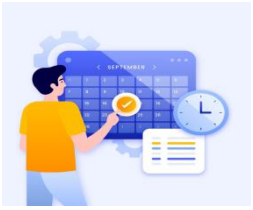




***iv.*** ***Reservation Calender***

***v.*** ***Paper & pens, calculator, weighing Scales& measuring cups etc.***







❖ **Advantages of Manual record keeping**

1. Less expensive to set up.
2. Correcting entries may be easier with manual systems, as opposed to computerised ones that can leave complicated audit trails.
3. The risk of corrupted data is much less.
4. Data loss is less of a risk, particularly if records are stored in a fire-proof environment.
5. Problems with duplicate copies of the same records are generally avoided.
6. The process is simplified as you don't need to be familiar with how accounting software calculates and treats your information.

a. There are several **disadvantages of a manual recording systeme**:

Time consuming.

Human error.

No backup records in case of loss or damage.

4. May require specialized knowledge to maintain.

2. ***Computerised stock cotrol systems:***

run on similar primciples to manual ones,but are more flexible and information is easier to receive. You can quickly get a stock valuation or find out how well a particular item of stock is moving. A computerised system is a good option for businesses dealing with many different types of stock. Other useful features include:

- Stock and pricing data integrating with accounting and invoicing systems. All the systems draw on the same set of data, so you only have to input the data once. Sales Order Processing and Purchase Order Processing can be integrated in the system so that stock balances and statistics are automatically updated as orders are processed.
- Automatic stock monitoring, triggering orders when the re-order level is reached.
- Automatic batch control if you produce goods in batches.
- Identifying the cheapest and fastest suppliers.
- Bar coding systems which speed up processing and recording. The software will print and read bar codes from your computer.
- Radio Frequency Identification (RFID) which enables individual products or components to be tracked throughout the supply chain. See using RFID for inventory control, stock security and quality management.

❖ **Disadvantages of computerized stock control**

- Prone to System crash
- High risk for malicious hacking or potential fraud
- Manual or physical auditing is reduced
- Other technical issues can result in the loss of needed data such as personal errors etc.

● **Topic 3:Types of Stocks**

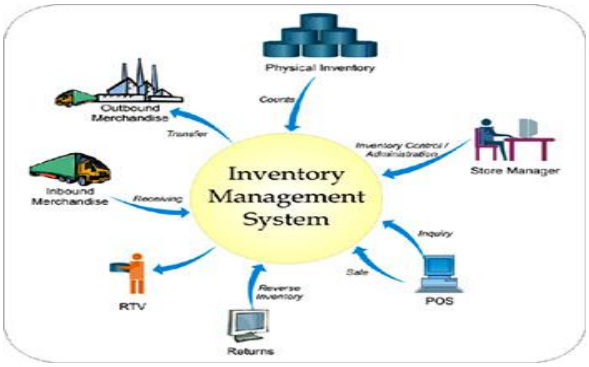
There are most important types of stocks which are classified as merchandise and manufacturing inventories:

1. ***Raw materials Stocks:*** involve items used to produce more finished products. Raw materials can be that businesses buy or extract themselves. e.g. unprocessed Food commodities used in Kitchen which are foundation of finished food products such as grains/wheat and rice,...vegetables, meat and poultry, dry beans...).
2. ***Work-in-progress (WIP) inventory*****:** Unfinished goods which are in process of being converted to finished products WIP inventory. These are intermediate *components* which have previously manufactured by

suppliers. E.g. Processed aids such us wheat flour, tea leaves, powdered milk, cooking oils, sugar, basic baking pastes, basic breads, basic sauces and soups...

3. ***Finished goods:*** That are ready to be sold; they have been manufactured from raw materials or purchased from a supplier. e.g. Restaurant meal and beverages, bread, ...
4. ***Maintenance, Repair and Operating (MRO) supplies:*** Consist of items used to keep a manufacturing company running smoothly.MRO inventory can include things like employee uniforms, protective equipment, cleaning supplies disposable tools and safety equipment as well as materials you use to repair or maintain manufacturing equipment.
5. ***Consumables:*** Additional resources used in production process but not incorporated in the product or service. e.g. Fuel and gas canisters, machine oil in a factory, printing ink or toner and papers, electricity,
6. ***Packing materials*** (used to pack and wrap the products you store or sell) such as Envelops, Cling films, cups and bottles, Serviettes, Tooth picks, wooden grills, cleaning chemicals, etc.

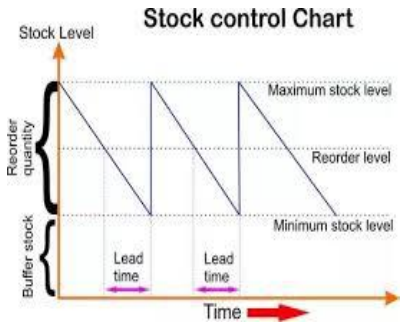
- **Topic 4: Types of Stock Control Systems**




Inventory control systems are technology solutions that integrate all aspects of an organization's inventory tasks including shipping, purchasing, receiving, warehouse storage, and turnover, tracking, and reordering. Smarter business Tools for the world's hardest workers. Simplify your accounting today. Get started with the small business with software. Anytime, anywhere access.

1. **Track stock system levels**

Stock levels must be monitored and reordered when it is running low. The stock control system regularly goes through all the records in the stock database and checks if the stock level is less than the minimum stock level**.** Keep track manually Stock control systems and or track using computer software with a barcode scanner/ mobile device.


2. **Make orders**

If you need specific product, the procedure for ordering, purchasing and receiving materials are as follows. When a department requires new materials, a *purchase requisition* is completed (including authorisation by relevant manager) and sent to the purchasing department. On receipt of a properly authorised requisition, the purchasing department will select a supplier and create an order on a *purchase order form.* The purchase order form is sent to the supplier and copies are sent to the account department and the goods receiving department.

On receipt of the goods, the goods receiving department will check the goods against the relevant purchase order, and check the *delivery note* which accompanies the goods. Full details of the goods are then entered onto goods *received note* (GRN).A copy of GRN is attached to the relevant purchase order and they are both sent to the purchasing department where they are matched to the relevant supplier's *purchase invoice*. Once approved, the purchase invoice can be paid.

The following are commercial documents used in ordering process:

**3. Requisition forms:**

The requisition will identify: Date on which the order/requisition was placed, department to which the stock is to be supplied, Stock required by type, brand name, quality and quantity.

**Requisition note Template**

| | | | | |
|---|---|---|---|---|
| SELENA HOTEL No…… <br> PURCHASE REQUISITION Date…… <br> Department/ Section: …… <br> Please arrange to purchase the following items | | | | |
| Quantity | Description | Code No | Date required | Supplier |
| | | | | |
| Prepared by: …… | | | Approved by: …….. | |

**4. Purchase order (PO):**

A POs a commercial document and first official offer issued by a buyer to a seller indicating types, quantities and agreed prices for products for services. It is used to control the purchasing of products and services from external suppliers.

**BESTWAY SUPPLIER LTD**

**P.O BOX 54781NAIROBID ate February 1st 2007**

**PURCHASE ORDER No: 435**

***TO* LAVANET COMPANY**

**P.O BOX 23000 NAIROBI**

**Please supply us with the following goods:**

| QUANTITY | DESCRIPTION | Ref. No | PRICE | VALUE |
|---|---|---|---|---|
| 200<br>300<br>20 | Cartons of yogurt<br>Cartons Apple juice<br>s of Powder Milk<br>Only three million, three hundred thousand and thirty thousand. | 6<br>7<br>10 | 5,800KSh<br>6,000 KSh<br>18,500 KSh | 1,160,000 KSh<br>1,800,000 KSh<br>370,000 Rfw<br>**3.330,000KSh** |
| Period of delivery: 8 days<br>Method of payment: cash in hand | | | | |

Prepared by Purchasing manager Authorized by Top manager

5. **The delivery note:** The delivery note is a document issued by a seller and sent to a buyer at the moment of the delivery goods. It should only be signed if all items listed on the document have in fact been checked (the quantity and quality of items delivered, their brief description, guarantee etc.) This means a signature indicates acceptance of the delivery goods. The delivery docket does not normally contain a *detailed* description of the goods, and does not list the prices for each item.


ORIGINAL COPY

DELIVERY DOCKET

DATE: ORDER NUMBER: DELIVERY NUMBER AA0577101

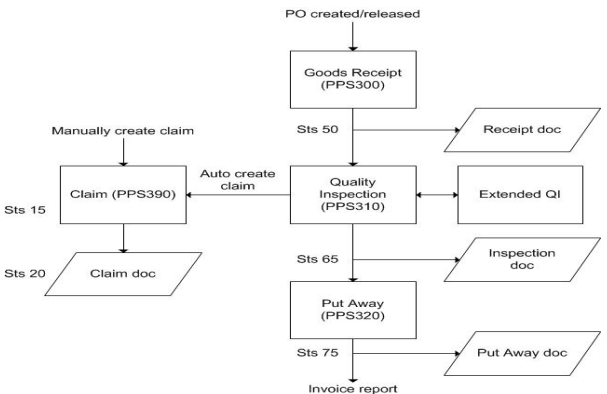
FROM: TO:

The following items in good order and condition:

QTY DESCRIPTION

SIGNATURE OF SUPPLIER: SIGNATURE OF RECIPIENT:

6. **Receiving of goods**



Good receiving is the function of checking items delivered to the business, either coming in as new stock or as supplies. Receive of goods is connected to purchase order (PO) with quality inspection (QI) which can be reported. For stocked items, the on-hand balance is updated and the items are made available. Appropriate documents are printed such as good receipt notes, credit notes, Invoice (Financial document) and bin cards.

Good receiving process:

7. **A goods receipt note (GRN)**: The GRN is a document issued by a receiver (buyer) of goods to record receiving of goods purchased.

MR. **KALIMANDA**

**P.O BOX 3752NAIROBI**

**GOODS RECEIVED NOTE**

**FROM:** MR KAMANA Ali **G.R.N. No**: ……

**Date:** December 14th, 2008

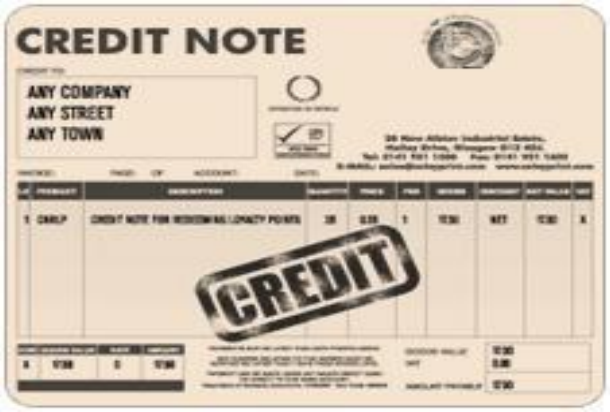
| No | Ref No | Quantity | DESCRIPTION | Delivery order No | Observation |
|---|---|---|---|---|---|
| 1 | 1460 | 16 | Mobile Phone Nokia 1100 | 174/ 2008 | |
| 2 | 1461 | 2 | Desk top | 174/ 2008 | |
| 3 | 628 | 3 | Lap top HP Vista | 174/ 2008 | |

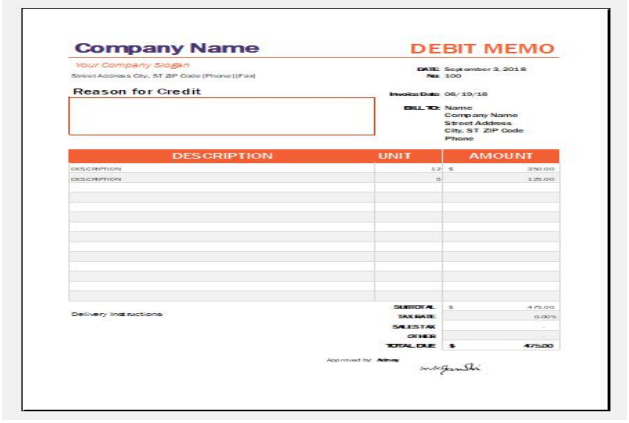
Received by……..  Inspected by…….

When a GRN is created for an item, any pending item quantity for an approved request will be automatically issued:

8. **Credit note:**

Where an item is returned to a supplier (perhaps it has been delivered in error; perhaps it is stock you bought and cannot sell and the supplier has agreed to take it back), poor quality goods, out-of-date item or where you have identified you have been overcharged for an item – the supplier will raise a credit note. A credit note identifies the quantity, quality and number of the stock involved together with a corresponding monetary value. It is a document from the supplier stating they owe us money for the goods described on the credit note. A credit note is commonly **printed in red** to distinguish it from other documents, and has the words „Credit Note" printed prominently on it.




**Example:** On 24 March 2010, BABU Company (Tel: 0788288444), located in RWANDA bought 10 000 cartons of biscuits on credit from MMM manufacturing Ltd (E-mail: mmm@yahoo.fr; 0722233311) for 800 000Rwf and a trade discount was given. The following day, BABU Company returns 1 carton of biscuit to MMM manufacturing Ltd. that had been damaged.

**Required**: Issue the credit note No795

**M.M.M Ltd.** **DATE: March 25th 2010**

**E-MAIL : mmm@yahoo.fr**

**Tel: 0722233311**

**CREDIT NOTE No 795**

***TO* : BABU Company**

**Tel: 0788288444**

| Quantity | DESCRIPTION | UNIT PRICE | VALUE |
|---|---|---|---|
| 1 | Carton of biscuits | Rwf 80 | Rwf 800 000 |
| | Less Trade discount (10% of 800 000) | | Rwf (80 000) |
| | | | **Rwf 720 000** |

ONLY Seven hundred twenty thousand Rwandan francs

EPILAX

Signature

**9. Invoice:**

Which identifies a description of items supplied, quantity supplied and cost of items. The invoice may be delivered at the same time the stock is delivered, or it may arrive by mail a day or so later.


**10. Stock records and stock cards**

Stock records refer to documents which give information regarding the movement of stock. Both are kept for accountants and costing purposes. These are individual accounts for each item of stock on which are recorded all receipts and issues of that particular material and thus the balance at hand. Two important documents are used. These are stock ledger and bin cards.

i. **The stores ledger** is similar to a financial ledger. It shows the quantities and monetary values of all stock items.

ii. **A bin card:** A bin card also known as stock card is a sheet that records the status and transaction of particular item held in stock room involving the movement in and out (materials received from purchases and returns, issued to the user departments, and balances of inventory handled by stores). The physical stock count and the stock quantity reported according to the bin card should be equal. Otherwise the internal audit department will have the right to investigate the matter with management. Bin card is a paper that is thicker and more durable than normal writing or printing paper and other forms of paperboard.

**Format of Stores Ledger card**

| Selena hotel<br><br>Stores Ledger Account<br><br>Mat: Description …… Material code ……<br><br>Max: Stock level …….. Re-order level ……<br><br>Min: Stock level…….Re-order quantity …… | | | |
|---|---|---|---|
| Date | Receipts | Issues | Balance |

| | GRN No | Qty | Price | Value | MRN No | Qty | Price | Value | Units | Value |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |

**Bin Card**

Material Code:
Material Description:
Location:
Unit of Measurement:

Maximum Level:
Minimum Level:
Reorder Level:

| Date | Doc No. | Received from/Issued to | Receipt | Issue | Balance | Verification with SL Date & Verified by | |
|---|---|---|---|---|---|---|---|
| | | | | | | | |

**iii. Stock tagging/Labelling:**

To mark with a tag; to label or to identify.

Is the action of attaching a label to something for monitoring purposes.

***Tag or Label:***

It is a small sticker or sign giving information about something to which it is attached or intended to be attached. It may be a piece of paper, plastic film, cloth, metal or other material fixed to a container or product. The information given by a label may be the Brand Name, Ingredients, Quantities, Guarantees, Danger warnings, Instructions....

Examples of labelled products:





**Issue Stock**

Stock issuing or **dispatching**, is a physical movement of goods from store to the user departments or from one department to another.


Material Transfer Note
A.B. Co. Ltd.

From:
Department .....
Job No. .....

Serial No. .....
To:
Department .....
Date .....

| Qty. | Code No. | Description | Rate | Amount |
|---|---|---|---|---|
| | | | | |

Issued by ..... Approved by ..... Received by .....

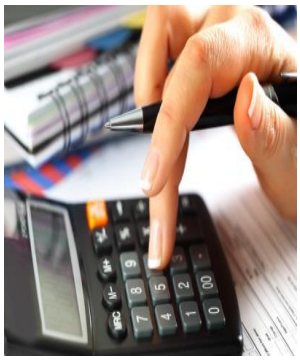
*The procedures for issuing inventory are as follows:*

Material *requisition notes* are issued from production departments. Their purpose is to authorise the storekeeper to release the goods which have been requisitioned and to update the store records. Material *returned notes* are used to record any unused materials which are returned to stores.

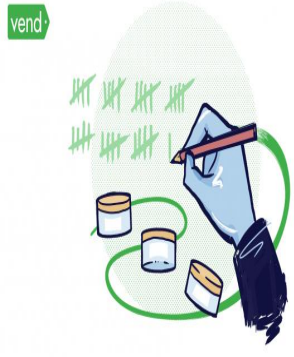
Material *transfer notes* document the transfer of materials from one production department to another.

- **Topic4: Equipment for Stock control system:**

**4.1. Counting tools:** taking count of inventory can take hours. Tools you may use are: Calculators machines, weighing scales (manual/mechanical, digital and hanging scales), Boards, books and pens, inventory count sheet, mobile wherehouse /Track scanner etc.








**4.2. Recording tools:**

Computer machines, Stock register, Bin cards, pens etc. Larger properties or organisations with large stock turnover rates tend to use a computerised stock control/management system. An electronic (computer-based) stock control system may be integrated with point-of-sale equipment (such as registers/terminals) and accounting software for payment of accounts and generation of invoices.

Even where a computerised/electronic system is in use, paper-based documents (such as Purchase Orders, Delivery dockets, Invoices, Credit notes, Statements, Sales dockets and cash register/point-of-sale terminal audit rolls/tapes) will usually provide the raw data entered into the system.


**4.3. Storage equipment and tools**: Shelves and Pallets racks, counters, Cupboards, refrigerators and freezers, Containers, packaging and wrapping materials, trolleys, thermometers etc.

☑ **Shelving Storage:**

When loading stock on to shelves the following practices should be adhered to:

- Clean the shelf before loading the stock;
- Do not over-stock or over-load shelves; this can cause them to collapse and items to fall off.
- Move existing items to the front and put new items behind.
- Check use-by and best-before dates of existing stock and adjacent items.
- Store similar products together. „Group" all products of the same type.
- Load heavier items of lower shelves to help avoid injury.
- Use ladders to store stock on high shelves. Do not over-stretch or over-reach: never stand on a chair or box to reach a high shelf.
- Load stock with labels facing the front to assist in identification.
- Keep stock on shelves neat to optimise space on shelves and aid in stock control.

☑ **Refrigerated storage** is used for perishable foods such as fruit and vegetables, dairy products, meats, sea foods and all other potentially hazardous foods. Refrigerated storage may occur in cool rooms, under-counter refrigeration units or domestic refrigerators. It may also be a refrigerating chamber or cold room of wherehouse in which a specific temperature is generated.


When refrigerate food ensure:

- The temperature is kept at 5°C or below and this temperature is checked with an independent, calibrated thermometer at least once per day.

- The maximum time high risk foods should be stored at 5°C or below is 7 days. Food should be eaten within this time or discarded.
- Where the temperature is 3°C or less, this time could extend beyond 7 days.
- The cool room or refrigerator door is closed between uses and an effort made to minimise opening times by planning these openings. An open door raises the temperature and makes the unit more expensive to operate as well as potentially jeopardising food safety.
- The cool room/refrigerator is not overcrowded to enable air to circulate freely around food items.
- Food loads put into the cool room/refrigerator are broken down into smaller units to enable faster cooling. Where large units of food are placed in the refrigerator it takes longer for the core of the food fall out of the Temperature Danger Zone (5˚C - 60˚C).
- All food is covered and protected from contamination using, for example, plastic film with a label attached to identify the food and the date/time it was placed under refrigeration.
- Potentially hazardous raw food is separated from cooked and/or ready-to-eat foods – this is to prevent cross contamination. Never store potentially hazardous raw food above cooked and/or ready-to-eat foods as there is the potential for raw blood and raw juice to drip down on to the food below.

☑ **Frozen storage:** Every time the freezer is used, it should be standard practice to visually check the temperature and notify management where there is a problem. Do not overload freezers as it takes too long for the middle of products to freeze.

Ensure:

- Food is kept „hard frozen".
- The recommended temperature range is -15˚C to -18˚C
- Hot food is never frozen – cool it first.
- Thawed items are never refrozen!
- Freezers are defrosted regularly to maintain operating effectiveness and encourage use or disposal of items in the freezer for some time.
- Freezer doors are kept closed when the freezer is not in use.
- Freezer temperature is be checked at least daily to ensure correct temperature.
- Large amounts of food are not frozen as this encourages others to defrost the item and then re-freeze it. In practice this means freezing slices rather than slabs of meat, and using shallow storage containers rather than deep ones.
- Manufacturer's instructions regarding the storage of frozen food products are followed. These may relate to storage temperatures and the length of time the product can be stored (for quality and/or safety reasons).

☑ **Thermometers:** Are used to take the temperature of food to ensure its safety and HACCP; for example: Frozen food should be „hard frozen" at below0$^0$C; Refrigerated food should be at or below 5˚C while Hot food should be at or above 60˚C).

Different kind of thermometers to be used:



☑ **Storage containers:** May be made from plastic or metal; Check container is clean (clean it where necessary); Verify integrity of container (replace or repair if damaged); then ensure lid makes a tight fit (storage containers are usually supplied with a lid intended to make a tight fit). The lids of storage containers are relatively easy to remove.



☑ **Mobile utility cart /Trolley**

For smooth movements or carrying of goods.


## LO 1.2. Identify stock level

- **Topic 1: Types of stock levels**

Stock levels refer to the different levels of stock which are required for an efficient and effective control of materials. If a business has too little stock, customer will buy the product they are looking for from another business. However, if a business has too much stock, it will have to be stored. To avoid over and under-

stocking, the storekeeper must fix the inventory limits which are the amount of product that a business has in store. In a scientific system of stock control, the following types of stock levels are fixed:

**a) A Low stock level or re-order level:**

Stock reorder level indicates to the stock controller when it is necessary to reorder certain raw materials or components; this should prevent stock-out. The purpose of using this stock reorder level is to enable management to ensure there are sufficient stocks to meet demands from the production department.

***Formula=Maximum usage x Maximum lead time*.**

**Lead time**: It is the delay or period of time between when an order is placed to replenish inventory and when the order is received.


Example on how to calculate Reorder Stock Level:

Our Kitchen has a maximum usage of 5,000 eggs per week. The supplier of eggs has a maximum lead time of 5 weeks.

Question: Calculate the reorder level for eggs.

Suggested Solution:

Reorder level=Maximum usage x Maximum lead time= 5,000 x 5= 25,000 eggs

**b) A minimum stock level:**

The minimum level of stock is a predetermined minimum quantity of raw materials or merchandise inventory which should always be available in stock in the normal course of business. It is also known as "**Buffer stock"** or **"Safety Stock"** because of safety measures due to the fixation of this level. Other words, the minimum level of inventory is a kind of a precautionary level of inventory which indicates that the delivery of raw materials or merchandise may take more than the normal lead time. In case of the actual stock falls below this level, there is a danger of stoppage in production. The main objective of fixing the minimum level of materials is to ensure that the required quantity of each item is available in stores at all time. The stock limit is set in line with normal demand and lead times from supplier; this should prevent under stocking.

***Formula=Reorder level-{average usage x average lead time}***

Example on how to compute MINIMUM level of stock

Continued from above-reorder stock level is 25,000 units. Our kitchen has an average usage of 1,200 units per week. The average lead time is 4 weeks.

Minimum level of stock to be held= Reorder level-{average usage x average lead time}

= 25,000-(1,200 x4) =20,200 eggs

**c) A maximum stock level:**

The maximum stock level is highest level of stock planned to be held at any one time.

It means the upper limit of stock above which the stock should not be allowed to exceed under normal circumstances. This is due to reasons like consumer demand, storage capacity of business, rationed funds etc.

It should prevent overstocking and the main object for fixing up the maximum stock level is to avoid cash being tied up in holding unnecessary high levels of stocks leading to loss of interest...

The formula to determine the maximum level of stocks to be held is:

***Max level= Reorder level+ reorder quantity (EOQ) - Min anticipated usage in minimum lead.***

Example on how to compute Maximum level of stock:

Continued from above reorder stock level is 25,000 eggs.

Say the kitchen has a minimum usage of 1,000 units per week. The minimum lead time is 3 weeks. The reorder quantity is 12,000

Question: Compute the maximum level of stocks of eggs to be held at any one time.

Suggested answer: Maximum level of stock to be held=Reorder level –{minimum usage x minimum lead time} + reorder quantity=25,000- {1,000 x 3} + 12,000 = 34,000 eggs

- **Topic2: Stock control procedures**

Stock control is basically monitoring and managing the amount of stock either on the selling floor or in storage at any given time. It is very important that if this is done efficiently because stock is the single largest asset of the store.

**2.1. Inspection :**

This is the act of looking at something carefully, or an official visit to a building to check that everything is correct and legal. Always be aware of the need to monitor stock on hand. You *may* be required to keep an eye on quantities for reordering purposes (although that may be someone else's job), but you definitely will be expected to check on stock quality while it is in storage. Constant checking for quality is useful because the sooner any problem is detected, the better. If you notice a problem, take appropriate action to fix things or immediately report any situation you cannot fix on your own to your supervisor. If you are not sure


whether or not the situation is a problem or not, report it to your supervisor, let them make the final decision, and learn from their decision.

**Inspection practices:**

The process of inspecting stock and storage areas must include the following practices:

- Undertaking visual inspections. All inspections require you to look at:
- Floors, walls and ceilings
- Shelves, bins and storage containers
- Individual stock items
- Adhering to internal inspection protocols. Some venues have:
- Inspection schedules detailing when to inspect and what items or areas to inspect
- Inspection checklists. These identify aspects of items or areas to inspect and provide tick boxes to be checked after inspection and include a section for writing down problems identified for later follow up action
- Checking stock quality: look at items, smell certain items, touch or feel certain items, Taste others...

- Checking for signs of pest infestation. Look for:
- Signs of physical damage to the storage area itself
- Damage or degradation of stock items
- Evidence of the presence of vermin such as cobwebs and/or droppings
- Ensuring stock is aligned with designated storage areas - making sure stock is placed where it should be.

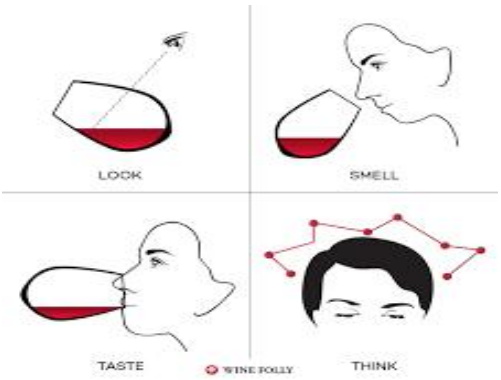
**2.2. Counting:**

The units of a group or collection one by one in order to determine a total number. A physical inventory counting is just one component of successful stock control because it enables you to maintain inventory accuracy and ensure that you always have the right amount of stock at the right time. Spot Count can take hours and involve a team of workers but will help you to figure out when and which losses or discrepancies are taking place so you can take preventive action for the future. Check the stock that is actually in the store and match with the stock you have on paper. Since a manual task is already as it is (physical counting), the data is then recorded either manually, using pen and paper or electronically (Computer-based record).


**2.3. Measuring and weighing:** this is the other way based the solution for tracking inventory. You buy and sell products in a business, but what do you do with them between buying and selling them? Tracking them and measuring them will help you make good decisions with your inventory which should, in turn, result in more money in your pocket. E.g. classify your inventory, using your inventory numbers, Identify your fast-moving and problem items....



**Tasting**: Is an occasion for sampling a selection of foods or drinks in order to compare qualities. Professionally, flavours, smells, colours and sounds are also languages; it means that is all about using our human perception (sensory: your five senses to make an assessment of a food or drink products) to describe and evaluate something. In fact, matter of taste is personal and often depends on past experiences.




## LO 1.3 Secure Stock

A stock security is a financial investment with some monetary value.Keeping stock secure depends on knowing what you have, where it is located and how much it is worth.

- **Topic1: Factors to be considered for ensuring stock security**

1. ***Crop production*** **(pest drought, etc**): Plan in a drought management to keep out pests and prevent stock losses - bio security management of pests and weeds /desinsectisation will help to improve live stocks.
2. ***Agriculture*****(disruption of export or import**): Increase of agriculture productivity can prevent disruption of export or import Food
3. ***Employment*** (You can empower your employees to help you to manage and secure inventory ( e.g. Many trainings of employees etc.)
4. ***Health*** (infectious diseases for example), Resulting in labour productivity decline).
5. ***Food prices***(large, sudden price rises)
6. ***Location****:* Stock should be delivered to and kept in a secure area, preferably with CCTV or similar protection.
7. ***Politics and policy*** **failure**
8. ***Adequate space***

**Stock security system**

Clearly, retailers need to be more vigilant about loss prevention. To help you do that, we've put together a list of solutions for reducing shrink and improving store security.

1. *Signage:* Installing security signs in your store is a low-cost way to prevent shoplifters and shady characters. Anti-theft signs should be fitted close to the entrance and near your fitting rooms
2. *Cameras:* If you're willing to invest a bit more in store security, consider installing surveillance cameras in your stores. Doing so will allow you to monitor store activities
3. *Mirrors***:** Not too sure about using cameras in-store? Consider mirrors instead, which can serve as inexpensive yet effective tools for spotting shoplifting and other suspicious activities.

4. *Inventory management tools:* Staying on top of your inventory is critical to loss prevention. Poor stock control leads to more misplaced products and unchecked discrepancies, which is why it's important to arm yourself with a robust inventory management system that'll make it easy for you to track merchandise.
5. *Inventory counters*: Speaking of inventory counts, you'll want to have a reliable tool for conducting stock-takes. Avoid using a pen and paper when counting inventory. Arm yourself and your staff with a solution that enables you to count your products efficiently and accurately.

- **Topic 2: Stock keeping system**

This refers to the keeping the store of material and keeping the stores records. The store department is responsible for receiving materials and holding them until they are required for production, construction, sale or any other use. The stores records provide information regarding the receipts, issues and stock balances of materials. Features of effective and good store keeping:

- Immediate location of materials,
- Speedy receipt and issue of materials,
- Keeping correct up to date records of receipts, issues and stock balances of material,
- Protection of materials against pilferage and deterioration.
- Economical usage of storage space.

### i. Material coding

Material coding can be defined as a system of symbols designed to be applied to a classified set of items to give a brief accurate reference facilitating entry, collation and analysis. Purposes of coding are to avoid ambiguity in description and to minimize length in description

The principles of coding:

- ✓ *Exclusive*: Each item should have its own code
- ✓ *Certainty*: Code numbers used for different types of materials should avoid confusion
- ✓ *Elasticity*: the number should be well arranged to facilitate inclusion of new items if need arise
- ✓ *Brevity*: code should be brief
- ✓ *Memorization*: Easy to remember and understand codes
- ✓ *Uniformity*: There should be equal length and same structure.

### ii. Store records

Store records refer to documents which give information regarding the movement of stock.
These include records kept both for accountants and costing purposes.

These are individual accounts for each item of stock on which are recorded all receipts and issues of that particular material and thus the balance at hand. Two important documents used are stores ledger and bin cards.

- **Topic3: Stock control methods**

Controlling stock is essential to a business success. Stock control is how your business makes money and stay afloat, so to ignore keeping it under control can mean serious consequences. Different methods are designed to help to stay on top of levels and avoid over or under spending.

**3.1. Stock reviews:**

Your business will take regular stock reviews to establish whether new stock must be ordered. This considers pre-determined figures that help business leaders make the decision to order new stock or hold off. Many businesses operate a minimum stock level – the lowest point stock can go before more is ordered.

**3.2. Reorder lead-time/Fixed time:**

This involves ordering new stock either at fixed times, fixed levels or both. For example, a company may have a standing order for 500 units every third Sunday of the month. This type of stock control is particularly useful for companies with fixed contracts and stable demand, with sporadic irregular orders unless they're placed with a long-term delivery date.

**3.3. First In-First Out/List –In- Last Out(FIFO/LIFO)**does not deteriorate before use. Stock is identified by when it was received and moves onto the next stage of production before stock received at a later date.

**3.4. Batch control:** Batch control separates stock management and production into batches. This reduces complexity in the production process and helps make sure short-term targets are met. Batch control can also help keep costs down as firms only need the raw materials and components needed to satisfy the demands of an individual batch.

**3.5. Vendor Managed Inventory (VMI):**

Vendor-managed inventory (VMI) is a relatively new model of stock management that emphasises shared risk between the buyer and supplier. The buyer provides information to the supplier about their stock requirements; the supplier is then responsible for maintaining a level of stock at a specified location, normally the buyer's point-of-sale. VMI helps reduce the chance of under-stocking and reduces the time stock spends in the supply chain.

e.g. Items issued trough supplier owned vending machine.

**3.6. Just In Time (JIT):** This stock control system originated in Japan. As the name suggests, stock is ordered as and when it is required to keep costs down and liquidity high. However, the increased cash flow comes at a cost. The company must be exceptionally organised in order to ensure orders are made at the right time, and suppliers must be reliable to fulfil requirements. There is also a risk of running out of stock should a big order be placed.

**3.7. Economic order quantity (EOQ) :**

EOQ is a complex mathematical formula that aims to keep stock at an optimal level, depending on the type of firm and the industry it operates within. EOQ calculations can be time consuming, so you may find it easier to consult a professional or invest in stock management software which should be able to make out-of-the-box EOQ calculators. EOQ can be combined with other forms of stock management where required.

## LO 1.4 Record reports of stock levels

Stock level reports list stock item's quantity available in a particular warehouse. It can be written in various forms and lengths. Manually or computer-based records often include history of the recent transactions in each inventory item. A good inventory report should be clear, simple and exhaustive.

- **Topic 1: Documents used in stock control recording**

Some stock related documentation that is used in ordering, purchasing, receiving and issuing, storing and stocktaking: Requisition notes, Purchase orders, Delivery notes and invoices, Credit notes, internal transfers, Bin cards.

1. ***Bin card*:** Bin card is used to mean a document that keeps a record of the items held in stores. Bin implies a container or space to keep materials, and with each bin, a card is placed, that comprises of details of material received, issued and returned.
2. ***The store ledger sheet***: Store ledger is a type of ledger which is maintained in costing department. It is like a reconciliation sheet which is used to find any differences between bin card and costing department records.
3. ***Departmental requisition book:*** A requisition is a request for something, especially a formal written request on a pre-printed form. An online requisition is an electronic document, which can be originated by the requester and then using the company workflow or hierarchy rules, can be submitted to the subsequent levels, until it is finalized or approved and then converted to a purchase order
4. ***Order book:*** Is the book to determine which orders can be fulfilled i.e. what trades can be made.

5. ***Stock sheet:*** The Physical Inventory Sheets are used when you do a physical count of your business inventory. Most retailer businesses are required by tax and/or accounting rules to provide an accurate on-hand value of the merchandise in its store.

- **Topic 2:Classification of records of stock outgoing**

Record stock out of storage when you want to:

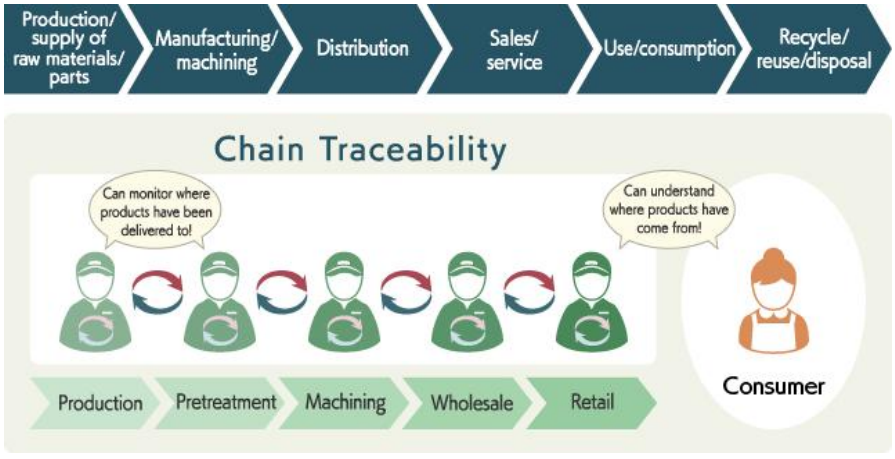
1. ***Issue stock internally:*** This releases stock items to an internal area in the organisation.
2. ***Return stock to supplier:***This lets you control rejected stock items you want the supplier to replace.To return goods to a supplier that you do not want replaced, use the Purchase Order (PO)
3. ***Issue stock free of change***:This lets you release stock items intended for customers where no charge will be made for the items (Example when you offer Bonus)
4. ***Write- off a stock item:*** This lets you account for obsolete or damaged stock as a loss.

- **Topic 3:Types of Standard report production**

A production report is a filmmaking term for the form filled out each day of production. There is no standard template for production report. It has the purposes of keeping track of production's progress and expenses and serves as a legal record. It is the best indicator to your boss that you are actually doing your job and let knows any changes that need to happen. Types of production reports are:

1. ***Status report****:* It shows inventory items, their current location, value, quantity and most activity dates at that location.
2. ***Details of traceable items:*** Make sure that their histories can be traced.

Concept of traceability is formed by Trace and Ability. Where you have to record and report necessary information related to all processes from procurement of raw materials to production, consumption and disposal, to clarify "when and where the product was produced even by whom", in order to improve product quality in safety awareness. Traceability has been defined in the ISO 9001 standard from the International Organization for Standardization.




3. ***Details analysis of transactions:*** Different reports provide information about each type of transaction. Use these reports to analyze costs for production activities that have a status of stared or reported as finished. e.g. Materials in process, Work in process ,Indirect costs in process, in process production costing, Finished items in process.

4. ***Stock takes*:** or "inventory checking" is the physical verification of the quantities and condition of items held in a store or warehouse. The stock take report can be written in various forms and lengths. A good inventory report should always be clear, simple, and exhaustive. The following are steps to be followed:
   - ✓ Create/Use a Template Set up dates for stock counts
   - ✓ List items: When listing your items, think of a good way that will help you search for items on your inventory report. Try listing them alphabetically or by serial number.
   - ✓ Assign a price to each item: cost/Selling prices
   - ✓ Calculate projections/Loss/profit
   - ✓ Make a column to list stock remains;
   - ✓ Use accurate stocktaking Tactics; examples: Under your inventory items, leave a space for description. This will help you keep track of differences in items. For example, you can list separate colors or sizes in this space but have a total inventory count next to the original item. Also, you can mark down if an item is damaged or missing in your description; If necessary, leave room for labels boxes, dozen, pairs, etc.

## LO 1. 5 Report fast/ slow selling items

- **Topic 1: Classification of Stock in terms of movement**

1. ***Fast moving:*** Fast-moving stock is merchandise that sells within a couple of days and does not hold inventory storage space for long.
2. ***Slow moving:*** slow-moving stock is that merchandise which simply stays locked up in the store's space and has a really low sales rate. It generally includes the inventories which are greater than three months old.
3. ***Dormant:*** It is also called Sleeping Inventory, and refers to the items which are now stored in a warehouse or another place, but have not be used for a long time.
4. ***Obsolete*:** Obsolete inventory is a term that refers to inventory that is at the end of its product life cycle. This inventory has not been sold or used for a long period of time and is not expected to be sold in the future. This type of inventory has to be written down and can cause large losses for a company.
5. ***Main parts of stock report*:** The stock report assignment has three components:
   - The stock purchase table
   - Stock weekly values table and article
   - Then the short letter report.

## LO 1.6 Maintain stock reorder cycles

- **Topic 1: Definition of stock reorder**

The ***Reorder Point*** (ROP) is the level of inventory which triggers an action to replenish that particular inventory stock. It is a minimum amount of an item which a firm hold s in stock, such that, when stock falls to this amount, the item must be reordered. The ***reorder-cycle system or cyclical-review system*** consists of ordering at fixed regular intervals. Various combinations of these systems can be used in the construction of an inventory-control procedure. A pure reorder cycle system can be modified to allow orders to be generated if the stock falls below the reorder level between the cyclical reviews. In yet another variation, the reorder quantity in the reorder cycle system is made to depend on the stock level at the review period or the need to order other product or materials at the same time or both.

- **Topic 2 : The main factors that influence the stock reorder cycle**

1. ***Financial factors****:*

When the stock is paid for**,** Cost structure or Rate of usage where the stock can fall below the reorder level between the cyclical reviews

2. ***Allowance for fluctuations in supply*****:**

It can be a good idea to ensure you have a reliable back up **supplier** to prevent product shortages or delays in the manufacturing process.

3. ***Lead-time***

Which can influence the variations in procurement: Lead time is the time it takes from the moment an item is ordered to the moment it arrives. Lead time will vary widely depending on the product type and the various manufacturing processes involved, and therefore changes in these factors can require changes to inventory management. Outsourcing manufacturing processes to other countries due to lower production costs may result in longer waiting times. Producing the same goods locally may cost more but take less time, and therefore you may need to adjust your stock levels accordingly.

4. ***Type of stock it is*****:**

Inventory management must take into consideration the different types of products in stock. For example, some products may be perishable and therefore have a shorter shelf life than others. In this case inventory must be managed to ensure that these items are reordered as needed.

5. ***Demand fluctuation:***

Or service level depending on external factors such as local competition etc.

6. ***Management:***

While you may have multiple employees acting as managers to oversee inventory processes, they typically will not have the same stake in the business as you do.

# Learning Unit 2: PROCESS STOCK ORDERS

A company that sells products or needs supplies on a regular basis must have a purchasing unit or point of contact. The person in charge of this process is called a purchasing agent. Before ordering inventory for a business, it is important to understand the basics of the ordering and purchasing process.

## LO 2.1 Identify Stock ordering responsibilities

- **Topic 1:Duties and tasks for stock ordering**:

Forecasting supply and demand is necessary to prevent overstocking and running out-of-stock (OOS) then submit purchase details (vendor's information, invoices and pricing) to internal databases. Next, placing orders to replenish merchandise as needed.

Task for stock ordering include:

- ✓ Obtain customers' names, addresses, and billing information, product numbers, and specifications of items to be purchased, and enter this information on order forms.
- ✓ Prepare Purchase order.
- ✓ Inform suppliers by mail or telephone of order information
- ✓ Prepare invoices
- ✓ Receive and respond to customer complaints.
- ✓ Verify customer and order information for correctness
- ✓ Direct specified departments

## LO 2.2. Apply Organizational strategies for stock ordering

An inventory strategy is a day-to-day methodology to follow for ordering, maintaining and processing items in your warehouse. For a small operation, inventory management is a fairly straightforward job to handle, but as your volume increases, you need a more established plan.

- **Topic 1:Factors for setting goals**

1. ***Sales process:***

   It means to Chart out your current inventory processes including seasonal planning, purchasing, forecasting, liquidation of overstocks, financial control of planned sales and stocks and identifying fast and slow sellers. How can these processes be streamlined? Can they be made more responsive to take

advantage of rapid changes in customer buying patterns? What needs to change to achieve more optimal inventory positioning?

2. ***Keys value point:*** Having the more distribution centers and stores you, the more inventory will be required to effectively fill orders. A second DC may add 30% of new inventory or more; a third one 60%. This doesn't mean you have to mirror inventory in each selling or shipping location. We have had clients place slower-moving hard goods in a single central facility, shipping faster-selling apparel from multiple facilities. It's important to determine what your tolerance is for increasing the inventory investment.
3. ***Focus of effort:*** In line with assessing the sales processes, your company must have the right systems to plan and manage inventory profitably, to assist in multi-location stock allocation and to allow access across the enterprise to teams outside of merchandising and inventory management.

- **Topic 2:Order stock organizational strategies**

1. **Make to order*:*** Make to order (MTO), or made to order, is a business production strategy that typically allows consumers to purchase products that are customized to their specifications.
   It is a manufacturing process in which the production of an item begins only after a confirmed customer order is received.
2. **Inventory positioning:** This refers to the selective location of various items in the warehouses. Inventory positioning has a bearing on facility location decision, and therefore, must be considered in the logistics strategy.
3. **Dynamic adjustment according to the demand:**
   The dynamic adjustment of demand is shown that a dynamic specification of the demand equation provides information on:
   (i) the level of response to a price or expenditure change taking place instantaneously;
   (ii) how much the adjustment has taken place after any number of periods, and
   (iii) how long it takes for the price change to be fully reflected in the demand.
   The importance of the dynamic adjustment is shown for the import demand for fresh items.

4. **Highly visible and collaborative execution :** within and across organisations
   i) to support effective planning and execution of supply chain operations;
   ii) to provide safety stock;
   iii) to bring the decision makers together;
   iv) to initiate and track process improvement activities.
5. **Buffer profile and levels:** In order to maintain food supplies and avoid shortages.

6. **Demand driven planning** : which is a requirement planning implementation
7. **Etc.**

## LO 2.3.Record incoming stock against purchase and supply agreements

At this stage, the buyer has to compare the compliance between all commercial documents sent to his/her seller with the commercial documents received from him/her and the physical appearance of goods received, especially delivery note and purchase order.

- **Topic 1: Supply agreements**

A product supply agreement is an agreement between a buyer and supplier for purchase and supply the product .The agreement specifies the term upon which the parties agree to purchase and supply product from each other.

1. ***Negotiation and buying:*** To be strategic in negotiation & buying; for example, start by defining what your priorities are, such as low price, high specification goods or specific delivery schedule....
2. ***Means and ways of transportation:*** Any contract between buyer and supplier is approved about transportation means and assignment in accordance with principles and practices.
3. ***Terms of payment***: Transportation cost for delivery will be decided by both parties.
4. ***Needs:*** The product supply agreement establishes the terms on which a seller will supply products to a buyer. The agreement must be clearly written to ensure that product will reach the hands of the consumers quickly and with little complication. A well drafted agreement will help to ensure that all parties' business requirement is satisfied on a timely and complete basis.
5. ***Follow-up and auditing:*** It is the process examining the company's extended supply chain along several dimensions. Part of the supply chain audit process is to benchmark those processes to best practices in the company's same industry as well as best practices in other industries.

- ***Topic* 2: Tasks to follow when recording an incoming stock**

A receiving record details the exact time and date of delivery, the invoice number and remarks signed by the parson who has accepted the goods.

1. Requisition supplies from stock and send orders to production departments and other firms : determine amount to order
2. Confirm completion of orders and compliance with specified details
3. Receive and check purchase requests against inventory records and stock on hand
4. Examine orders and compile data for production schedules
5. Check inventories and prepare delivery schedules
6. Investigate and identify supply sources and prepare and process purchase orders
7. Count incoming stock and reconcile it with requisitions
8. Update inventory and stock location records an incoming stock

# Learning Unit 3: MINIMIZE STOCK LOSSES

Stock or inventory loss is also known as Shrinkage which is the term used to describe a reduction in inventory or measure of how much inventory doesn't make it into customer's hand.

## LO3.1. Arrange the store for protection

- **Topic 1:Tips and guidelines that will guide a good storage**

1. **General**

- Create an inventory list of all items: It is important to maintain an inventory list in a database so that you can monitor the product you have available for sale.
- Protection of item: It is any measure taken to guard a thing against damage caused by outside forces. Examples: wrapping, sealing, packaging, etc. Choosing the best packaging materials for fragile items or perishable foods is very important.
- Label boxes or containers on all sides: Is the action of attaching a label to something for monitoring purposes.

- Consider clear plastic tips containers to protect food from damage, provide food safety and extend the freshness of foods.
- Do not store any toxins or flammables with food items; If you have any hazardous chemicals in your workplace, you have a strict health and safety obligation to store them safely and far from food items.
- Always secure a contents protection program.

2. **Furniture**

- Apply furniture oil to wooden pieces before storing for added protection.
- Disassemble larger items to make them easier to move and to store away also to allow you more space to store other items.
- Put all hardware in bags and label accordingly.
- Use paper pads when stacking furniture to prevent scratching.

3. **Electronics**

- Original boxes for electronics are best.
- Label corresponding cords and components by using color coded stickers.

4. **Appliances**

- Clean appliances well prior to storing.
- Leave doors opened slightly, to prevent mildew.

5. **Pictures and Mirrors**

- Wrap pictures that are small and stand them on end in boxes.
- For larger ones, buy special picture moving boxes.
- Always store mirrors or framed pieces on end, not flat.

6. **Crystal, China, and Glassware**
   - Buy boxes designed for this with dividers.
   - Wrap each item with paper or foam.
   - Label these boxes as fragile.
7. **Clothing, Curtains, Drapes**
   - Use special wardrobe boxes or garment bags to hang items.
   - Hang items on non-rusting hangers.
   - Dresser drawers can be used to save space for storing smaller items.
   - If storing wool items, store them folded in a drawer or on a shelf; never hang your woollens as gravity will stretch them out of shape and leave dimples in the shoulders.

## LO 3.2. Record reports of stock losses

- **Topic 1: Types of stock losses:**

Short term stock loss: Occur when you sell a stock you held for one year or less.

Long term stock loss: Occur when you sell a stock you held for more than one year.

- **Topic 2: Steps considered in reporting stock losses:**

➢ **Step 1**

Determine whether your stock loss is a short-term loss or a long-term loss

➢ **Step 2**

You must report the name of the stock, the date you acquired it, the date you sold it, the amount you received when you sold the stock, and the amount you paid for the stock, also known as your basis. Short-term losses are reported in Part I and long-term losses are reported in Part II.

➢ **Step 3**

Combine your stock loss: with any other trades for which you checked the same box. For example, if you had a F 5,000 loss for which you checked box A and a F 1,000 gain for which you checked box A, you have a net F 4,000 loss.

➢ **Step 4**

Enter the gain or loss onto Schedule on the appropriate line based on whether it is short-term or long-term and which box you checked. Short-term gains or losses are reported in Part I and long-term gains or losses are reported in Part II.

➢ **Step 5**

Calculate your net: **gain** or **loss** with Part III of Schedule.

## LO 3.3.Establish reasons for avoidable losses

- **Topic 1: Reasons that cause stock losses (Known or unknown causes)**

1. Pricing and paperwork mistakes: mistakes happen, but it is our duty to ensure the same does not reoccur.
2. Internal or external thefts: Internal employees theft is the biggest contributor to loss for most industries; External theft is most often caused by shoplifting.
3. Inter-company frauds: Type of internal fraud varies by business line. Example of Loan frauds, failure to follow procedures/ limits, misuse of confidential information etc.
4. Failing to include additional income: If you fail to report income this can cause the loss.
5. Claiming too many charitable donations
6. Reporting too many losses: if a business report too many losses automatically this may contain sensitive content; means that it earns less than it spends.
7. Claiming too many business expenses and home office deduction: The more deductions you claim, the greater you the risk for less profit.
8. Distribution : Misuse of nice, neat, round numbers
9. Spoilage or Waste: When dealing with inventory with a specified shelf-life, seasonal demand or trendy appeal, this overage can lead to spoilage, waste and a loss of utility.

## LO 3.4.Maintain solutions and implement prevention procedures for stock losses.

- **Topic 1: Define loss prevention**

Retail loss prevention is a set of practices employed by retail companies to preserve profit.

Profit preservation is any business activity specifically designed to reduce preventable losses.

A preventable loss is any business cost caused by human actions, colloquillary known as shrinkage**.**

- **Topic 2: Loss prevention procedures of stock losses**

1. Check and double check: Having a checklist to terminate the agreements was a smart move. A more careful review would have no doubt and could be the master.
2. Have a single entry and exit point so employees can't shuttle goods out the side doors.
3. Use cameras to record employee movements.
4. Conduct bag checks at the end of the day.
5. Track staff logins via a point-of-sale system (POS system) to help identify loss patterns.

6. Carefully track all discounts so that employees aren't awarding fake discounts and pocketing the difference.
7. Use a system like bar-coding that discourages easy tag switching, where a customer swaps tags, putting one from lower-price goods on a higher-priced item.
8. Make inventory counting shifts short so that people don't lose focus.
9. Double-check all figures by someone with a fresh eye, helping prevent loss of inventory.
10. Employee training can be helpful, especially if you are working with particularly delicate items.
11. Limit on some deductions
12. Implement a policy to inspect damaged goods, rather than just having an employee dispose of them. This allows you to salvage what you can and also minimizes fraud.
13. Maintain your environment well, so that goods aren't damaged through incidents like leaks or a rodent infestation.
14. Spot-check plates and pouring techniques to ensure that everyone is properly following procedures.
15. Deploy a restaurant POS that will help track what's being ordered to help with inventory and allow you to spot disparities that can be narrowed to specific shifts.
16. Use a FIFO (first in, first out) process to ensure you are using the older good first. Make it a priority to rotate stock when new shipments come in.
17. Keep a close eye on food freshness and promptly use older ingredients that are at risk of spoiling.

# Learning Unit 4: PURSUE ORDERS

## LO 4.1. Deliver stock to ensure agreed deadlines

Good Delivery refers to the unhindered transfer of ownership of a security from a seller to a buyer, with all necessary requirements having been met. The criteria for good delivery vary from market to market or from security to security but it is a pre-requisite to settling transaction.

- **Topic 1: Guidance for taking delivery of goods**

1. **Purchase orders:** A purchase order is a commercial document written and signed by buyer to be sent t seller indicating goods to be sold, the delivery and payment's conditions
2. **Taking delivery**: This is transferring a commodity from seller to a buyer with all necessary requirements.
3. **Security**: Ask your transporter about their security policy. Are their vehicles and drivers well-identifiec prevent Damaged goods

4. **Quantity Discrepancies:** when the actual physical stock (SOH) does not match with the recorded stock cou
   Such discrepancies can show a deficit (too few) or a surplus (too many) and are typically caused by a variet
   things:
   - ✓ shoplifting(removal by customer without payment : deficit)
   - ✓ pilfering (removal by employee without payment : deficit)
   - ✓ transactions not yet or not correctly recorded : deficit)
   - ✓ Items on consignment not owned by the business : surplus)
   - ✓ Error in size of units (e.g., recorded in "dozens" but counted in "reaches")
5. **Incorrect goods:** If the wrong goods are delivered, you can demand compensation
6. **Commissioning and Installation:** Commission is a payment made to employees based on the value of sales achie
   It can form all or (more often) part of a pay package. Commission is, therefore, a form of "incentive pay" (see also pr
   related pay, bonuses).
7. **Receiving:** When the goods have arrived in your department, you sign a delivery note; You also have to record the receipt of these goods electronically by creating a system receipt (Goods Received Note).
8. **Storing deliveries** and place all of the goods in their relevant places in your stores.

## LO 4.2. Identify suppliers to ensure the continuity of supply

- **Topic 1: Identification of suppliers**

Supplier identification and qualification are the first two steps in the supplier management process within procurement. Companies define their unique supplier identification and qualification criteria needed for each supplier to become a supply partner. For example, supplier for lower value requirements can be identified using your own knowledge, internet searches etc.

- **Topic 2: Factors in identifying supplies**

1. ***Escalation plan*** (to deal with business problems caused by changes in key personnel, management, reporting structures or business processes, such as the way purchasers communicate to suppliers and customers)
2. ***Product Quality and safety.***
3. ***Disaster Recovery plan***(DRP) for business continuity
4. ***Communication plan*** as policy-driven approach to providing stakeholders with information. The plan defines who should be given specific information, when that information should be delivered and what communication channels will be used to deliver the information

5. ***Cultural Fit*** including values vs. cultural problems which can be caused by a business's cultural tendency to hide or delay negative information. Such businesses are generally slower to react when impacted by unexpected events.
6. ***Mitigation and contingency problems*** - caused by not putting contingencies (or alternative solutions) in place in case something goes wrong
7. ***Cost*** – covering price, Total Cost of Opportunity (TCO)
8. ***Experience*** in delivery, market and current references.
9. ***Flexibility and simplicity***
10. **Etc.**

## LO 4.3 Identify supply problems to avoid routine supply issues

- **Topic 1:Tips for mitigating problems with suppliers**

1. ***Production capacity:*** Miscalculating the supply chain capacity produces disastrous consequences, particularly for those suppliers that little experience of your product. The best way to handle this is to be fully aware of your suppliers capacity and to start small on new suppliers, gradually building on available capacity as they gain experience.
2. ***Miscommunication between customer and supplier:*** Failure to speak at the same level or language with your supplier is an open invitation to potential problems. For example when carrying out a forecasting exercise, use the language that your supplier understands like how many customers are using the supply chain and how many SKU's/Shipsets are expected within the period rather that asking for their estimated increases in production. Develop processes that ensure communication is well understood and acted upon.
3. ***Your tools and systems:*** Tools and systems for planning should be flexible enough to include current and future requirements. Your existing tools are maybe good enough for current needs but you must consider how you will interface with your supply chain – sharing information about future order book (especially where the product is complex or susceptible to lengthy leadtimes) can be a key success factor.
4. ***Shared planning between supplier and buyer :*** Where there is a heavy reliance on an external supply chain – involving these 'partners' in your planning is vital – planning should be a shared activity.
5. ***Planning for reductions in requirement:*** Once again sharing information with your supplier about your order book can not only help the supplier when capacity requirements increase but also where there is a reduction in demand. Variation in demand can have wide reaching implications – forward planning can ensure that your supplier mitigates any financial issues and remains available.

6. ***Personnel turnover:*** Particularly for key personnel in the supply chain, measures should be in place to cover issues such as departures or lengthy absences – this is especially true where manufacturing knowledge may be held within a small team of people – your supplier may have the material and equipment but without the knowledge to manufacture the product they are in trouble!
7. ***Production risks and issues:*** Determine any risks or issues in your suppliers production processes – is there reliance on hard to get material – or reliance on key machinery – what will happen if there are issues? Does your supplier have a mitigation strategy?
8. ***Continuous improvement:*** The supply chains adherence to constant improvement is a good mitigating measure. Supply chains that have continuous improvement systems such as kaizen will more likely be able to handle production problems. How are your suppliers geared up for this?
9. ***Formal capacity planning program:*** Continuous improvement on the effectiveness of the capacity-planning process is a requirement in setting goal for expansion and improvement of at least one part creating new versions of the plan. These help mitigate supply problems on flexibility, ensure capacity is assessed regularly.
10. ***Learning from lessons when things go wrong:*** One of the most powerful tools for mitigating problems with suppliers when things go wrong is to learn from mistakes. However harsh, mistakes will happen – what sets apart a goods supplier from a poor one are those that learn from their mistakes – fix the problem and improve. Repeated issues or a failure to stop systematic issues are a sign that all is not well.

## LO 4.4.Distribute stock within the organization

- **Topic 1: Stock distribution factors**

1. ***Storage locations:*** The storage locations re typically used to store removable items
2. ***Storage containers:*** Storage containers re widespread in use throughout the world and have probably been in use since the first human civilization
3. ***Storage volume:*** The present and potential storage limits and usage can be viewed on the storage monitor display.
4. ***Processing:*** Reducing the processing time of order processing can directly reduce the amount of inventory necessary to be stocked in the operations.
5. ***Costs***: With a wide variety of product sizes and weight, these systems are designed to handle a specific range of product. Very large, small, heavy or light products require vying degree of manual handling and the cost increase. Storing products instead of receiving and immediately selling them also add cost.
6. ***Distribution center organization & Planning***: The Warehouse or other specialized building often with refrigeration or air conditioning which is stocked with products to be distributed. Distribution center is principal part, the order processing element, of the entire order fulfilment process. Distribution centers re usually though of s being demand driven/foundation of supply network, s they allow single location to stock a vast number of products.

**7.** ***Simple distribution center outline :***

Because many distribution centers service both large and small clients, especially those which store a specific type of service as opposed to those which serve a specific company, roles and departments are generally more complicated. A simple distribution center which serves many clients of a specific theme or type of service may include:

- Goods in (or goods inward): Usually containing specialized container unloading equipment and workers, including pallet wrapping, conveyor belt unloaders (as used on 40 ft shipping containers), forklift drivers, and administrative staff.
- Bulk: As a rule, a bulk department controls and ships larger orders or orders that contain only full cartons/boxes. A bulk department includes forklift truck drivers to load containers and wagons, and man-up or combi forklift trucks to unload full pallets from warehouse racking.
- Break-bulk: Break-bulk (also known as split case) is a lower-capacity version of the bulk department. Orders usually contain part boxes or items not requiring pallets. Due to the number of smaller customers a distribution center may serve, a break-bulk department may need more workers than a bulk department. A break-bulk department usually uses trolleys or, for palleted/heavy orders, small electric PPT or walkie low lift trucks. Items shipped by break-bulk are usually stored in pick, which are usually the bottom two pick-faces of warehouse racking. A pick-face is the space on such a racking system onto which a pallet can be loaded.
- Export: An export department controls orders which are leaving the country of the distribution center. This department is almost identical in function to a bulk or break-bulk department; however, workers in this department build pallets conforming to different standards and sizes. An export department also uses different shipping containers or haulage firms.
- Quality assurance: A quality assurance (QA) department performs periodic checks of random samples of stock to check quality, including from the warehouse racking, goods in, and returned stock. This department may also take on cycle count duties to find missing stock.
- Administration
- Packing and production: In many distribution centers it is not feasible to store stock in many different packaging styles or quantities, and while it may cost a customer more to do so, many customers, such as supermarkets, prefer their own packaging on stock. Because of this, packing benches are used to take raw items, such as a box of balloons, and pack them at a specific unit quantity, which are then packed into cartons and labeled accordingly for a customer. In many circumstances this may be more inexpensively done at a distribution center than by a customer or client.
- Transportation: Arranges and coordinates shipments in and out of the distribution center.

Dedicated product departments: Divisions may be based on handling characteristics or storage

characteristics, for example, refrigerated and non-refrigerated [meat and produce, frozen, dairy/deli, dry]. Each of these three areas have both shipping and receiving departments as well.

- Distribution centers also have a variety of supporting departments, including human resources, maintenance/facilities operations, production control, and accounting.

8. Scaling or setting the stage to enable and support growth of company. It requires planning, processes, some funding and right systems, staff, technology and partners

# Learning Unit 5: ORGANISE AND ADMINISTER STOCK TAKES

## LO 5. 1. Maintain stocktaking

- **Topic 1: Definition of stock taking:**

Stock taking or "inventory checking" is the physical verification of the quantities and condition of items held in an inventory or warehouse.

- **Topic 2: Stock taking principles:**

1. ***The amount in the stores***: Store layout and design includes the set up of you stores, the visual presentation, and product placement. Then the buyer have to collaborate with the supplier throughout the supply chain management process to ensure inventory is always in stock but not excessive.
2. ***The amount bellow which stock should not fall:*** it refers to the minimum quantity of a particular item of material that must be kept in the stores at all times.
3. ***The amount issued to whom and when:*** It means the sum of total face value of the shares of series preferred stock issued on each applicable issue date.

- **Topic 3: Tools for the stock take:**

✓ Clipboards
✓ Stock sheets
✓ Write-off sheets
✓ Pens, in different colors
✓ Calculators
✓ Hand held scanners for bar-coded inventory
✓ Steps to successful stocktaking:
✓ Clearly identify what stock is owned by the business and where it is.
✓ Ensure the stock room is clean and tidy and inventory items are clearly laid out.
✓ Tools for the stock take
✓ Discourage radios, mobile phones, iPods and idle chitchat.

✓ Count every item of your inventory, don't estimate.

- **Topic 4: Check the physical count against accounting records and recheck discrepancies**

An inventory discrepancy happens when the actual on-hand inventory stock is different from the item quantity recorded in an inventory system. Undetected stock discrepancies can result in lost sales, overstocking and poor customer service.

***The common causes of discrepancies:***

◦Incorrect data entry during receiving/inbound.

◦ Misplaced stocks.

◦Inadequate handling of damaged and returned stocks.

◦ Stocks mixing.

◦ Stocks loss due theft.

◦ Human error during stock takes process.

◦ Incorrect unit of measurement used.

◦ Not updating the inventory system.

***Checking for stocktaking discrepancies****:*

Conducting physical stocktaking regularly is the most reliable method for revealing discrepancies between inventory records and the actual stock you have on hand. The most efficient way to resolve any stocktaking inconsistencies is by using a checklist to determine and remedy discrepancies in inventory numbers. Checklists should address the following

1. ***Recount the stock:*** This is the first step if numbers don't match up. A simple mistake during the original count can easily be rectified with a product recount.
1. ***Stock location:*** Check to ensure stock is not in the wrong location. It may not be missing, just in the wrong bin or in another area of the storeroom altogether.
2. ***Unit measures*****:** Have the correct unit of measurement been used? Make sure units are recorded as they have been receipted: individual units, by box, weight, length or litre. Establish a measurement and stick with it.
3. ***Descriptions:*** Make sure the description in your inventory records actually matches the product being counted. A common error in stocktaking is when staff mistakenly count items with a different identification number or a similar product that has a variation in size or colour.
4. ***Inwards & outwards stock*****:** Confirm that all sales have been accounted for and entered into your inventory management software. Ensure orders from suppliers have been delivered and entered into stock.

5. ***The physical count counts:*** Regardless of whether or not you can determine the cause of stock discrepancies, it is important to update your inventory records to reflect the results of your physical count. Whatever the records say, it is the physical, on-hand inventory that matters.

## Topic 5 Definition of stock delivering guidance for taking delivery of goods

Delivery is the action of transferring a commodity, or another instrument that is the subject of a sales contract, and is tendered to and received by the buyer. Some guidance for taking delivery of goods are:

***1. Purchase orders:*** The goods receiving department will check the goods against the relevant purchase order, and check *delivery note* which accompanies the goods. Once approved, the purchase invoice can be paid.

2. ***Delivery service type:*** You will want to choose the delivery service that is best equipped to economically m your delivering needs. This will depend on the size and number of your packages, and how far you are send them.
3. ***Damaged goods****:* Here you make an entry in inventory write-off expense account and you reduce the amoun inventory carried on the books. You debit the cost of goods sold account and credit the inventory write- expense account.
4. ***Quantity Discrepancies*****:** When a cost or quantity discrepancy is identified, you must review and reconcile discrepancy. The cost discrepancy is based on a comparison between the invoice and the receipt. A quan discrepancy is based on a comparison between the PO and the receipt.
5. ***Incorrect goods:*** If the wrong goods are delivered, there is a breach of contract. ... In that case you can dem compensation and possibly terminate the contract with your supplier. However, if procedures for breach contract or termination of contract have already been pre-defined in the contract then these will apply.
6. ***Receiving:*** If you have to receive goods which are large or hazardous ensure you are clear about exactly wh they will be delivered and arrange for appropriate staff and facilities to be in place. If purchasing large ite check that there is adequate space for the item and access for the delivery.
7. ***Storing deliveries:*** Food deliveries should not be left exposed to the elements or in the danger zone of bacte growth. All deliveries should be transferred to suitable storage without delay. Raw and cooked food transported in the same vehicle should be segregated to avoid cross-contamination.
8. ***Commissioning and Installation****:* These are the process of planning, documenting, scheduling, testing, adjust verifying, and training, to provide a facility that operates as a fully functional system per the Owner's Pro Requirements.
9. 

## LO 5.2. Coordinate and supervise staff with their responsibilities

- **Topic 1:Tasks in stock taking**

1. Spot checking (randomly quick checking )
2. Stock reconciliation which is the process of matching your stock records with what you physically have in your store. In addition to counting items and updating your records, this whole process also lets you find stock discrepancies, so you can address them.
3. Issuing to the user department
4. Recording and reporting

- **Topic 2:Benefits of stocktaking**

1. Checks your gross profit and loss minimization strategy
2. Tells if you have any stock problems, i.e. Theft
3. Helps you with your pricing strategy
4. Helps you place the right orders
5. Provides the performance information you need to run your business profitably
6. Provides an accurate picture of your stock holding
7. Highlights product sales performance
8. Helps reduce stock levels and improve cash flow

## LO 5.3. Report stock-takes within designated timelines

An inventory report is a summary of items belonging to a business, industry, organization, or home. It provides a comprehensive account of the stock or supply of various items. They can be written in various forms and lengths. A good inventory report should always be clear, simple, and exhaustive.

- **Topic 1:Reporting considerations of stocktaking**

1. **Closing stock value for each section:** Closing stock is an amount of unsold lying in your business on a given date. In simple word, it's the inventory which is still in your business waiting to be sold for a given period. The closing stock can be in various forms such as raw material, in-process goods or finished goods. *Formula of Closing Stock: Closing Stock = (Opening Stock + Inward)- outward .*
    - Opening stock is the unsold stock brought forwarded previous period
    - Inwards are new additions which include purchases and goods produced.
    - Outward is the sale or consumption of goods in production


2. **Total purchases for the period:** To calculate inventory purchases. Subtract your closing inventory from beginning inventory, and then add in the inventory purchases you made during the accounting period,

which are part of your cost of goods sold. *Purchase formula=ending inventory-beginning inventory+ cost of sales.*

3. **Days Stockholding:** What inventory days mean?

   Days in inventory ( also known as "Inventory Days of Supply", "Days Inventory Outstanding" or the "Inventory Period") is an efficiency ratio that measures the average number of days the company holds its inventory before selling it. Days Inventory Outstanding Formula:

   - *Calculate the cost of average inventory*, by adding together the beginning inventory and ending inventory balances for a single month, and divide by two.
   - *Determine the cost of goods sold*, from your annual income statement
   - Divide cost of average inventory by cost of goods sold
   - Multiply the result by 365

*(DIO)= (Cost of average inventory/Cost of goods sold) ✕365*

4. **Gross Profit achieved for each section/ Estimated Gross Profit or Actual Gross Profit**

**:** Gross profit also called gross income is the profit a company makes after deducting the costs associated with making and selling its products, or the cost associated with providing its services.

*Gross profit is calculated by subtracting the cost of goods sold from revenue.*

5. **Budget Gross Profit** which is difference between estimated revenues and estimated expenses as determined by the different budget a company prepares. i.e. sales budget, production budget, selling and administrative expense budget, etc. *The formula for budget profit is: BP=BR- BE, w*here BP is Budget Profit.

The following are steps to be followed:

- List your inventory items: List every item that you have in stock. This will be the list that helps you stay organized with your inventory in the future. Keep in mind that you may have multiple locations. If you have more than one stock room, make sure to list which stock room you're taking inventory for.
- List them in an organized fashion: When listing your items, think of a good way that will help you search for items on your inventory report. Try listing them alphabetically or by serial number.
- Keep a space for description: Under your inventory items, leave a space for description. This will help you keep track of differences in items: For example, you can list separate colors or sizes in this space but have a total inventory count next to the original item. Also, you can mark down if an item is damaged or missing in your description
- Assign a price to each item: Depending on the kind of inventory you have, list prices. The price may be what you paid for the item, what price you sell the item at, your bottom expenses, or your bottom earnings from the item.

- Make a column to list stock remains: Next to the list of your items, make a column where you can list the amount of stock you have per item. If necessary, leave room for labels—boxes, dozen, pairs, etc.

6. **Surplus/Deficit:**
   - Surplus is when you earn more than you spend; example: if I make 1000Rwf and only spend 200rwf, the surplus is 800rwf.
   - The deficit is the opposite: The amount that you spend that is more than what you earn. Example: If you make1000rwf and spend 1500rwf, then your deficit is 500Rwf.
7. **Allowances/ Waste for the period**: An allowance is similar to a return in the fact that the seller is giving the buyer a credit on the account because something is wrong with the order. In the case of an allowance, the physical inventory is not returned to the seller. The buyer gets to keep the merchandise but receives a discount on merchandise. Sometimes this happens because the inventory is incorrect but the buyer thinks it can still be sold. When dealing with allowances, it is important to not if the value of the inventory is changing on each side of transaction and record that change correctly depending on the inventory method being used .Inventory waste refers to the waste produced by unprocessed inventory. This includes the waste of storage, the waste of capital tied up in unprocessed inventory, the waste of transporting the inventory, the containers used to hold inventory, the lighting of storage space, etc.
8. **Yield:** Yield refers to the earnings generated and realized on an investment over a particular period of time. It's expressed in a percentage based on the invested amount, current market value, or face value of the security. It includes the interest earned or dividends received from holding a particular security over the specific period. Generally Yield is calculated by dividing the interest received on a set period of time by either the amount originally invested or by its current price.

# End

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