ST. MARY'S UNIVERSITY COLLEGE
BUSINESS FACULTY
DEPARTEMENT OF MANAGEMENT

AN ASSESSMENT OF INVENTORY CONTROL PRACTICE IN ANBESSA SHOE SHARE COMPANY

BY

BERHANU DEJENE

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SMUC

ADDIS ABABA

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APPROVED BY THE COMMITTEE OF EXAMINERS

_____	_____
Department head	**Signature**
_____	_____
Advisor	**Signature**
_____	_____
Internal Examiner	**Signature**
_____	_____
External Examiner	**Signature**

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CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Resources are scarce; profit making organization should know how to utilize these resources effectively and efficiently. The inventory control section of a company is responsible for these activities, in order to continue the operation of the organization through out the year they have to use the rules and principles to handle different kinds of materials. Since it improves inventory handling activities with in the organization, it will help to avoid utilization of resources for un authorized purpose and also helps to maintain necessary material when it is needed for production and selling. It facilitates the interaction of different departments with in the organization. For instance, the marketing department will continue it selling activities if products are available when they are demanded by the market. Availability of production is also entirely dependent on timely supply of raw material and supplies.

In addition appropriate inventory management avoids un necessary carry cost and shortage of materials by indicating inventory level. It helps to avoid costs incurred when the price of material increases due to shortage of material and shortage of transportation.

This study was made to asses weather the Anbessa Shoes S.C manages its inventory based on scientific method and to know how proper inventory control maximize quality of product and profitability. The company engages in the production of shoes it used leather, sole as a raw material. The company imports raw materials from abroad and

purchase from local market. The reason why I selected the company for my study is easy to get information.

1.2 Background of the Company

Anbessa Shoe S.C was established in 1939 ad started production of shoes at the time when such conveniences were not widely known among the general populace of the country Its establishment was apparently in response to increased demand for shoes, which must have been triggered by the presence of sizable Italian occupation army that invaded the country.

The main factory premises and administration office are conveniently located in center of Addis Ababa, Lideta Kefle Ketema. The factory has one branch production unit known as MANPO Branch in Eastern part of Addis Ababa.

Anbessa has from time to time made renovation of old equipment and installation of new advanced machinery. This as enable the factory to increase its capacity following the implementation of expansion project, the designed production capacity of the company has now reached 4500 pair of shoes per day in 8 hours shift.

The two major markets are the local market and the export market which the company is recently embarked on. It uses its 17 retailing shops which are founded across the country in selected major towns t distribute its products for local market. Though the major markets have been dominated by local market share for the past many years, due to the export oriented market is taking the helm over the local. It uses a whole sale for distributing its products to the international market. The main export destination of the company is Italy through which it covers the European market.

Anbessa has accomplished a lot for the past few years and motivating results has also been achieved since the government of Ethiopia has also made export market its priority. Anbessa is getting all support it needs to export its products.

Anbessa has designed and put in effect an expansion project with the aim to changer its all manufacturing facilities with new machineries and plant facility lay out so tat it can produce export standard finished shoe using its full capacity.

The company have now a newly established factory employing state – of – the art technology with a product capcity of 3000 pairs of export standard leather foot wear na d1500 pair for local market

The company now producing world class model using he best technology adapted from Italy. Anbessa exporting its products to the European market through Italy and it also supplying the same quality products to local market using it 17 retailing shops (Company Profile)

1.3 Statement of the Problem

Flow control of control of materials requires a proper handling operations and physical distribution in many stages of its production operation and after words. Inventory is a major cost centers, materials management must ensure that materials are physically distributed at the right time with a minimum of handling and maintaining the physical flow of materials in continuous fashion.

An organization is a living system, both socio economic and socio technical, a coalition of individuals and groups for maintain and improvement of interests. In such a system, the efficiency and economy of transfer and conversion of in put to out put are of paramount importance for optimum economic result.

In many organizations cost and materials constitute a large portion for production the case is true for Anbesa Shoe S.C. This indicates that the inventory control management should be given the most priority. The nature of inventory management control in Anbessa Shoe S.C is not effective and efficient as it regards to be. There is an escalated cost of inventory and poor control system this research was tray to explore and answer the following research Questions.

1.4 Basic Research Questions

1. What inventory methods/systems adopted in the company?
2. To what extent does the inventory system help the Organization?
    I. In minimizing costs?
    II. In timely availability of raw material for production?
    III. In timely availability of products t the marketing?
    IV. In protecting materials and products from damage and waste?
3. Problems associated with the company inventory practice?
4. Weakness observed in the control system?
5. How does the company administer obsolete inventories?
6. Is there proper protection of inventories?
7. Is there Proper procedure for transfer of materials?
8. Does the company give consideration for scrap?
9. What could be done to improve the overall effectiveness of the company inventory practice?

1.5 Objectives of the Study

1.5.1 General Objective

The general objective of this study to investigate inventory related management problems.

1.5.2 Specific Objectives

1. To evaluate the internal control of inventory procedure of the company.
2. To find out problems in relation to lack of enough stock.
3. To explain factors that is related to the problem
4. Based on these findings some recommendation will be forwarded for future improvement.
5. To provoke others for further study on inventory control system.

1.6 Scope of the Study

The study was focused on how the company manage and control its inventory. While the research was conducted mainly focused on storage systems, inventory controlling management and over all inventory management process with in the company.

1.7 Research Design and Methodology

To full fill the research requirement and accomplishment of the study descriptive survey type of research was used.

1.7.1 Types of data

Both primary and secondary data was collected

1.7.2 Method of Data Collection

i. Primary Data - Tools of observation, questionnaire, and interview were used to collect primary data.

ii. Secondary Data – such as a company manual, Reference materials (books), and internet media was used.

1.7.3 Data analysis Method

The data was collected is qualitative and quantitative Frequency count of responses is undertaken such as percentage, ratio and proportion was used in analyzing the data.

1.7.4 Population

Populations for this study were from production department cost and budget department property handling and supply department and sales and distribution department. In the above departments the total staff member were 70 employees.

1.7.5 Sample size

21 employees were selected for questionnaire from the population and interview was conducted to four department and division heads from the total population.

1.7.6 Sampling Technique

30% of staff from the total population was selected on the basis of simple random sampling technique.

1.8 Organization of the Study

The study is organized in to four chapters. The first chapter of the Study concerned with the Background of the problem cited, Objectives significance of the Study, Scope and limitation of the Study. The second chapter concerned with presenting the literature review in related to the topic. The third chapter concerned with presentation ad Analysis of the Data. The fourth chapter presents summery of Conclusion and Recommendation.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction about Inventory

Inventories consist of goods by a business and a held either for use in the manufacture of products or as a product awaiting sales. We typically think of inventories as raw materials, Work in process, finished goods, or merchandise held by retailer But depending on the company's business, inventory may consists of virtually any tangible goods or materials. An inventory might consist of component pieces of equipment, bulk commodities such as wheat or milling flour, fuel oil a waiting sale or unshed storage space. Machinery and equipment, for example are considered operational assets by the company that them, but before sale they are part of the inventory of the manufacture who made them. Even a building during it's construction period, is on inventory item for the builder. (Dyckmen etal, 1938; 399)

2.2. The need of Inventory and its Control

Inventories of materials are needed by all organization big or small. But inventories tend to become big with out proper control. Materials and inventories serve some social purpose in industries which items from some social motives. The two motives are important here. The transaction motives results from the desire to match inflow and out flow of materials under certain controlled condition precautionary motives arises out of the inability to predict future demand precisely and getting the materials ready in time without incurring some extra costs. Thus, there also arises the need to maintain some safety or butter stock in order to maintain the smooth flow of materials with out impairing production. But, as more and more stock of materials are held, this is not only entails grater investment, but carrying and associated cost increase peril passed. On the other hand it minimum inventory is held,

with the increase in frequently of buying the cost of ordering and processing increase. Also the cost of stock out poses economic problem. Thus inventory control is a major material management function, which requires the reduction in material costs with out impairing operational efficiency and there fore, needs careful attention.

The analytical approach to inventory control is fundamental based on cost study. It is balancing of some opposite costs that well enunciated in economic order quantity formulation but further refinements are necessary as the situation dictated. Some times, there are several costs associated with inventors, but there is always one in one direction. The resolution of the problem generally requires two basic questions to be answered.

i. How often to order

ii. How much and when

Determining these two basic question answers precisely requires cost information, and solution lies in balancing opposite costs in order to find on optimal solution.

Not all inventory problems however demand that these questions be answered. Some times, the inventory problem is so complex that if may not be possible to obtain all information necessary. The either case, if may be satisfied with a sub-optimal solution, which seeks to improve the existing condition with out concern for the optimal course of action. In practice it might effect larger saving with out necessary going through on optimal course of action.

iii. Thus, while inventory control is a major part of materials activity redacting inventory does not always ensure operational efficiency. Thus is where it must strike a balance (A.K DATTA, 2003:193-194)

2.3 Classification of Inventory

Inventories are classified as:-

1. Merchandise inventory
2. Manufacturing inventory
    a. Raw materials
    b. Work in process
    c. Fished goods
    d. Manufacturing supplies
3. Miscellaneous

Merchandise inventory

Represents goods on hard purchased for resale by a retailer or trading company such as on importer for resale. Generally goods acquired are not physically altered by the purchaser company; the goods are in finished from when they leave the manufacture's plant. In some instance, parts are acquired and then further assembled in to finished products.

Manufacturing inventory consists of several categories including

a) Raw materials inventories

Raw material inventories are tangible goods purchased or obtained in other ways leg by mining) and on hand for direct used in the manufacture of goods for resale.

b) Work in process inventory

Work in process inventory are goods requiring further processing before completion and sale work in process, also called goods in process, inventory includes the cost of direct material, direct labour, and allocated manufacturing over head costs incurred to date.

c) Finished goods inventory

Finished goods inventory are manufactured items completed and held for sale. Finished goods inventory costs includes the costs of direct material, direct labour and allocated manufacturing overhead related to it's manufacture.

d) Manufacturing supplies inventory

Include lubrication oils for the machinery cleaning materials and other items that make up on in significant part of the finished product.

Miscellaneous inventories

Include items such as office, janitorial and supplied inventories of this type are typically used in the near future and are usually recorded as selling or generals expense when purchased.

2.4 Function of inventory with in a firm

1. Support production requirement

One of the primary reason for inventory is to support the production requirement of a firm ten in one era of just – in time purchasing and manufacturing almost all firms still hold some level of production inventory, which may include bulk supply of raw materials, semi finished goods, or material to support the packaging and shipping of finished product.

Production inventory has historical represented a major source of inventory in investment. For this reason, firms emphasize the development of system designed to control and reduce the amount of production related inventory maintained at any given time. Firms recognized that the reduction of production inventory (particularly work in process results in lower inventory investment costs. The needs to support production requirement is still a primary reason why firms hold physical material inventory.

2) Support Operational requirement

Nearly every firm carries MRO- maintenance, repair and operating supplies to support operations. This category includes the item required to keep a facility operating and Machine running. MRO item usually

represent a large inventory investment, especially in process- related industries such as shoes production or paper production.

3) Hedge against market place uncertainty

Purchasers are incentive to changes in supply market, including changes in the availability of material supply as well as price changes when purchasers anticipate material shortage or price increases, they often increases purchase quantity as a hedge against this uncertainty. Increasing inventory levels in response to a legitimate threat of a shortage can be a good reason, at least in the short run, for holding additional material. One of the primary objective of purchasing is to support the continued, an interacted flow of production. If this requires increased inventory to avoid a material shortage.

(Monczke etal, 1998; 585-587).

2.5 Factors leading to in inventory Waste

1) In accurate or uncertain Demand forecasts

This is a common sure of uncertainty affective inventory levels, particularly for firms that manufacture products in anticipation of future order.

Some firms simply have a accurate inventory for casting system, when this is the case, a firm may increase inventory level to protect itself against for casting in accuracy. Firms should periodically evaluate the accuracy of their forecasting system by comparing forecasted to actual requirements. This system should minimize the differ once a between a forecasted requirements and on actual requirement to avoid carrying higher inventory level. (Monczke etal, 1998; 585-587).

2) Inefficient manufacturing process

A firm whose manufacturing system is not efficient must hold higher than necessary inventory level to cover poor quality or process yield. One on indication of on inefficient scheduling or production system is a large

amount of work in process inventory located behind each machine. A firm with on efficient scheduling and production system often experiences congested work area as inventory accumulates in the production center. In efficient scheduling and production system increase total inventory carrying costs because longer production time increase the amount of work in process production. In efficient production processes also lead to higher costs through poorer yield or quality (Monczke etal, 1998; 585-587).

3) Extended Buyer-supplier order –cycle times

A major business objective today's is to reduce the total time between the recognition of purchase requirement and the physical receipt of material from a suppler that is, the order cycle time between purchaser and seller as order cycle times lengthen, a common practice has been to carry a higher level inventory to compensate, for grater uncertainty. A firm ability to plan accurately it's materials requirement decrease as it's order cycle time lengthen for example, a firm with a six month order cycle lead time from a supplier faces greater material requirement uncertainty that a firm with a two week order-cycle period much more con happen over six-month period their a two week period.

2.6 Material Management

Material management had a long history that began with on inefficient method of questing how much stock would be needed. To day's improved, technology – based approach literally allows companies to tell vendors the moment they hit the reorder point and the one to improved batch control strategies those reorder points are more accurate than ever as well. This combination of technology and proven effective materials management strategies have been an important assets to business since their development.

Efficient materials management not only keeps the business running smoothly bur also helps companies maintain improved relationships with the member of their supplies chains, cut down on their costs, and satisfy the demands of their customers.

2.6.1 Objective of materials management

A. Maintaining continuity of productive operations by ensuring a uniform flow of materials.

B. Reducing materials costs by systematic use of scientific techniques.

C. Releasing working capital for productive purpose by efficient control of inventories.

D. Increasing the competitiveness of end products by ensuring right quality at the right price.

E. saving foreign exchange through economic used of foreign purchases and import substitution.

F. establishing good buyer-seller-relation

G. Ensuring law departmental cost and high efficiency

2.6.2 Activities of material management

The function or activities or activates of material managements depend on the size of the organization, type of the organization and complexities of the products and process.

The following are essential components of material management activities.

A. Forecasting and planning of material demand

The basis for material demand is sales forecast, sales plan will depend heavily on long term plan of operation. The material manager in consultation with sales manager must develop detailed long term plan of operation. Development of the plan must include.

1) Translation of sales projection of the marketing department in to long term production plan based on opening inventory level plus optimum operation level to provide and ship products and at same time maintaining the required inventory level.
2) Projection of data required to determine materials, facilities, capital funds and human resource to fulfill production on plan (A.K. Datta, 2003: 349)

B. Inventory control

This includes activities and ethics required to maintain material at the desired level more over, the activities are expected to include

- Determining how much material will be required to satisfy company operational demands.
- Maintaining detailed records of all materials available ordered and consumed.
- Determining optimum order quantity and issuing requisition and
- Providing appropriate reports to aid in decision making with regard to inventories (A.K, Datta, 2003:349)

C) Production control

Regarding the flow of material through out the entire manufacturing process.

The major activities of the production control includes the following

- Utilizing long term plan and sales forecast to develop short term requirement
- Preparing schedules for producing parts, sub assemblies, sub products requiring lead-time and special orders.
- Dispatch orders to various departments to fulfill production requirements

- Expediting production orders, when required, to ensure on time completion and preparing timely reports to evaluate the efficiency of production and status of various orders (A.K, Datta, 2003:349)

D) Purchasing

This responsible for procurements of materials and /or part from outside supplies in accordance with purchase requisition requirements like quantity, quality and time specification. The fundament activities include:

- Selection of acceptable supplier or vendor and negotiation of terms to secure the lowest total acquisition cost.
- Placing and issuing purchase order for new reorder materials, parts and expediting on time receipt of materials, when required.
- Keeping a breast of market conditions or maintaining on ongoing knowledge of current market condition, new materials, new processes and the procurement factor that can affect company operations and costs.

E) Receiving, Inspecting and work housing

This is responsible for activates related to receiving, storing, handling, issuing and controlling materials major activities include.

- Receipt of materials, verification of quantity and preparation of receiving report.
- Starting received and inspected materials with efficient or optimum usage of space, equipments personnel and with case of identification.
- Issuing materials with authorized requisition and also accounting returned material.
- Maintaining control of physical count to assure materials assure material available and performing periodic and annual physical inventories.

F) Physical distribution

- This activity in compasses all activities involved in the movement and flow of material and finished products from the time they are received to the time they are shipped to customer.

2.6.3 Way of storing material

1) Fixed location
2) Random Location
3) Zoned location

The first means that while stock can be found immediately with out a complex system of recording, there can be a considerable waste of space. The second system means space is better utilized, but goods and elaborate records have to be kept about the location of materials.

Zonal location means that goods of particular product group are stored in a given area. They may be randomly stored in a zoned location or stored according to fixed location (A.K Datta, 2004:247)

2.6.4 Store System

Storage system can be viewed broadly from three, classified systems approaches, the receipt system, physical, up keep and maintenance system and the issue system. In on regeneration bustling with maker dials needs, the systems design should not only permit matching of present requirements with the existing supplies but also take care of the future growth potential and demands. It is, therefore, important that the system should be flexible enough to change with the changing environment and production demands. It is, therefore, important that the system should be flexible enough to change with the changing environment and production demands.

The management of input and outputs flow will require a good deal of consideration of physical factors for the proper storage of material and depending up in their characteristics and volume of transaction, the

reporting, accounting and verifying system should be devised since the material flow system inter faces on interact with other system, we shall know consider how it affects on influence the storage function and see what the steps should be taken to regulate and control this flow through storage. (A.K. DATTA, 2004:245).

Let us briefly consider the system and procurers.

Receipt system

This can be divided in to receipts from out side supplies and receipt from internal divisions. System for receipt starts even before the time when the material actually reaches the plant. When a purchase order is placed, a copy is sent to the stores, indicating quantity and delivery date. These should be arranged in a chronological sequence so that the stores manager can at any time estimably the volume of receipt. This is the first step in the store system.

Physical system

When the anticipated day of delivery comes, the above documents are tallied for identify of figures with respect to quantity and value when the consignment arrives it is identified with the help of these documents. Then it is physically verified using, measuring device.

Storing practice

At the end of the receipt and inspection stage, stocking follows. This is the most under-rated function in store management. Stocking involved routine activities like sorting out materials coming at the end of inspection process and storing them in their locations.

Stocking is very important for easy location, proper identification, and speedy issue to the consuming department. This process is very crucial in warehouses where thousands of parts are stocked for meeting consumer needs.

Another important aspect is the need to specially stock excisable items. Certain items are subject to inspection by government authorities before issue to consuming department. For this purpose bonded store are used. This is nothing but special store with the main stores enabling easy identification of such item.

Issue control

We now come to the final stage, namely, issues; Issues can be further divided in to issues to consuming department, and issue to outside suppliers for processing of conversion.

In both cases there is certain common system requirement. The first aspect is the control of issues. Issues are based on production program. Based on this and the bill of materials, work orders are printed, listing for each material, quantity to be issued against each component requiring that material. This automatically controls consumption because the work order gives details on quantity of material to be issued and the corresponding quantity of component to be manufactured. So any materials requirement over and above that indicated in the work order quantity means excessive wastage and scrapping. (P.Gopalalrishnan M. Sundaresan, 2003:154-158)

2.6.5 Determining safety stock

The total cost is at the minimum when purchase costs are equals the inventory carrying cost. The two costs are, however, diametrically opposite. The former varies not with volume of inventory, but with the number of orders ion the contrary, carrying cost is law if purchases are made frequently in small lots. Therefore what is needed is to strike a balance between these two sets of costs.

Thus in order to devise a good control system we have to consider the following:

- What to Order
- When to Order
- How much to Order

Safety Stock

In many practical situations, it may be observed that neither the consumption rate of material is constant through out the year not is the lead-time, met is, the time interval between planning on order and final replenishment. To face these uncertainties on extra stock is maintained to meet the demand. The extra stock is termed as a safety stock.

In practices, demand greatly varies, supplies are uncertain, and a host of other variable and unforeseen difficulties are encountered which may threaten un interrupted materials flow, leading to stock-shortages and stoppage of production. Therefore some additional stocks are kept on hand as reserves in order to a void temporary shortage or stock out conditions. The provisioning of safety stock thus assumes importance in the face of such uncertainties. (A.K. Datta, 2003:210)

Factors in determining safety stock level

- Setting a safety stock level, therefore, requires consideration of the following factor.
    1) maximum usage of demand level
    2) Allowable risk or service failure, and
    3) The cost of such service failure

A more and more safety stock is provided, the chance of stock out becomes less and less, and the cost of stock- outs diminishes, but the capital locked in inventory and other associated costs rises. Therefore, while deciding up on the quantity of safety stock the objective should be to arrive at on economic balance between the extra stock and protection against stock-outs.

The following formula can be put to use for safety stock for different levels of protection against stock outs for items haring constant lead time and demand pattern.

When replenishment order system is used

In this method the recorder level and quantity to be ordered each time are fixed and on order is placed when stock reaches the re-order level

$$\text{Safety Stock} = \sqrt{\text{Average consumption During lead time}}$$

When periodic review system is used

In this system stock levels are reviewed periodically and at that time orders are placed to bring the stock back to predetermined level the quantity ordered after review may either be variable or fixed.

$$\text{Safety Stock} = \sqrt{\text{Average consumption During lead time + review period}}$$

Where the demands for the item remain constant but the lead time fluctuates, a similar approach may be followed for funding out safety stock. But if both lead time and a demand fluctuate. The determination of safety stock becomes much more complicated.

Even if the distribution of actual demands and lead time are both know, the relation of safety stock to stock out probability can not be computed directly. (A.K. Datta, 2004: 215-217).

2.7 Material Handling

Material handling can be defined as the function dealing with the preparation, placing and positioning and materials to facilitate their movement or storage. Thus the function includes every consideration of

the product except the actual processing operation through scientific material handling considerable reduction in the cost as well as in the production cycle time can be achieved However, poor material handling may result in delays leading to idling equipment. (P. Gopalakrishnan N. Sundaresan, 2003:189)

2.7.1 Influencing factors and control

Many factors like plant layout, processes, nature of raw materials and products influence the material handling system. Therefore an integrated approach will have o be taken in the case of material handling.

It must be appreciated hat material handling operations encompass suppliers, stores, inspection, manufacturing, packing. Warehousing and transport to consumer. The objective, therefore, must be to obtain maximum over all effectiveness in material handling. Many decisions have a significant effect on the effectiveness of the material handling system for example layout definition.

Lay out decisions are normally taken on technological consideration. Very rarely are such decisions taken in consultation with materials handling requirement. Such a consultative process could result in saving in terms of reduction in handling costs, reduction in investment on handling equipment and a reduction in the production cycle time. In such a consultative process, movement of material could be studied right at the outset from the receipt of raw materials stage to that of dispatch of finished goods to warehouse. When layout and handling are designed in on integrated manner, valuable insights ca e develop on the selection handling equipment, number of equipment and maximum utilization of floor space. (P.Gopalakrishnan N. Sundaresan, 2003: 189-198).

2.8 Inventory cost flow method

An appropriate cost allocation procedure must be selected to allocate the total cost of goods available for sale during each period between the cost of goods sold and the cost of the ending inventory. It inventory unit acquisition costs are constant over time; the choice of an allocation process will not affect the result. However, inventory item cost both acquisition and manufacturing costs typically vary, trending up or down in response to prevailing condition in the economy. For inventory accounting purpose, this price variability creates a need for management to select on explicit cost flow method (on assumption) for use in allocating the total cost of goods available for sale between expense 9cost of good sold) and assets (ending inventory)

Cost for inventory purpose may be determined under anyone of several assumptions as to the flow cost factor such as first – in first out, last in first out, Average cost, and specific cost identification. (Dyckman etal, 1998:387-388).

A) Specific cost identification method

The specific cost identification method requires that each item stocked be specifically market so that its unit cost can be identified at any time when the items involved are large or expensive or only small quantities are handled, it may be feasible to tag or number each item when purchased or manufactured. This method makes it possible to identify at date of sale the specific unit cost of each items sold and each items reining in inventory. Thus, the specific cost identification method relates the cost flow directly with the specific flow of physical goods. It is only method to do so the undesirable feature of the method is the opportunity to manipulate income by arbitrary selection of items at time of sale. (Dyckman etal, 1998:387)

B) Average cost method

The average cost method assumes that the cost of inventory on hand at the end of a period and h cost of goods sold during a period is representative of all costs incurred during the period. Application depends on the inventory systems:

- Periodic inventory system: The weighted average unit cost is used for the entire accounting period
- Perpetual inventory system: The moving average unit cost is used.

Weighted –Average cost (periodic inventory system)

A weighted-average unit cost is computed by dividing the sum of the beginning inventory cost plus current purchase cost by the number of units in the beginning inventory plus units purchased during the period.

$$\text{Weighted - average Unit cost} = \frac{\text{Beginning inventory cost + current purchase cost}}{\text{Beginning inventory units + current purchase cost}}$$

The weighted average cost method is generally viewed as objective, consistent not readily subject to manipulation, on easy to apply. The method is used with a periodic inventory system because the physical inventory is not counted until the end of the period. Thus, inventory sister because the physical inventory is not counted until the end of the period. Thus, the measurements needed to computing inventory and costs of goods sold are determined concurrently at the end of the accounting period.

Moving – Average cost (perpetual inventory systems)

When a perpetual inventory system is used, the weighted average approach just described can not be applied because sales must be coasted at the time of sale, instead, a moving –average unit cost is used the moving average provides a new unit cost after each purchase. When

goods are sold or issued, the moving- average unit cost at the time is used.

Evaluation of moving –Average cost method

The moving–average method is generally viewed as objective, consistent, and not subject to easy manipulation. It is used with the perpetual inventory system because it provides a current average cost on an on going basis (Dyckman etal, 1998:399-390)

C) FIFO method

The first in first-in first out method treats the first goods purchased or manufactured as the first units coasted out on sale or issuance. Goods sold (or issued) are valued at the oldest unit costs, and goods remaining in inventory are the most recent unit cost amounts.

FIFO can be used with either a periodic or a perpetual inventory system, and on attempt is made to match the specific cost incurred in purchasing or manufacturing specific inventory unit item with the revenue from the sale of the item. Particular when goods are identical in appearance and interchangeable in used, individual piece identification for inventory cost flow tracking and accounting purpose is not partial.

Evaluation of FIFO cost method: FIFO is the most Common method used for inventory costing purpose.

- it is easy to apply with either periodic or perpetual inventory system
- it produce an inventory value for the balance sheet that approximates current cost
- The flow of costs tends to be consistent with the usual physical flow the goods.
- It is systematic and objective
- It is not subject to manipulation

A criticism of FIFO is that it does not match the current cost of goods sold with current revenues; rather, the oldest unit costs are matched

with current sales revenue. When costs are rising, reported income under FIFO is higher than under LFO or average cost. This effect on income often is called on inventory (Phantom) profit. This inventory profit is the difference between the cost of goods sold at FIFO cost and the cost of goods sold measured at their current cost. When inventory replacement costs are rising, companies that use FIFO for tax purpose report more income than those using UFO or average cost, all other factor constant. Therefore, FIFO users pay move income taxes when prices are raising. (Dyckman etal, 1998; 390-392)

d) LIFO method

The last is, first out method of inventory costing matches inventory valued at the most recent unit acquisition cost with current sales revenue. The unit remaining in ending inventory is coasted at the oldest unit costs incurred, and the unities including in cost of goods sold are coasted at the newest unit costs incurred, the exact opposite of the FIFO cost assumption.

The LIFO inventory concept is applied in several ways including

1) **Unit cost approach**- Unit is multiplied by cost for each separate product.
2) **Dollar value LIFO approaches**- Large inventory, instead of unit and unit costs, and is applied to inventory pools, rather then to each individual product stoked.

LIFO and Taxes

During period of rising inventory cost, LIFO results in a lower pre tax income. A company wishing to minimize its current year tax payment would use a LIFO cost flow system to endure that the very lates, and therefore highest, cost are expensed. (Dykman etal, 1998; 392-393).

2.9 Inventory control

2.9.1 Meaning of inventory control

Inventory control refers to the discovering and maintaining the optimum level of investment in inventory (stocks). The main problem of inventory control involves balancing ordering cost (which decline in total as stock increase) against carrying costs (which increases as stock increase so as to calculate the economic order quantity (TOQ) which minimize total cost ordering cost include clerical costs, stationary, postages, telephone e.t.c carrying costs include insurance, rent, and interest forgone, using calculus it can be proved that in simple case.

$$EOQ = \sqrt{\frac{2AP}{S}}$$

Where A= annual quantity used in unit, P= Cost per purchase order S= annual carrying cost per annual of one unit.

In the absences of uncertainty, the re-order point for inventory refers to simply average daily usage multiplied by the lead-time (the time taken for on order to be placed and delivered). Given uncertainty a safety stock becomes necessary. The optimum stay stock refers to the point where the carrying cost of on extra limit equal to the cost of being out of stock having regard to the probability.

2.9.2 Inventory control system

a) The two- bin system

One of the earliest systems of inventory control is the two- sin system, which is simple method of control exercised by two simple rule. One is when the order should be placed and the other what quantity should be covered. Such a method is only appropriate when consumption rate is constant that is to say, it is a deterministic system.

b) MAX – Min system

Under this method, maximum level and minimum level are fixed. Reordering is done after a period of review and order or re-order is placed when the quantity touches a certain level. The weakness of this system is Shock levels are actually fixed at lower level, since mangers have no time to study inventory level of individual item.

Re-order points and safely stock levels once fixed are not frequently changed after study.

Delay in posting makes the records useless for purposes on control, as after even a critical item can be hold for want of posting, which other wise would have show that the recorder point has been touched (DATTA, 2002; 198)

Fixed order quantity system

Under this system, the order quantity is fixed but the time is varied. This system recognized the fact that each item in the inventory possesses it's own unique characteristics and optimums order quantity. Designing of this system requires consideration of many factors such as price, usage vote and other pertinent factor. Maximum and minimum levels are determined for each inventory item and on order or re-order point is established in between two levels. The order point is computed i such as price, usage vote and other pertinent factor. Maximum and minimum levels are determined for each inventory item and on order or re-order point is established in between two levels. The order point is computed in such a manner and then be replenished again to the maximum.

The major advantage of this system is:

- Each item can be procured at the most economic price and quantity
- Purchasing and inventory control people automatically pay attention to the items when they need it.

CHAPTER THREE

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

In Many Organizations Cost and Materials constitutes a large portion of for production the case is true for Anbessa Shoe S.C. The inventory of the company constitute Raw materials, Work in process and Finished goods inventory this indicates that the inventory control management should be given the most priority. The nature of inventory management control in Anbess Shoe S.C is not effective and efficient as it regard to be. There is an escalated cost of inventory and poor control systems. This research will tray to explore and answer the following research questions.

1. What inventory methods/systems adopted in the company?
2. To what extent does the inventory system help the Organization?
    a. In minimizing costs?
    b. In timely availability of raw material for production?
    c. In timely availability of products t the marketing?
    d. In protecting materials and products from damage and waste?
3. Problems associated with the company inventory practice?
4. Weakness observed in the control system?
5. How does the company administer obsolete inventories?
6. Is there proper protection of inventories?
7. Is there Proper procedure for transfer of materials?
8. Does the company give consideration for scrap?
9. What could be done to improve the overall effectiveness of the company inventory practice?

3.1 Data Analysis

Questionnaire was distributed for 21 employees. The respondents were from production cost and budget, property handling and supply, and sales and distribution departments.

Respondents were selected by the method of Judgmental random sampling technique. From the above mentioned respondents 17 of them responded the questionnaire. This constitutes a responsible ratio of 81%. In addition to this interview was also conducted with 4 managers.

3.1.1 General Information of the respondents

Table 3.1.1. Demographic condition of respondents

Description	**No of respondents**	**Percentage**
Sex		
Male	9	52.94%
Female	8	47.06%
Total	17	100%
Educational Background		
1-12	2	11.76%
Diploma	12	70.59%
Degree	3	17.65%
Total	17	100%
Service Year		
1-10	5	29.42%
11-20	10	58.82%
21-30	2	11.76%
Total	**17**	**100%**

As indicated on table 3.1.1 the sex of the respondents 9(52.94%) are men and (847.06%) are females. About educational back ground 2(11.76%) are

1-10 grade, 12(70.59%) are diploma holders and 3(17.65%) are degree holders. The respondent's service years are 5(29.42%) respondents have 1-10 service years 10(58.82%) of respondents have 11.20 years service and 2(11.76%) of then have 21.30 years service years. The above respondent's educational and service year experience was enough to answer the research questionnaire.

Table 3.1.2 Inventory control system

Description		**No of respondents**	**Percent**
Does the company have a systematic inventory control?	Yes	17	100%
	No	-	-
	Total	**17**	**100%**

As indicted on the above table the respondents were asked if there is a systematic inventory control. All the respondents answered yes this indicate that there is a systematic inventory control in the company 88.23% of respondents answered yes and 17.76% the respondents replied no this indicates that there is a systematic inventory control.

Table 3.1.3 The type of inventory method

Description		**No of respondents**	**Percent**
What type of inventory methods does the company use?	First in first out	17	100%
	Last in first out	-	-
	Moving Average	-	-
	Total	**17**	**100%**

As can be seen from table 3.1.3 the respondents were asked about the type the type of the inventory method which the company sue all the respondents replied the company uses first in first out method. This indicates that the first purchased raw material transferred to production

departments and early produced finished products transferred to sales departments.

3.1.4 The respondents were asked what are the major products of the company.

All the respondents answered the products of the company are

- Gentle men shoe
- Ladies shoe and
- Children shoe

This indicates that the major products of the company are different types of shoes.

Table 3.1.5 Sections involved to transfer inventories to production cycle.

Description		**No of respondents**	**Percent**
How many sections involved to production cycle?	Two sections	-	-
	Three sections	17	100%
	Four sections	-	-
	Five sections	-	-
	Total	**17**	**100%**

As indicated on table 3.1.5 the respondents were asked how many sections does the company use to transfer inventories to production cycle. All the respondents answer three sections this indicates that the transfer of inventories are on a proper way.

Table 3.1.6 requisition and Issuance of material

Description		No of respondents	Percent
Are all requisition and issuance of materials are recoded by the company?	Yes	15	88.23%
	No	2	17.76%
	Total	**17**	**100%**

As indicated on table 3.1.6 the respondents were asked whether there is a proper record of requisition and issuance of materials or not. 15(88.23%) of respondents answered yes and 2(17.76%) of the respondents replied no. this shows that there is a proper record of a material requisition of issuance.

Table 3.1.7 Material purchase requisitions

Description		No of respondents	Percent
Are requisitions for additiona supplies based on the regula review of minimum stock and reorder level?	Yes	13	76.47%
	No	4	32.53%
	Total	**17**	**100%**

As indicated on table 3.1.7 the respondents were asked whether supplies requisition on the regular review of minimum stock and recorder level or not 13(76.47%) of the respondents answered yes and 4(23.53%) of respondents replied no. this indicates that requisition for additional supplies based on the regular review of minimum stock and recorder level.

Table 3.1.8 Division of Duties

Description		No of respondents	Percent
Is there effective division of labour for inventory management?	Yes	15	88.24%
	No	2	11.76%
	Total	**17**	**100%**

As indicted on table 3.1.8 the respondents were asked about division labour. 15(88.24%) of them replied yes and 2(11.26%) respondents answered No. this indicates there is a proper division of labour in the company.

Table 3.1.9 Written instruction

Description		No of respondents	Percent
Is there detailed written instruction for receiving and inspection of Raw materials and finished goods?	Yes	16	94.12%
	No	1	5.88%
	Total	**17**	**100%**

As can be seen on table 3.1.9 the respondents were asked whether there is a detailed written instruction for receiving and inspection of raw materials and finished gods. 16(94.12%) of the respondents answered and 1(5.88%) of the respondents answered No. this shows is a detailed written instruction for receiving and inspection of inventories.

Table 3.1.10 Rejection of Damage Securitization

Description		No of respondents	Percent
Is their procedure to enforce the supplier where by rejection or damage rate scrutinized on a timely basis?	Yes	10	58.82%
	No	7	41.18%
	Total	**17**	**100%**

As indicted on table 2.1.10 the respondents were asked if there is procedures to enforce where by rejection or damage rate scrutinized on at timely basis or a not 10(58.82%) of the respondents yes and 7(41.18%) of the respondents answered no. this indicates that the procedures to enforce rejection or damage rate scrutinized is a timely is not effective as it is to be.

Table 3.1.11 Perpetual stock records.

Description	Items	Respondents	No of responses	Percent
Are perpetual stock records maintained for?	Raw materials	Yes	17	100%
		No	-	-
		Total	**17**	**100%**
	Work in process	Yes	14	82.35%
		No	3	17.65%
		Total	**17**	**100%**
	Finished goods	Yes	17	100%
		No	-	-
		Total	**17**	**100%**

As indicated on table 3.1.11 the respondents were asked whether there is a perpetual records maintained or not. For raw material inventory all respondents answered yes, for work in process inventory 14(82.35%) of

the respondents answered yes and 3(17.65%) of the respondents answered No and for finished Goods inventory all respondents answered yes. This indicates that perpetual stock records are properly handled.

Table 3.1.12 Stock records against physical existence

Description		**No of respondents**	**Percent**
Are the stock records regularly reconciled against actually physical existence?	Yes	15	88.24%
	No	2	11.76%
	Total	**17**	**100%**

As can be seen on table 3.1.12 the respondents were asked whether the stock records regularly reconciled against the actually physical existence 15(88.24%) of the respondents answered yes and 2(11.76%) of respondents answered No this indicates that records and physical existence reconciled properly.

Table 3.1.13 Access to Stocks

Description		**No of respondents**	**Percent**
Is access to stock restricted to Authorized employees only?	Yes	15	88.24%
	No	2	11.76%
	Total	**17**	**100%**

As indicated on table 3.1.13 the respondents were asked access of inventory whether restricted to authorized personal or not 15(88.24%) respondents answered yes and 2(11.76%) of the respondents only for authorized employees.

Table 3.1.14 Requisition and issue of stocks

Description		No of respondents	Percent
Is there a adequate procedures to ensure that quantities requested from stores and issued from stock accurate?	Yes	13	76.47%
	No	4	23.53%
	Total	**17**	**100%**

As indicted on table 3.1.14 the respondents asked about the requisition and issuance of stock accurately estimated to avoid surplus material from being wasted and returned to stocks. 13(76.47%) of the respondents replied yes and 4(23.53%) of the respondents answered no. This indicted that requisitions and issuance of stocks are handled efficiently.

Table 3.1.15 Stock safeguards or protection

Description		No of respondents	Percent
Are stocks protected by adequate physical safeguards and alarm etc? To prevent un authorized removal or theft?	Yes	15	88.24%
	No	2	11.76%
	Total	**17**	**100%**

As can be seen on table 3.1.15 the respondents were asked if there is adequate stock protection like physical safeguards and alarm to prevent unauthorized removal. 15(88.24%) of the respondents answered yes and 2(11.76%) of respondents answered no. This shows the company have a proper protection of stocks.

Table 3.1.16 Physical control on scrap and waste

Description		No of respondents	Percent
Is there an adequate physical control exercised over saleable scrape, waste any by products?	Yes	6	35.30%
	No	11	64.70%
	Total	**17**	**100%**

As indicated on table 3.1.16 the respondents were asked whether there is adequate control exercised over saleable, waste and by products or not 6(35.30%) of the respondents answered yes and 11(64.70%) of the respondents replied no. This indicates the company do not have adequate control over scrape, waste and by-products.

Table 3.1.17 Stocks physical verification

Description	Items		No of Responses	Percent
Are stocks subject to physical Verification / consents?	On a continuous basis	Yes	5	29.41%
		No	12	70.595
		total	**17**	**100%**
	At the end of the physical year	Yes	13	76.47%
		No	4	23..535
		Total	**17**	**100%**

As indicted on table 3.1.17 the respondents were asked if there are stocks subject to physical verification / Consents. On a continuous basis 5(29.41%) of respondents answered yes and 12(70.59%) of the respondents answered No, and at the end of the physical year 13(76.47%) of the respondents answered yes and 4(23.53%) of the respondents answer No. This indicates that the physical verification of stocks is takes place by periodic count and at the end of the physical year.

Table 3.1.18 Protection of high value items

Description		No of respondents	Percent
Is there an adequate physical control over a high value, fast moving and essential items?	Yes	15	88.23%
	No	2	11.77%
	Total	**17**	**100%**

As it indicated on table 3.1.18. The respondents were asked about physical control over a high value, fast moving and essential items other than stock items. 15(88.23%) of respondents answered yes and 2(11.77%) of respondents replied no. This indicates that the company protected high value items other than stock items.

Table 3.1.19 Control over stock obsolescence

Question	Items	Responses	No o Responses	Percent
Is there procedures so as to have proper control over stock, obsolescence and deterioration?	Shelves	Yes	16	94.12%
		No	1	5.88%
		Total	**17**	**100%**
	Air conditioner	Yes	14	82.35%
		No	3	17.65%
		Total	**17**	**100%**
	Appropriate storage condition	Yes	15	88.23%
		No	2	11.77%
		Total	**17**	**100%**

As it can be seen on table 3.1.19. The respondents were asked whether there is a proper control over stock obsolescence and deterioration about adequate selves 16(94.12%) answered Yes and 1(5.88%) answered No and about air conditioner 14(82.35%) answered Yes and 3(17.65%) of

respondents answered No and about appropriate storage conditions 15(88.23%) answered yes and 2(11.77%) answered No. This indicates there is a proper control over stock obsolescence and deterioration.

2.3 Interviews

Interviews were conducted with four department Managers.

3.3.1 For the question asked what are the major inputs for the factory?

- All answered that the inputs of the factory are shoe upper, Sole linking, PVC gruvle and Chemicals.

3.3.2 For the question asked what are the major source of raw materials?

- All answered the source of raw materials area domestic tannery and foreign suppliers

3.3.3 For the question asked what type of inventory method used by the company.

- All answered the Company uses FIFO method.

3.3.4 For the question asked what is the classification of inventory.

- They answered the company have 3 types of inventories these are raw material inventory, work in process inventory and finished goods inventory.

3.3.5 For the question asked what Mechanism use to control the inventory.

- They all answered that in the company control begins at the moment the material delivered to the store room, storage issuance. All activities are recorded in material ledger and entries to issuance of materials.

3.3.6 For the questions asked what is the responsibility of the store Keeper?

- All answered that the role of the store Keeper in the companies he is responsible for properly handling all raw materials and Manufactured products when they are in stock prepare documents to receive and send material for production and sale and check the availability of all raw material for production.

3.3..7 For the questions asked does the company use shelf, catalogue tag?

- For the above questions all answered Yes

3.3.8 For the questions how the company control its inventory level?

They answered the company uses lead time, safety stock and recorder appoint. Lead time is the period that covers the time between placing the order and receiving the order. The safety stock is the quantity of material reserved for use in the case of lead –time fluctuation occur.

3.3.9 For the question asked how the company issue raw material?

They answered the company uses material requisition store Voucher and store return note.

3.3.10 For the question asked How many times inventory taking is made in a year?

- All answered the company physical count is made once year.

3.3.11 For the question asked who is responsible for the taking of inventory.

- They answered inventory physical count is made by selected employees.

CHAPTER FOUR

Summary, Conclusion and Recommendation

The overall objective of this study is to address the inventory management practice of Anbessa Shoe SH. Company and to find out the problems related with inventory management.

The method used to prepare this research is non probability sampling technique to pick subjects from the population and used primary data and secondary data obtained through questionnaires, interview, observation and analysis a written documents from the company manuals report. The method in analysing and presenting using descriptive analysis method like tables and figures the researcher anal sized the colleted data as follows.

4.1 Summary of the Major Findings

- Form to population size the researcher selected 21 employees and out these 17 of the respondents gave their responses.
- Most of the respondents believed that the company used FIFO inventory system method
- Most of the respondents believed that the company have a systematic inventory system.
- All the respondents a greed that the transfer of inventory's passed through three sections.
- Requisitions and issuances of materials are recorded in a proper way.
- Most of respondents are believed the requisitions for additional supplies are on the regular review of minimum stock and reorder level.
- Most of the respondent agreed that there is an effective division of labour for inventory management.

- Most of the respondent believed that there is detailed written Instructions for receiving and inspections of raw materials and finished goods.
- All respondents agreed that there is a procedure to enforce the supplier to accept the defected raw materials on a timely bases.
- All agreed on perpetual stock records for raw materials work in process and finished goods inventory is in proper way.
- Most of the respondent agreed that the stock records are reconciled regularly with actual physical existence of inventories.
- Most the respondent agreed that the access to stock restricted only for authorized employees.
- Most of the respondent believed that there is a procedure to ensure the quantities requested and issued from stores.
- All agreed that stocks are protected by physicals and alarm.
- Most of the respondents believe that there is no adequate physical control on sellable scrap, waste and by products.
- Most of the respondents believe that the physical verification of inventories is not a continuous base. But it takes place at the end of the physical year.
- Most of the respondent agreed that there is adequate physical control over high value, fast moving and essential items.
- All the respondents agreed on there is a proper control on inventories obsolesce and deterioration.

4.2 Conclusions

As observed during the research the company used different kinds of raw materials, spare-parts inventories while it carries out production activities, work in process and finished goods are also part of inventory items.

Inventory receiving procedures of the company follows proper inventory management system. The presence of different kinds of documents facilities the inventory receiving and issuing procedures in the company.

Raw materials, spare-parts are issued from store based on documents that are presented by production departments, store personnel receive a copy of each cash and credit sales invoice or delivery order to issue finished goods.

Most of the time the company orders its inventory item. After it reaches low level or after they are empted from the store. The company does not use to maintain an Economic order quantity to purchase inventory item. Sometimes order of items order of items placed frequently other time orders are placed after they are empted.

Company does not usually maintain safety stock. As a result the company production activity may force to stop production, loss of customer because of shortage of products, the employee being idle and the company forced to buy raw materials from market by incurring much money.

The physical verification of the inventory is not on a continues base. It may credit interruption. The control of scrap, by products are handled in wrong way this materials have costs for the company. If this materials have material cost, affects the company profit.

The researcher observed that the different spare parts are stocked together and the company store and main factory too close the company do not use information technology system to handle inventory item in the store.

4.3 Recommendations

The researcher recommended on the following area of inventory management process of the company.

- The company must use information Technology to maintain good inventory management.
- The company should use economic order quantity (EOQ) model, in order to be competent in the market and to minimize unnecessary inventory carrying cost and material requirement planning system for better control of the company inventory level.
- The company must adjust it self to external environment by using new technology and by giving training for their employees.
- The location of the store room smut be far from the main factory because if accident are in the factory the company may loss its inventory.
- The storage system should maintain different shelf's in the store to improve storage system raw materials and spare parts.
- If expansion is possible the company must expand the store room for effective store system.
- To know the level of the stock the physical verification should be on continuous base.
- The company should give consideration for sellable scrap and by-products because these materials have cost, these materials are input for other cottage industries.

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Appendices

Appendix –A

Questionnaire for employees related to inventory Management and control system.

The questionnaire is prepared by a student of St. Mary's University College as a requirement for partial fulfillment of the Bachelor of Ants Degree in Management. Hence the data from this enquiry will be used to prepare a senior easy on inventory management and control system, which is applied in Anbesa shoe S.C. The researcher would very much appreciate your genuine answers to the following questions. All information furnished is safeguarded with strict confidentiality.

1. Personal Data
   1.1. Sex Male ☐ Female ☐ age ☐
   1.2. Department _____
   1.3. Educational Background _____
   1.4. Location of work _____
   1.5. Responsibility _____
   1.6. Service year _____
2. does the company has a systematic inventory control?
   a. yes b. No
3. What type of inventory method does the company use?
   FIFO Method ☐ LIFO Method ☐ Moving Average method ☐
   If any, specify _____
   _____

10. What are the major products produced in your company?
    _____
    _____
11. How many sections involved to production cycle?
    Two sections ☐ Four sections ☐

Three sections ☐ Five sections ☐

12. Are all requisitions and issuance of materials are Recorded by the company?

Yes ☐ No ☐

If No why? _____

13. Are requisitions for additional supplies based on the regular review of minimum stock and recorded level?

Yes ☐ NO ☐

If No Why? _____

_____

14. Is there effective division of labour for inventory management duties among:- stock records personnel, store keepers, Inspection staff purchasing staff, production control?

Yes ☐ No ☐

15. Is their detailed written instruction for receiving and Inspection of Raw materials and finished goods?

Yes ☐ No ☐

If No why? _____

_____

16. Is their procedures to enforce the supplier where by rejection or damage rate scrutinized on a timely basis?

Yes ☐ No ☐

If No Why? _____

17. Are perpetual stock records maintained for

a. Raw materials and chemicals Yes ☐ NO ☐

b. Work in process Yes ☐ No ☐

c. Final products Yes ☐ No ☐

18. Are the stock records regularly reconciled against actually physical existence?

Yes ☐ No ☐

If N/A why? _____

_____

19. Is Access of stocks restricted to Authorized employees only?

Yes ☐ No ☐

If N/A Why? _____

_____

20. Are there adequate procedures to ensure that quantities requested from stores and issued from stock accurately estimated to avoid surplus materials being wasted or returned to stocks?

Yes ☐ No ☐

If No Why? _____

_____

21. Are stocks protected by adequate physical safe guard and alarm etc? To prevent un authorized removal or theft?

Yes ☐ No ☐

If No Why? _____

_____

22. Is adequate physical control exercised over saleable scrape, waste, by products?

Yes ☐ No ☐

23. Are stocks subject to physical verification /consents?

a. On a continues basis yes ☐ No ☐

b. At the financial year end only yes ☐ No ☐

If No Why? _____

24. Are there adequate physical control to ensure that high value, fast-moving and essential items are protected than other stock items?

Yes ☐ No ☐

If No why? _____

25. Are here procedures so as to have proper control over stock obsolescence and deterioration such as?

a. Adequate Shelves Yes ☐ No ☐

b. Adequate air conditioner Yes ☐ No ☐

c. Appropriate storage condition Yes ☐ No ☐

Appendix - B

Interview question

The aim of this interview is to gather data and information for research work on inventory management of Abessa shoe S.C end to seen end propose solution for any problems encountered in the organization.

Interview questions

1. What are the major input and supply for the factory?
2. What are the major source of raw material?
3. What type of inventory the company use?
4. What are the classification of inventory?
5. Is there mechanism to control the inventory?
6. What is the responsibility of storekeeper?
7. Does the Co. use shelf, catalogue, tag?
8. How the company control it's inventory level?
9. How the company issue row material?
10. How many times inventory taking is made in a year?
11. Who is responsible the taking inventories?

Declaration

I, the undersigned, declare that this senior essay/project is my original work, prepared under the guidance of Ato Habte Zeberga. All sources of material used of the manuscript have been duly acknowledged.

Name Berhanu Dejene

Signature _____

Place of submission SMUC

Date of Submission June, 2010

Submission approval sheet

This Senior Research paper has been submitted to the department of management in partial fulfillment for the requirements of BA degree in management with my approval as an advisor.

Name Ato Habte Zeberga

Signature _____

Date submission _____