



**RQF LEVEL ....**



**TRADE: CULINARY**

**MODULE CODE: FBSSO501**



# **TEACHER'S GUIDE**

**Module name: Stocks Control and Ordering.**

## **Acronyms**

**Work-in-progress (WIP) inventory**

**Maintenance, Repair and Operating (MRO)**

**goods received note (GRN)**

**Purchase order (PO):**

**First In-First Out/Last In- Last Out(FIFO/LIFO)**

**Vendor Managed Inventory (VMI)**

**Just in Time (JIT)**

**Economic order quantity (EOQ)**

**Make to order (MTO)**

**point-of-sale system (POS system)**

**Total Cost of Opportunity (TCO)**

*Disaster Recovery plan(DRP)*

**Radio Frequency Identification (RFID)**

## **Introduction**

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.

**Module Code and Title: CUASC501 Stocks Control and Ordering**

**Learning Units:**

- 1. Maintain stock level and record**
- 2. Process stock orders**
- 3. Minimize stock losses**
- 4. Pursue orders**
- 5. Organize and administer stock takes**

## Learning Unit 1: Maintain stock level and record

### Picture/s reflecting learning unit 1: Maintain stock level and record



### STRUCTURE OF LEARNING UNIT

#### **Learning outcomes:**

- 1.1 Use stock control systems and equipment
- 1.2. Maintain stock levels
- 1.3. Maintain stock security
- 1.4. Record reports of stock levels
- 1.5. Report fast/ slow selling items.
- 1.6. Maintain stock reorder cycles.

#### **Learning outcome 1.1: Use stock control systems and equipment**



**Duration: 1hr**



## **Learning outcome 1 objectives :**

By the end of the learning outcome, the trainees will be able to:

1. Define of stock control.
2. Identify of tools and equipment for stock control systems.
3. Know the Types of Stock.
4. Identify the Types of stock control systems.



### **Resources**

<b>Equipment</b>	<b>Tools</b>	<b>Materials</b>
weighing Scales, laptop machine, camera.	Re-order alerts, reports, dashboards, barcoding and mobile, and system integration & measuring cups.	Paper & pens, calculator, weighing Scales& measuring cups.



### **Advance preparation:**

- . Arranging classroom
- . Prepare pedagogical documents
- . checking class attendance



## Indicative content 1.1: Identification of tools and equipment for stock control systems.

### 1.1.1: Concepts and Meanings

**1. 1.1.1. 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 warehouse which is to be sold to customers.

Example of stock:

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

### 1.1.1.3. 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.

## 1.2: 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

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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:

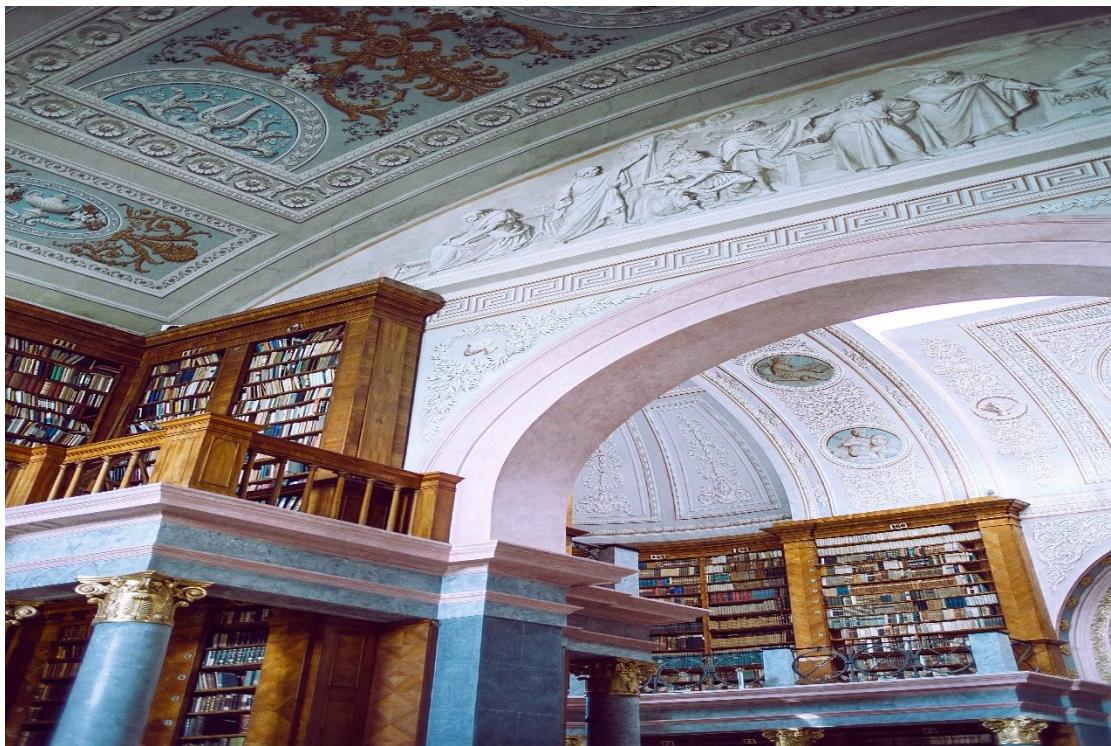
### 1.2.1. Manual tools & equipment :

**1.2.1.1 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 received it and its location.

**1.2.1.1.2. Stock cards:** where each stock item will have its separate card; the card should have the following information: Description, Location of stock, Reorder level, Quantity and lead time (if this method is used), supplier details, each time and transaction of stock item (either 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.

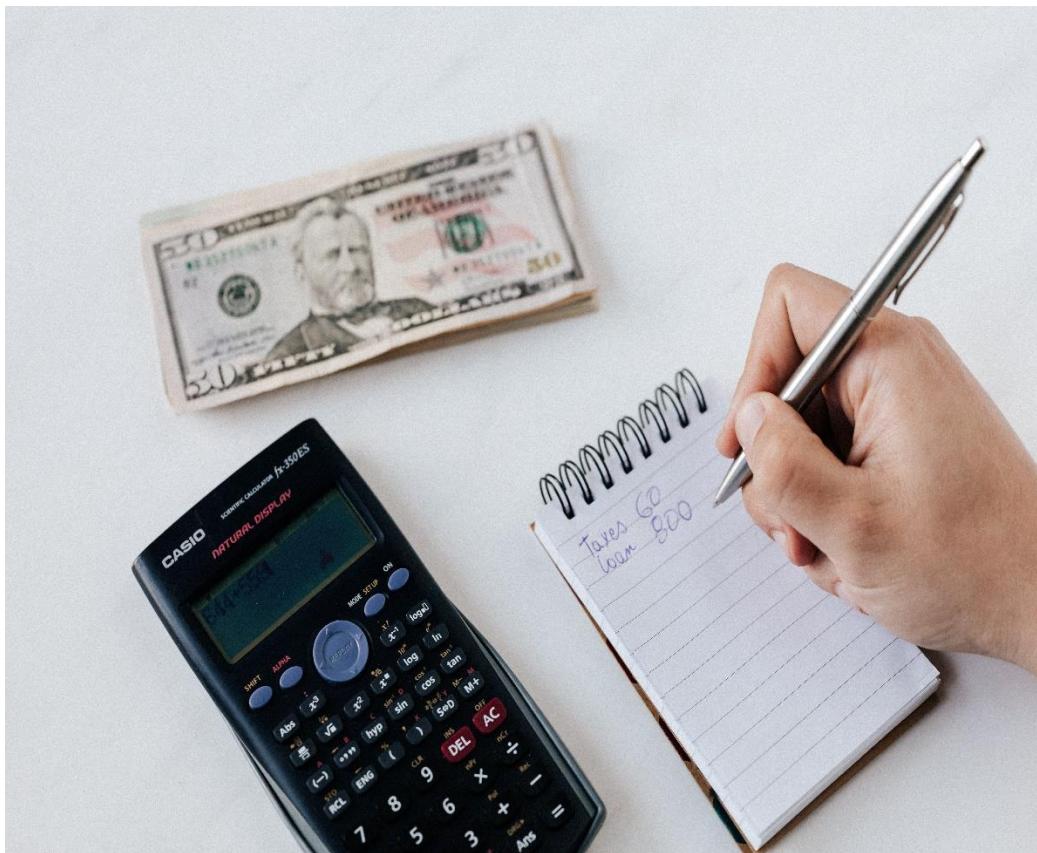
**iii. Bookkeeping books:** Reference books, Financial books such as cash book, ledger book, accounting journal, petty cash books, balance sheet, Budgets, Sales invoice.



...

*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 system:**

Time consuming.

Human error.

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No backup records in case of loss or damage.

4. May require specialized knowledge to maintain.

2. **Computerised stock control systems:**

run on similar principles 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.

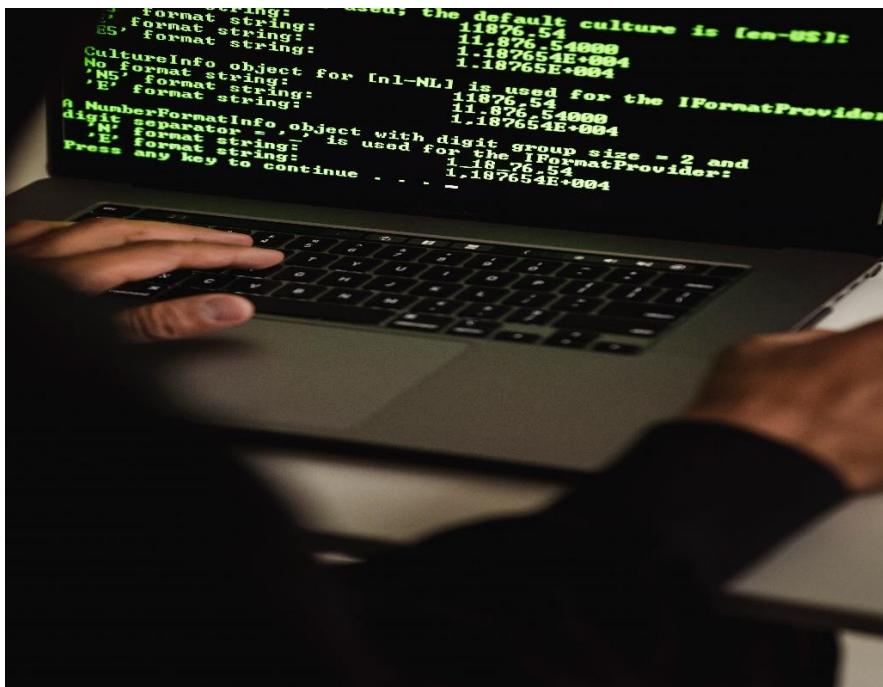
- Automatic batch control if you produce goods in batches.

- 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.

### 1.1. 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

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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**

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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.....

PURCHASE REQUISITION Date.....

Department/ Section: .....

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.

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**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

300

20

20 Cartons of yogurt

Cartons Apple juice

Cartons of Powder Milk

Only three million, three hundred thousand and thirty thousand.

6

7

10

5,800KSh

6,000

KSh

18,500 KSh

1,160,000

KSh

1,800,000

KSh

370,000 Rfw

**3.330,000KSh**

Period of delivery: 8 days

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.

**6. Receiving of goods**

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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

2

3

1460

1461

628

16

2

3

Mobile Phone Nokia 1100

Desk top

Lap top HP Vista

174/ 2008

174/ 2008

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.

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**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

1

DESCRIPTION

Carton of biscuits

Less Trade discount (10% of 800 000)

UNIT PRICE

Rwf 80

VALUE

Rwf 800 000

Rwf (80 000)

**Rwf 720 000**

ONLY Seven hundred twenty thousand Rwandan francs

EPILAX

Signature

**9. Invoice:**

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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

Stores Ledger Account

Mat: Description ..... Material code .....

Max: Stock level ..... Re-order level .....

Min: Stock level.....Re-order quantity .....

Date Receipts Issues Balance

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GRN

No

Qty Price Value MRN

No

Qty Price Value Units Value

**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:

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**Issue Stock**

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

*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.

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**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 (computerbased) 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

## **Shelving Storage**



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

- o Clean the shelf before loading the stock;
- o Do not over-stock or over-load shelves; this can cause them to collapse and items to fall off.
- o Move existing items to the front and put new items behind.
- o Check use-by and best-before dates of existing stock and adjacent items.
- o Store similar products together. „Group“ all products of the same type.
- o Load heavier items of lower shelves to help avoid injury.
- o 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.
- o Load stock with labels facing the front to assist in identification.
- o 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, undercounted refrigeration units or domestic refrigerators. It may also be a refrigerating chamber or cold room of where house in which a specific temperature is generated

When refrigerate food ensure:

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

- o 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.
- o Where the temperature is 3°C or less, this time could extend beyond 7 days.
- o The cool room or refrigerator door is closed between uses and an effort made to minimize opening times by planning these openings. An open door raises the temperature and makes the unit more expensive to operate as well as potentially jeopardizing food safety.
- o The cool room/refrigerator is not overcrowded to enable air to circulate freely around food items.
- o 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).
- o 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.
- o 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:

- o Food is kept „hard frozen”.
- o The recommended temperature range is -15°C to -18°C
- o Hot food is never frozen – cool it first.
- o Thawed items are never refrozen!
- o Freezers are defrosted regularly to maintain operating effectiveness and encourage use or disposal of items in the freezer for some time.
- o Freezer doors are kept closed when the freezer is not in use.
- o Freezer temperature is checked at least daily to ensure correct temperature.
- o Large amounts of food are not frozen as this encourages others to defrost the item and then refreeze it. In practice this means freezing slices rather than slabs of meat, and using shallow storage containers rather than deep ones.

o 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 below 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



## Indicative content 1.1: : Identification of tools and equipment for stock control systems



### Theoretical learning Activity

- ✓ I invite the learners to do research about Equipment for Stock control system
- ✓ I help the learners to do form group and discuss about the Storage equipment and tools
- ✓ I give the learners the work on all equipment used in stock control system



### Practical learning Activity

- ✓ The learners form group and write all equipment's used in stock control system



Points to Remember (Take home message)

- ✓ Accounting tools
- ✓ Recording tools
- ✓ Storage equipment



## Indicative content 1.2: Identification of types of stock.

### 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

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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, ...

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**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.



### **Theoretical learning Activity**

- ✓ **I help the learners to form group for discussion about Types of Stock**



### **Practical learning Activity**

- ✓ **I help the learners to form group and invite to arrange a stock**



### Points to Remember (Take home message)

- Raw materials and components
- Work in progress (tool and unfinished goods in production)
- Finished goods ready for sales
- Consumables (fuel and station)



## **Indicative content 1.3: Identification of stock control systems:**

### **: Types of Stock Control Systems**

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#### **1. Track stock system levels**

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#### **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.....

PURCHASE REQUISITION Date.....

Department/ Section: .....

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.

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**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

300

20

20 Cartons of yogurt

Cartons Apple juice

Cartons of Powder Milk

Only three million, three hundred thousand and thirty thousand.

6

7

10

5,800KSh

6,000

KSh

18,500 KSh

1,160,000

KSh

1,800,000

KSh

370,000 Rfw

**3.330,000KSh**

Period of delivery: 8 days

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.

## **6. Receiving of goods**

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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

2

3

1460

1461

628

16

2

3

Mobile Phone Nokia 1100

Desk top

Lap top HP Vista

174/ 2008

174/ 2008

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.

Page **10 of 45**

**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

1

DESCRIPTION

Carton of biscuits

Less Trade discount (10% of 800

000)

UNIT PRICE

Rwf 80

VALUE

Rwf 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

Stores Ledger Account

Mat: Description ..... Material code .....

Max: Stock level ..... Re-order level .....

Min: Stock level..... Re-order quantity .....

Date Receipts Issues Balance

GRN

No

Qty Price Value MRN

No

Qty Price Value Units Value

#### **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...

### **Issue Stock**

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

*The procedures for issuing inventory are as follows:*

Material *requisition notes* are issued from production departments. Their purpose is to authorize 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.



### **Theoretical learning Activity**

- ✓ **I ask the learners to remind me Types of Stock Control Systems**



### **Practical learning Activity**

**I invite the learners in group to use Equipment for Stock control system**



Points to Remember (Take home message)

Meaning of:

- Track stock system levels
- Make orders
- Issue stock
- Stock cards
- Stock tags



### **Learning outcome 1 formative assessment**

## **Written assessment**

- Assessment tools
  - ✓ True or false questions
  - ✓ Multiple choice
  - ✓ Open ended questions
  - ✓ Case studies



**Please mix different assessment tools for triangulation and relevancy of assessment**

## **Practical assessment**

- Assessment tools
  - ✓ Assay
  - ✓ Task to be performed
  - ✓ Observation checklist

## **References:**

## Learning outcome 1.3: Secure stock



Duration: 1hr



**Learning outcome 1 objectives : By the end of the learning outcome, the trainees will be able to :**

- ✓ Explain clearly the Factors to be considered for ensuring stock security.
- ✓ use Stock Keeping systems.
- ✓ use Stock control methods.



### Resources

Equipment	Tools	Materials



### Advance preparation:

- . Arranging classroom
- . Prepare pedagogical documents
- . checking class attendance



### Indicative content 1.3.1. Applying stock control methods

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.

#### • Topic 1: 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 stocktakes.

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/Last 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 through 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.

**lc**

### Theoretical learning Activity

I help the learners to form group and discuss on the Factors to be considered for ensuring stock security

- Stock Keeping systems
- Stock control methods



### Practical learning Activity

I invite the trainees to use stock keeping system



Points to Remember (Take home message)

#### **Applying stock control methods:**

- Reorder lead-time
- Economic order quantity
- Batch control
- First in-first out

**Learning outcome 1.4** Record reports of stock levels



**Duration: 1hr**



#### **Learning outcome 4 objectives:**

**By the end of the Learning outcome, the trainees will be able to:**

- ✓ Explain clearly documents used in store control recording
- ✓ Identify properly the Classification of records of stock outgoing
- ✓ distinguish types of standard reports production.



#### **Resources**

<b>Equipment</b>	<b>Tools</b>	<b>Materials</b>



#### **Advance preparation:**

- . Arranging classroom
- . Prepare pedagogical documents
- . checking class attendance



#### **Indicative content 1.4.1 : identification of standard reports**

#### **production**

#### **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 charge:** 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 started 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.

**lc**

### **Theoretical learning Activity**

- ✓ I help the learners to form group to discuss on the Types of standard reports Production'.



### **Practical learning Activity**

- ✓ I bring copy Documents used in store control recording for helping the learners understanding well.
- ✓ I demonstrate the learner how to Classify the records of stock outgoing



Points to Remember (Take home message)

- 1. Documents used in store control recording**
- 2. Classification of records of stock outgoing**
- 3. Types of standard reports production:**

.

## Learning outcome 1.3: Secure stock



Duration: 1hr



**Learning outcome 1 objectives : By the end of the learning outcome, the trainees will be able to :**

- ✓ Explain clearly the Factors to be considered for ensuring stock security.
- ✓ use Stock Keeping systems.
- ✓ use Stock control methods.



Resources

Equipment	Tools	Materials



**Advance preparation:**

- . Arranging classroom
- . Prepare pedagogical documents
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Ic

**Indicative content 1.3.1. Applying stock control methods**

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#### **8. Adequate space**

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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.

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**lc**

## Theoretical learning Activity

I help the learners to form group and discuss on the Factors to be considered for ensuring stock security

- Stock Keeping systems
- Stock control methods



## Practical learning Activity

I invite the trainees to use stock keeping system



Points to Remember (Take home message)

### **Applying stock control methods:**

- Reorder lead-time
- Economic order quantity
- Batch control
- First in-first out

**Learning outcome 1. 5:** Report fast/ slow selling items



**Duration: 1hr**



**Learning outcome 4 objectives:**

**By the end of the Learning outcome, the trainees will be able to:**

- ✓ Explain clearly Classification of stock in terms of movement.



**Resources**

**Equipment**

**Tools**

**Materials**



**Advance preparation:**

- . Arranging classroom
- . Prepare pedagogical documents
- . checking class attendance



**Indicative content 1.5.1 : Creation and classification of stock in terms movement**

#### **1.5.1.1: Classification of Stock in terms of movement**

**1.5.1.1.1: Fast moving:** Fast-moving stock is merchandise that sells within a couple of days and does not hold inventory storage space for long.

**1.5.1.1.2. 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.

**1.5.1.1.3. *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.

**1.5.1.1.4. *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.

**1.5.1.1.5. *Main parts of stock report*:** The stock report assignment has three components:

- o The stock purchase table
- o Stock weekly values table and article
- o Then the short letter report.

that location.



### **Theoretical learning Activity**

I help the learners to form group to discuss on Classification of stock in terms of movement



### **Practical learning Activity**

I demonstrate the learner how to Classify stock in terms of movement



Points to Remember (Take home message)

Classification of stock in terms of movement

**Learning outcome 1.6: Maintain stock reorder cycles**



**Duration: 1hr**



#### **Learning outcome 6: objectives:**

**By the end of the Learning outcome, the trainees will be able to:**

- ✓ Explain clearly the Define of stock reorder.
- ✓ Elaborate properly The main factors that influence the stock reorder cycle.



#### **Resources**

<b>Equipment</b>	<b>Tools</b>	<b>Materials</b>



#### **Advance preparation:**

- . Arranging classroom
- . Prepare pedagogical documents
- . checking class attendance



## Indicative content 1.6: Maintain stock reorder cycles

### 1.6 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 holds 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 products or materials at the same time or both.

### 1.6.2: The main factors that influence the stock reorder cycle

#### 1.6.2.1: 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

#### 1.6.2.1.2: 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.

#### 1.6.2.1.3: 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.

#### 1.6.2.1.4: 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.

#### 1.6.2.1.5: Demand fluctuation:

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

#### **1.6.2.1.6: 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.



#### **Theoretical learning Activity**

I help the learners to form group to discuss on identification of factors that influence the reorder cycle identification.



#### **Practical learning Activity**



#### Points to Remember (Take home message)

- ✓ Definition of stock reorder
- ✓ The main factors that influence the stock reorder cycle:

## Learning Unit 2: PROCESS STOCK ORDERS

**Picture/s reflecting Learning Unit 2: PROCESS STOCK ORDERS**



### STRUCTURE OF LEARNING UNIT

#### **Learning outcomes:**

- 2.1. Identify stock ordering responsibilities**
- 2.2. Apply organizational strategies for stock ordering**
- 2.3. Record incoming stock against purchase and supply agreements**

**Learning outcome 2.1: Identify stock ordering responsibilities**



**Duration: 3hrs**



### **Learning outcome 1 objectives :**

By the end of the learning outcome, the trainees will be able to:

1. Identify properly the duties and tasks for stock Ordering.



### **Resources**

<b>Equipment</b>	<b>Tools</b>	<b>Materials</b>



### **Advance preparation:**

- . Arranging classroom
- . Prepare pedagogical documents
- . checking class attendance



**Indicative content.2. 1:** Identification of responsibilities for stock ordering.

### **2.1.1: 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

### **2.1.2: 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.

#### **2.1.2.1: Factors for setting goals**

#### **2.1.2.2: 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?

**2.1.2.3: 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.

**2.1.2.4: 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.

**2.1.2.5: Order stock organizational strategies**

**2.1.2.5.1: 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.

**2.1.2.5.2: 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.

**2.1.2.5.3: 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.

**2.1.2.5.4. Highly visible and collaborative execution:** within and across organizations

- 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.

**2.1.2.5.5: Buffer profile and levels:** In order to maintain food supplies and avoid shortages.

**2.1.2.5.6. Demand driven planning:** which is a requirement planning implementation

**2.1.2.5.7. Etc.**

**2.1.3: 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.

**2.1.3.1: 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.

**2.1.3.1.1: 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....

**2.1.3.1.2: Means and ways of transportation:** Any contract between buyer and supplier is approved about

transportation means and assignment in accordance with principles and practices.

**2.1.3.1.3: Terms of payment:** Transportation cost for delivery will be decided by both parties.

**2.1.3.1.4: 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.

**2.1.3.1.5: 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.

### **2.1.3.2: 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

person 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

**1. 1.1.1.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 where house which is to be sold to customers.

Example of stock:

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

**1.1.1.3. 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.

## **1.2: 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

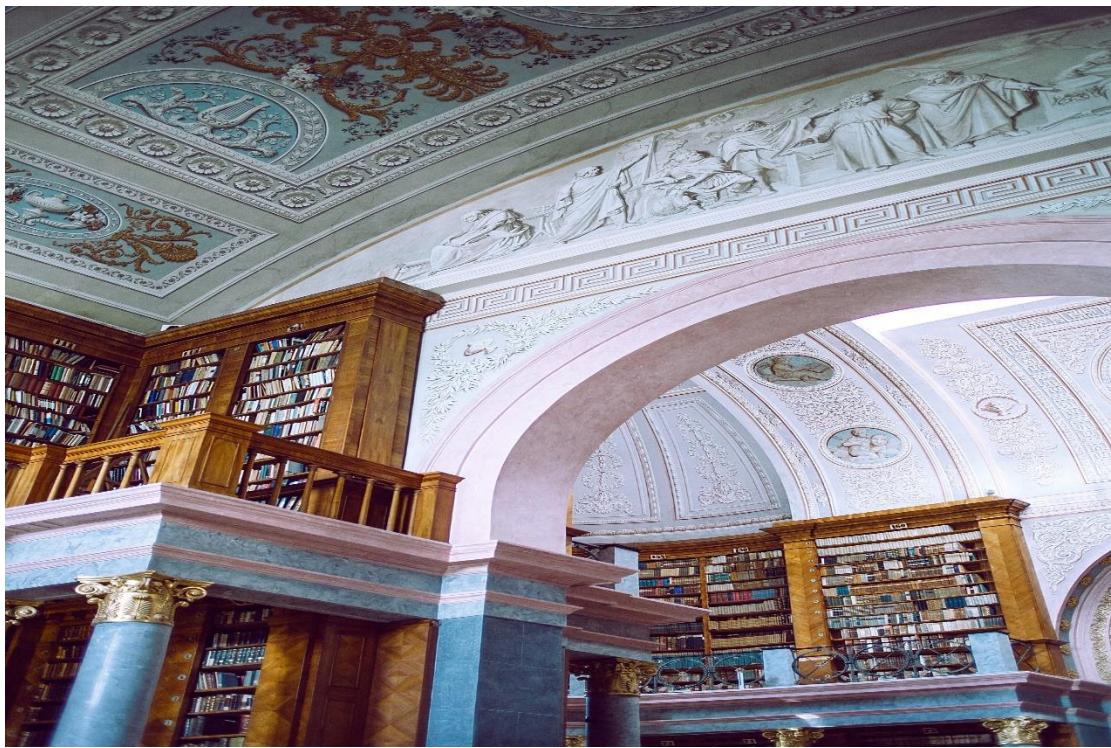
Here are some of the tools and equipment that can and should be integrated with inventory management to give you the control and visibility you need to support efficient operations:

### **1.2.1. Manual tools & equipment:**

**1.2.1.1 Stock book** which suits small business with few stock items. It enables 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 received it and its location.

**1.2.1.1.2. Stock cards:** where each stock item will have its separate card; the card should have the following information's: Description, Location of stock, Reorder level, Quantity and lead time ( if this method is used), supplier details, each time and transaction of stock item (either 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.

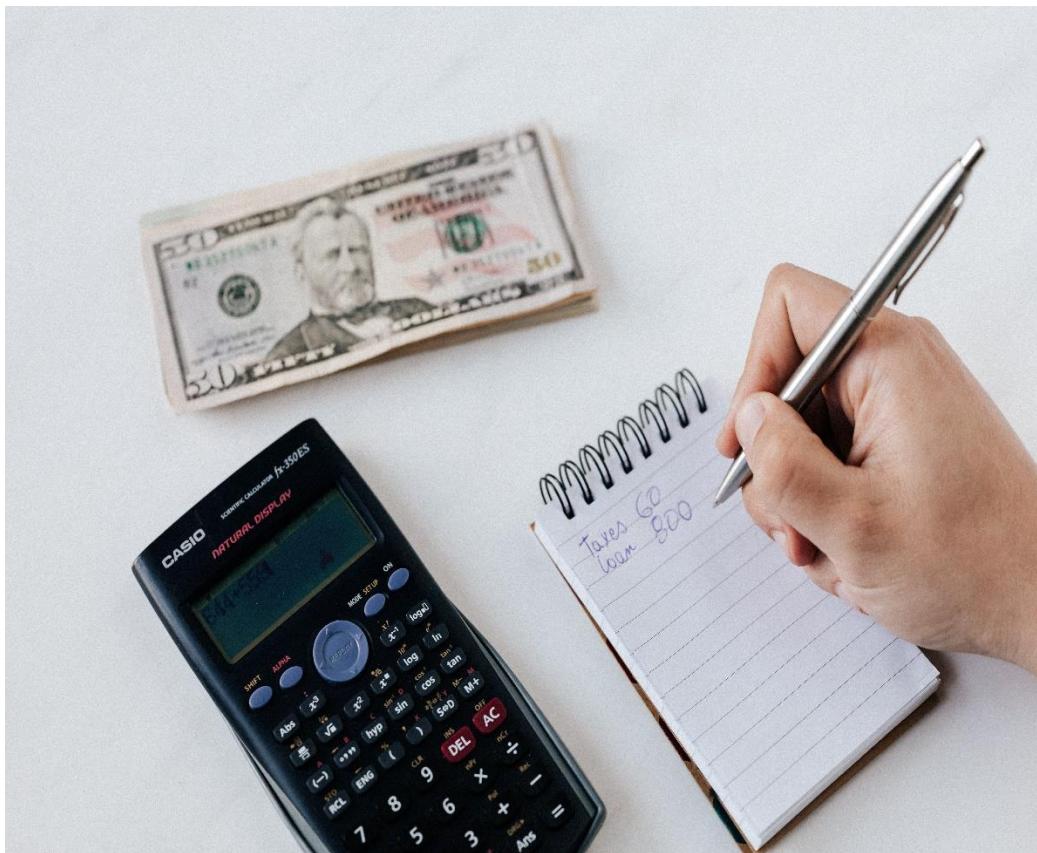
**iii. Bookkeeping books:** Reference books, Financial books such as cash book, ledger book, accounting journal, petty cash books, balance sheet, Budgets, Sales invoice.



...

*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 system:**

Time consuming.

Human error.

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No backup records in case of loss or damage.

4. May require specialized knowledge to maintain.

2. **Computerised stock control systems:**

run on similar principles 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.

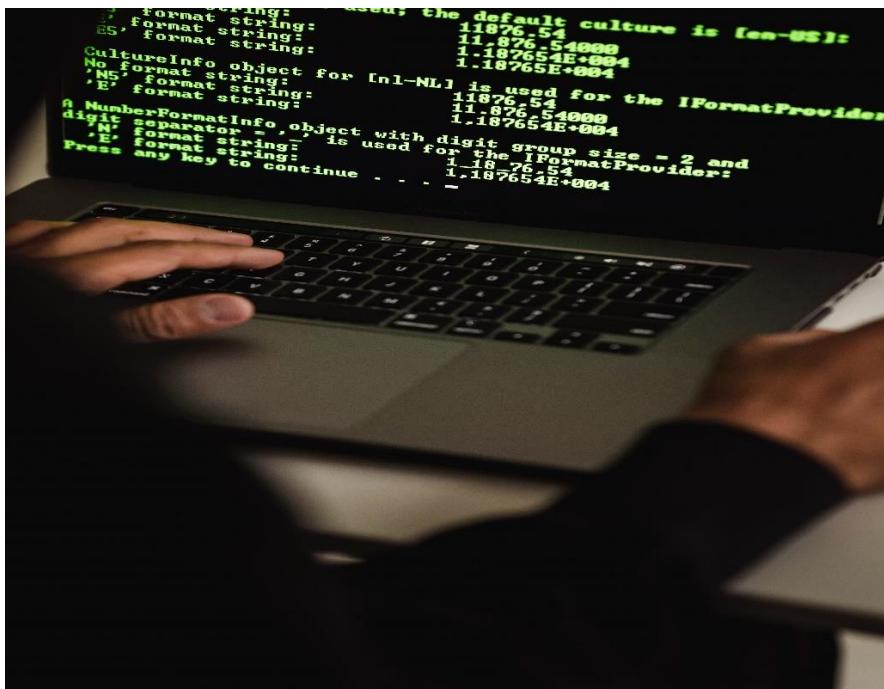
- Automatic batch control if you produce goods in batches.

- 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.

### 1.1. 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

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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**

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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.....

PURCHASE REQUISITION Date.....

Department/ Section: .....

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.

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**BESTWAY SUPPLIER LTD**

**P.O BOX 54781 NAIROBID 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

300

20

20 Cartons of yogurt

Cartons Apple juice

Cartons of Powder Milk

Only three million, three hundred thousand and thirty thousand.

6

7

10

5,800KSh

6,000

KSh

18,500 KSh

1,160,000

KSh

1,800,000

KSh

370,000 Rfw

**3.330,000KSh**

Period of delivery: 8 days

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.

**6. Receiving of goods**

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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

2

3

1460

1461

628

16

2

3

Mobile Phone Nokia 1100

Desk top

Lap top HP Vista

174/ 2008

174/ 2008

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.

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**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

1

DESCRIPTION

Carton of biscuits

Less Trade discount (10% of 800 000)

UNIT PRICE

Rwf 80

VALUE

Rwf 800 000

Rwf (80 000)

**Rwf 720 000**

ONLY Seven hundred twenty thousand Rwandan francs

EPILAX

Signature

**9. Invoice:**

Page **11** of **45**

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

Stores Ledger Account

Mat: Description ..... Material code .....

Max: Stock level ..... Re-order level .....

Min: Stock level.....Re-order quantity .....

Date Receipts Issues Balance

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GRN

No

Qty Price Value MRN

No

Qty Price Value Units Value

**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:

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**Issue Stock**

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

*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.

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**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 (computerbased) 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

## **Shelving Storage**



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

- o Clean the shelf before loading the stock;
- o Do not over-stock or over-load shelves; this can cause them to collapse and items to fall off.
- o Move existing items to the front and put new items behind.
- o Check use-by and best-before dates of existing stock and adjacent items.
- o Store similar products together. „Group“ all products of the same type.
- o Load heavier items of lower shelves to help avoid injury.
- o 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.
- o Load stock with labels facing the front to assist in identification.
- o 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, undercounted refrigeration units or domestic refrigerators. It may also be a refrigerating chamber or cold room of where house in which a specific temperature is generated

When refrigerate food ensure:

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

- o 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.
- o Where the temperature is 3°C or less, this time could extend beyond 7 days.
- o The cool room or refrigerator door is closed between uses and an effort made to minimize opening times by planning these openings. An open door raises the temperature and makes the unit more expensive to operate as well as potentially jeopardizing food safety.
- o The cool room/refrigerator is not overcrowded to enable air to circulate freely around food items.
- o 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).
- o 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.
- o 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:

- o Food is kept „hard frozen”.
- o The recommended temperature range is -15°C to -18°C
- o Hot food is never frozen – cool it first.
- o Thawed items are never refrozen!
- o Freezers are defrosted regularly to maintain operating effectiveness and encourage use or disposal of items in the freezer for some time.
- o Freezer doors are kept closed when the freezer is not in use.
- o Freezer temperature is checked at least daily to ensure correct temperature.
- o Large amounts of food are not frozen as this encourages others to defrost the item and then refreeze it. In practice this means freezing slices rather than slabs of meat, and using shallow storage containers rather than deep ones.

o 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 below 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



## Indicative content 1.1: : Identification of tools and equipment for stock control systems



### Theoretical learning Activity

- ✓ I invite the learners to do research about Equipment for Stock control system
- ✓ I help the learners to do form group and discuss about the Storage equipment and tools
- ✓ I give the learners the work on all equipment used in stock control system



### Practical learning Activity

- ✓ The learners form group and write all equipment's used in stock control system



### Points to Remember (Take home message)

- ✓ Accounting tools
- ✓ Recording tools
- ✓ Storage equipment



## Indicative content 1.2: Identification of types of stock.

### 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

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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.



### Theoretical learning Activity

- ✓ **I help the learners to form group for discussion about Types of Stock**



### Practical learning Activity

- ✓ **I help the learners to form group and invite to arrange a stock**



### Points to Remember (Take home message)

- Raw materials and components
- Work in progress (tool and unfinished goods in production)
- Finished goods ready for sales
- Consumables (fuel and station)



## **Indicative content 1.3: Identification of stock control systems:**

### **: 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.....

PURCHASE REQUISITION Date.....

Department/ Section: .....

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.

Page **8** of **45**

**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

300

20

20 Cartons of yogurt

Cartons Apple juice

Cartons of Powder Milk

Only three million, three hundred thousand and thirty thousand.

6

7

10

5,800KSh

6,000

KSh

18,500 KSh

1,160,000

KSh

1,800,000

KSh

370,000 Rfw

**3.330,000KSh**

Period of delivery: 8 days

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.

## **6. Receiving of goods**

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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

2

3

1460

1461

628

16

2

3

Mobile Phone Nokia 1100

Desk top

Lap top HP Vista

174/ 2008

174/ 2008

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.

Page **10 of 45**

**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

1

DESCRIPTION

Carton of biscuits

Less Trade discount (10% of 800

000)

UNIT PRICE

Rwf 80

VALUE

Rwf 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

Stores Ledger Account

Mat: Description ..... Material code .....

Max: Stock level ..... Re-order level .....

Min: Stock level..... Re-order quantity .....

Date Receipts Issues Balance

GRN

No

Qty Price Value MRN

No

Qty Price Value Units Value

#### **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...

### **Issue Stock**

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

*The procedures for issuing inventory are as follows:*

Material *requisition notes* are issued from production departments. Their purpose is to authorize 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.



### **Theoretical learning Activity**

- ✓ **I ask the learners to remind me Types of Stock Control Systems**



### **Practical learning Activity**

**I invite the learners in group to use Equipment for Stock control system**



Points to Remember (Take home message)

Meaning of:

- Track stock system levels
- Make orders
- Issue stock
- Stock cards
- Stock tags



**Learning outcome 1 formative assessment**

## **Written assessment**

- Assessment tools
  - ✓ True or false questions
  - ✓ Multiple choice
  - ✓ Open ended questions
  - ✓ Case studies



**Please mix different assessment tools for triangulation and relevancy of assessment**

## **Practical assessment**

- Assessment tools
  - ✓ Assay
  - ✓ Task to be performed
  - ✓ Observation checklist

## **References:**

## Learning outcome 1.3: Secure stock



Duration: 1hr



**Learning outcome 1 objectives : By the end of the learning outcome, the trainees will be able to :**

- ✓ Explain clearly the Factors to be considered for ensuring stock security.
- ✓ use Stock Keeping systems.
- ✓ use Stock control methods.



### Resources

Equipment	Tools	Materials



### Advance preparation:

- . Arranging classroom
- . Prepare pedagogical documents
- . checking class attendance



### Indicative content 1.3.1. Applying stock control methods

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.

#### • Topic 1: 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 stocktakes.

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/Last 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 through 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.

**lc**

### Theoretical learning Activity

I help the learners to form group and discuss on the Factors to be considered for ensuring stock security

- Stock Keeping systems
- Stock control methods



### Practical learning Activity

I invite the trainees to use stock keeping system



Points to Remember (Take home message)

#### **Applying stock control methods:**

- Reorder lead-time
- Economic order quantity
- Batch control
- First in-first out

**Learning outcome 1.4** Record reports of stock levels



**Duration: 1hr**



#### **Learning outcome 4 objectives:**

**By the end of the Learning outcome, the trainees will be able to:**

- ✓ Explain clearly documents used in store control recording
- ✓ Identify properly the Classification of records of stock outgoing
- ✓ distinguish types of standard reports production.



#### **Resources**

<b>Equipment</b>	<b>Tools</b>	<b>Materials</b>



#### **Advance preparation:**

- . Arranging classroom
- . Prepare pedagogical documents
- . checking class attendance



#### **Indicative content 1.4.1 : identification of standard reports**

#### **production**

#### **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 charge:** 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 started 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.

**lc**

### **Theoretical learning Activity**

- ✓ I help the learners to form group to discuss on the Types of standard reports Production'.



### **Practical learning Activity**

- ✓ I bring copy Documents used in store control recording for helping the learners understanding well.
- ✓ I demonstrate the learner how to Classify the records of stock outgoing



Points to Remember (Take home message)

- 1. Documents used in store control recording**
- 2. Classification of records of stock outgoing**
- 3. Types of standard reports production:**

.

## Learning outcome 1.3: Secure stock



Duration: 1hr



**Learning outcome 1 objectives : By the end of the learning outcome, the trainees will be able to :**

- ✓ Explain clearly the Factors to be considered for ensuring stock security.
- ✓ use Stock Keeping systems.
- ✓ use Stock control methods.



Resources

Equipment	Tools	Materials



**Advance preparation:**

- . Arranging classroom
- . Prepare pedagogical documents
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Ic

**Indicative content 1.3.1. Applying stock control methods**

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#### **8. Adequate space**

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**lc**

## Theoretical learning Activity

I help the learners to form group and discuss on the Factors to be considered for ensuring stock security

- Stock Keeping systems
- Stock control methods



## Practical learning Activity

I invite the trainees to use stock keeping system



Points to Remember (Take home message)

### **Applying stock control methods:**

- Reorder lead-time
- Economic order quantity
- Batch control
- First in-first out

**Learning outcome 1. 5:** Report fast/ slow selling items



**Duration: 1hr**



**Learning outcome 4 objectives:**

**By the end of the Learning outcome, the trainees will be able to:**

- ✓ Explain clearly Classification of stock in terms of movement.



**Resources**

**Equipment**

**Tools**

**Materials**



**Advance preparation:**

- . Arranging classroom
- . Prepare pedagogical documents
- . checking class attendance



**Indicative content 1.5.1 : Creation and classification of stock in terms movement**

#### **1.5.1.1: Classification of Stock in terms of movement**

**1.5.1.1.1: Fast moving:** Fast-moving stock is merchandise that sells within a couple of days and does not hold inventory storage space for long.

**1.5.1.1.2. 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.

**1.5.1.1.3. *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 been used for a long time.

**1.5.1.1.4. *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.

**1.5.1.1.5. *Main parts of stock report*:** The stock report assignment has three components:

- o The stock purchase table
- o Stock weekly values table and article
- o Then the short letter report.

that location.



### **Theoretical learning Activity**

I help the learners to form group to discuss on Classification of stock in terms of movement



### **Practical learning Activity**

I demonstrate the learner how to Classify stock in terms of movement



Points to Remember (Take home message)

Classification of stock in terms of movement

**Learning outcome 1.6: Maintain stock reorder cycles**



**Duration: 1hr**



#### **Learning outcome 6: objectives:**

**By the end of the Learning outcome, the trainees will be able to:**

- ✓ Explain clearly the Define of stock reorder.
- ✓ Elaborate properly The main factors that influence the stock reorder cycle.



#### **Resources**

<b>Equipment</b>	<b>Tools</b>	<b>Materials</b>



#### **Advance preparation:**

- . Arranging classroom
- . Prepare pedagogical documents
- . checking class attendance



### 1.6 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 holds 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 products or materials at the same time or both.

### 1.6.2: The main factors that influence the stock reorder cycle

#### 1.6.2.1: 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

#### 1.6.2.1.2: 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.

#### 1.6.2.1.3: 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.

#### 1.6.2.1.4: 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.

#### 1.6.2.1.5: Demand fluctuation:

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

#### **1.6.2.1.6: 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.



#### **Theoretical learning Activity**

I help the learners to form group to discuss on identification of factors that influence the reorder cycle identification.



#### **Practical learning Activity**



Points to Remember (Take home message)

- ✓ Definition of stock reorder
- ✓ The main factors that influence the stock reorder cycle: