



**ST.MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**AN ASSESSMENT OF INVENTORYMANAGEMENT  
SYSTEM: THE CASE OF ETHIOPIA TOURSIT  
TRADING ENTERPRISE**

**BY: BOJA DABA**

**JUNE 2023**

**ADDIS ABABA, ETHIOPIA**

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**ADDIS ABABA, ETHIOPIA**

## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Zenegnaw Abiy. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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\_\_\_\_\_

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signature

St. Mary's University, Addis Ababa

June, 2023

## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Dr. Zenegnaw Abiy

\_\_\_\_\_

Advisor

signature

**St. Mary's University, Addis Ababa**

**June, 2023**

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

ABC	Always Better Control
BOP	Bought out parts
ETTE	Ethiopian Tourist Trading Enterprise
EOQ	Economic Order Quantity
FIFO	First in First out
JIT	Just in Time
LIFO	Last in First out
MRP	Materials Requirement Planning
ROP	Re-order-point
ROL	Re-order level
SRV	Store Received Voucher
SIV	Store Issue Voucher
ROP	Re-order Point
WIP	Work in progress

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## **ABSTRACT**

The purpose of this study was to assess the inventory management system of the Ethiopian Tourist Trading Enterprise. Inventory is a crucial asset in any business firm, organization, large or small industry, or public service. Without inventory items, there is no production or service. Therefore, managing the inventory is an essential part of management. Generally, effective inventory management is the key to the success of any company. So, this study concerns assessing the inventory management of Ethiopian Tourist Trading Enterprise Company to improve the quality of service rendered to its customers. The study employed a descriptive research design method. It contained a qualitative and quantitative component that enabled the researcher to assess the study easily. The study encompasses the main areas of the company's inventory management, including departments and all finance employees. The sampling technique used in the study was the purposive targeted population method. The target population of the population was 5 of the 75 departmental staff members, 5 of the 75 population management staff members selected for interview, and the remaining 75 members for questioners. According to the objectives of the study, the key findings revealed that there is a gap between the purchasing department and the company central warehouse, which may be the reason for excess, idle, and obsolete inventory items. There is a gap in receiving activity in the central store purchasing department due to the dissimilarity of sample purchases and the lateness of receiving documents. There is a gap between the finance department and the central store in recording and document delay, lack of computer technology to control and manage inventory systems, lack of skilled manpower, and the impact of unavailability of inventory items that affect the customer service rendered, which is the reason for waiting for the customer on the list to get production materials like woodwork and handcrafts. The researcher recommended that those problems be solved by improving the inventory management system to better serve customers with quality service rendering activities and consequently, recommendations on the right quantity, quality and timing of material, at the most favorable price conclude the research study.

**Keywords:** inventory, inventory management, inventory control

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Inventory management is the most significant part of working capital management in the majority of business organizations since inventories constitute, on average, about 60% of total current assets. The success of any industry depends on the effective utilization of its inventory. The inventory manager is expected to ensure the right inventory at the right time with the right quality from the right place at the right price in order to minimize the cost of manufacturing products or services. The most difficult area of managing a firm is management. A firm that neglects the management of its inventories will jeopardize its long-term profitability and may ultimately fail. For any organization, it is possible to reduce its level of inventories to a considerable extent without any adverse effect on production or sales by using simple inventory management techniques. The reduction of inventory volume has positive impacts on the profitability of the organization. (Stock and Lambert, 2001; Investopedia, 2012)

Define "stock" as the substances and components that an enterprise or group consists of both on the market and as inputs or components to the manufacturing process. Inventory is a considerable part of general belongings, which can be any saved assets that are used to fulfill present-day or future client needs. Inventories in lots of groups occupy a huge part of charges, which probably influences the profitability and production operations of the organization. So that (Sharma, 2009) recommended that coping with stock successfully has come to be a crucial operational weapon for agencies to cope with aggressive pressures and monetary charges.

Inventory is the totality of all of the stock, which includes uncooked substances, work-in-development, and finished items that allow an organization to produce. It can also be said to be the full number of products or substances contained in a shop or manufacturing unit at any given time (Hilton, 2015).

Many groups in today's commercial enterprise environment are compelled to grow their marketplace proportions both regionally and globally, which allows them to live to tell the tale and preserve commercial enterprise growth. The assignment is to lay out a powerful method to reduce ongoing operation expenses while maximizing returns to the group (Arnold, 2008).

Every business has its own inventory, which is managed by each business using a different system. The goal of the inventory, however, remains the same, requiring that it always be usable and inexpensive to maintain. All the processes involved in creating and controlling inventory levels are collectively referred to as "inventory management." Whether the inventory is made up of raw materials, semi-finished goods, or finished goods, appropriate supplies must always be on hand, and the firm must ensure that the expense of having too many or too few stocks is kept to a minimum (Mohammad et al., 2016).

By mitigating risk, inventories improve customer service. If we could predict precisely what customers would purchase and when they would do so, we could plan to meet demand without risk. The ability of a business to meet consumers' needs is, in general terms, referred to as "customer service." The phrase is used to define the availability of goods when needed in inventory management and serves as a gauge of the efficiency of the process. But demand and the length of the lead time to obtain an item are frequently unsure, which could lead to stock outs and unhappy customers (Chapman, 2010).

As a crucial step in increasing overall operational efficiency, inventory management can be defined as the prevention of overinvesting or underinvesting in inventories. The foundation of inventory management is choosing the appropriate degree of investment in inventories that is consistent with production operating schedules and prompt services (Sharma, 2006).

According to Lyson and Gillingham (2003), inventory management involves balancing the need to reduce stock holding and handling costs by controlling stock or inventory levels with the physical distribution function. Inventory management consistently aims to maximize the advantages of having inventory in the organization by ensuring that the company is provided with the appropriate inventories (quantities of inventory) at the appropriate times and locations. Inventory is the stock of goods a company keeps supporting its production and sales (Pandy, 2005). Firms maintain inventories to efficiently run their businesses. They might take the form of raw materials, work-in-progress, finished products, or supplies.

According to inventory management, supply and demand must be balanced in order to maintain customer happiness and increase earnings. Any successful business must perform effective and

efficient inventory management tasks. Inventory management makes it possible to make informed decisions regarding what to buy, how much to buy, and when to buy while staying within financial constraints. Such choices are "value decisions." Excessive inventory spending might squander money that could be better used in other areas of the company. Insufficient inventory investment, on the other hand, might result in inventory shortages and an inability to meet customer demand. It's important to strike a balance. In general, it is possible to draw the conclusion that inventory management helps to coordinate and oversee the actions of business segments (Naliaka & Namusonge, 2015).

By stocking them, inventory control helps reduce the idleness of workers and equipment that may result from a lack of raw materials, supplies, and spare parts. It can still avoid the high costs associated with capital lockup or investment and the costs associated with processing, storing, and ordering inventories.

In general, inventory management allows for the definition of guidelines for inventory control programs, selection of the best organizational structure, choice of economic order quantity, choice of stock out, choice of safety stock, choice of lead time, choice of inventory statistics, minimization of handling and storage costs, and efficient management of stress (Altekar (2005). With this background, this study assesses the inventory management practice of ETTE.

## **1.2 Background of the organization**

Ethiopian Tourist Trading Enterprise was founded in 1957 and is a publicly held company. The organization's major goal is to introduce the nation to tourists by handing out brochures, cards, and posters showcasing the country's tourist attractions, historical monuments, etc. In 1959, the business constructed a warehouse to serve diplomats. This organization has achieved outstanding results and has made notable and ongoing progress in duty-free and duty-paid merchandise in order to support the manufacturing of souvenirs and handicrafts. The goal of the Ethiopian Tourist Trading Enterprise is to rank among Africa's top five most competitive and successful tourist trading companies. This business's head office has a large inventory warehouse as well as Ezana and duty-free gift shops, Ayat finishing goods stores, and raw material stores. The company was involved in three trade sectors: production, trade, and trade. The first industry is

duty-free goods, which focuses on a range of imported goods. Duty-paid goods that transport both imported and locally manufactured goods make up the second trade sector. The final industry is the sale of handicrafts and fine art products. Creates artwork and handicrafts at the production facility. In addition, the center does interior design projects. (Ethiopia tourist trading enterprise website)

### **1.3 Statement of the Problem**

Inventory is one of the key components of a significant company's physical assets that are either in use or will soon be available for sale. Are inventory, raw materials, works-in-progress, items, and finished things can all be included (Ackah & Ghansah (2016) Physical stock must be kept in the system to meet projected demand since delays in projects, deliveries of services, or production will result from materials not being available when needed. There are opportunity costs associated with "carrying" or "holding" inventory within the company, so maintaining inventory is not cost-free. The dilemma is that while we require inventory, having inventory is not desirable. This paradoxical circumstance is what makes inventory management a difficult material-related problem area.

The secret to every successful business distribution is effective inventory management. The accurate valuation and status of products still in inventory at any time, as well as information concerning the receipt and movement of goods, their sale, removal, or other disposition, are all provided by inventory management. Additionally, with the right amount of each item, a distributor can fulfill or surpass their customers' expectations for material availability while simultaneously maximizing their net profit (Altekar, 2005).

Inventory control management is an important mechanism for achieving organizational performance. Because inventory is a very critical component in every organization, it requires serious managerial consideration since it ties up a lot of firms' capital. However, inventories are essential to satisfy customer demand and maximize customer service (Chapman, 2010). So, for any organization, managing and controlling inventories is directed toward the success of profit-making through inventory cost minimization, to ensuring cash flow, and rendering quality service to customers.



Researcher's studies related to the title (Abederhaman, 2016): "Assessment of Inventory Management Practice at Pharmaceutical Fund and Supplies Agency" study the issue in the areas of not clearly segregating the duties among employees, lack of qualified person in charge of the store, qualities, and a dearth of pharmacists, and other researchers (Aschalew, 2016) show inventory management practices of Anbassa city bus service enterprise, used inventories, and special purchases. A different researcher (Shitay, 2017) also looked at the evaluation of the inventory management system in the context of the Ethiopian Electric Utility, focusing on the issues of a lack of computer technology to control and manage the system, a shortage of skilled labor, and the effects of unavailable inventory items.

Therefore, more understanding of the gap in the assessment inventory management system in the company is important for Ethiopian Tourist Trading Enterprise. Thus, by taking the above discussion and similar facts into consideration, the research will focus on the assessment of the inventory management system in the case of the Ethiopian Tourist Trading Enterprise. It provides relevant information and helps to find out problems with the company's inventory management system, assess major factors that influence the inventory handling system, assess difficulty in dealing with obsolete stock, and find out the level of understanding of inventory management at the Ethiopian Tourist Trading Enterprise warehouse.

#### **1.4 Basic Research Questions**

This study focused on seeking answers to the following research questions to address the stated problems:

1. What is the company's practice for purchasing inventory items?
2. What are the company's practices in the inventory receiving and handling system?
3. How does the company control the inventory system?
4. What are the company's practices on inventory revaluation and disposal of obsolete items?

#### **1.5 Objectives of the Study**

The objectives of this study are classified as general and specific objectives. The general objectives specify the general purpose of the study, and then, based on these general objectives, the specific objectives are included in order to satisfy the research questions.

### **1.5.1 General Objective**

The main objective of this study is to assess the inventory management system in the case of the Ethiopian Tourist Trading Enterprise.

### **1.5.2 Specific Objective**

- Assess the practice of purchasing inventory items;
- Assess the inventory receiving and handling system;
- Assess the inventory control system;
- Assess the stock revaluation and disposal system for obsolete inventory items.

## **1.6 Scope of Study**

In essence, the study is concerned with evaluating the inventory management procedures utilized by Ethiopian Tourist Trading Enterprise. It is situated in the Yeka Sub-City (Woreda 08) of Addis Ababa. Additionally, its main offices are in Ayat, Dellgabeya, Bole Airport, Meskel Flower, Mexico, around Wabe Shebelle, and Hilton hotels. The researcher investigated topics pertaining to inventory management practices, coordination between the departments of production and purchasing, effective store administration, automated inventory management techniques, stock management, etc.

## **1.7 Significance of the Study**

Any research plays a significant role to contribute for the intended target. Hence, this study is vital to assess the inventory management system in the case of Ethiopian Tourist Trading Enterprise. Therefore, the aim of this study is to provide relevant information and to find out problems regarding with the company's inventory management system, to inform various inventory managers in understanding how inventory management system if properly done can

immeasurably reduce organizational costs and improves the overall organizational operational performance and is help to achieve strategic objectives. In additions it provide additional findings on the issue and also useful for further research in related to similar topics in the future.

## **1.8 Limitation of the Study**

Most of the time, every researcher passes through different limitations, but the degree of limitation depends on the situation in which the researcher is involved in conducting the research study. The researcher faced different problems that made it hard to conduct the study properly, such as: the time scheduled to conduct the study is very short; the respondents were not returned to the questionnaire on time; due to the interviewees appointed according to their program, it takes a long time to conduct the interview. Because the interviewee and questionnaire respondent staff are from different departments, the researcher traveled a long distance to collect the data.

## **1.9 Organization of the Research Study**

The study is composed of five chapters. The first chapter comprises an introductory background of the study, a statement of the problem, a basic research question, the objective of the study, and the significance of the study, the scope of the study, and the limitations of the study. While chapter two dwells on the review of related literature. The third chapter deals with research design and methodology, with particular focus on the sources of data, the data collection instruments employed the procedure of data collection, and the methods of data analysis used. The fourth chapter presents the major findings of the study on the basis of the data obtained. The last chapter contains the summary, conclusions, and recommendations

## **CHAPTER TWO: REVIEW OF RELATED LITERATURE**

This chapter projects to review theoretical and empirical theories related to the study to reveal knowledge for a better understanding of inventory management that supports the study's analysis.

### **2.1 Theoretical Review**

Theories are analytical instruments to understand the study, to elaborate, and to make assumptions about the subject matter. It can also help us compare the conceptual framework, evaluate it, and comment on the research gap of the given study (Mwangi & Nyambura, 2015).

#### **2.1.1 Concept of Inventory**

"Inventories" are materials or resources of any kind having some economic value. It is also a major asset that should provide a return for capital invested and either be converted or used in the future. Apart from these, there are many indirect materials, such as maintenance materials, fuels and lubricants, and other materials that are used in manufacturing or service-giving organizations. They are also classified as inventories of materials for future use. But they differ only in their use and classification from raw and other direct materials. All required items are stocked in the warehouse to be used when the need arises (Datta, 2003).

Inventory is one of the main parts of a major business's assets that is ready to use or will be ready for sale. It can be raw materials, work in progress, goods, or finished goods. Inventory turnover represents one of the primary sources that enable businesses to generate revenue and provide continuous earnings to the company's stakeholders. Inventory is an asset owned by a business that has the advantage of being sold to a customer. It includes items sold to end customers or retailers (Ackah & Ghansah, 2016).

According to Godana and Ngugi (2014), inventory is essential to organizations for production activities, maintenance of plants and machinery, and other operational requirements. This results in the tying up of money or capital that could have been used more productively. The

management of an organization becomes very concerned when inventory stocks are high. Inventory is part of the company's assets and is always reflected in the company's balance sheet.

## **Types of inventory**

Most inventory items are categorized as follows:

- (a) Raw material inventory as input to the manufacturing system
- (b) bought-out-parts (BOP) inventory, which directly goes to the assembly of the product as it is.
- (c) Work-in-progress (WIP) or work-in-process inventory or pipeline inventory
- (d) Finished goods inventory for supporting the distribution to the customers
- (e) Maintenance, repair, and operating (MRO) supplies These include spare parts, indirect materials, and all other sundry items required for production and service systems (Varta, 2014, page 23).

## **Inventory Systems**

**Periodic Inventory System:** Under a periodic system, a company determines the inventory balance and cost of goods sold at the end of the accounting period. That is, firms or any business organization can determine their inventory on a perpetual basis. The firm's or business organization's beginning balance sheet includes the opening balance of inventory. Purchases made during the period increase the inventory available for sale. At the time of operation, purchase discounts and returns can be recorded on a temporary account and closed at the end of the period. The beginning inventory balance plus the net purchases is the cost of goods available for sale, that is, the total amount of inventory that will either be sold during the period or remain in ending inventory. The ending inventory balance is taken based on a physical count of the inventory (Mosich, 6th Ed., 1989).

**Perpetual Inventory System:** in practice, technological advances have made the periodic system obsolete and provided the computer software for firms to use a perpetual system. Under a perpetual system, firms or business organizations continually update inventory accounts for each

purchase and sale. A perpetual system is superior to a periodic system because it always provides current information about inventory levels; costs of goods sold, and gross profit (Mosich, 6th Ed, 1989).

### **2.1.2 The Usage of Inventory**

Inventories are the stock of an organization that the company keeps in store for future usage (Pandy, 2003). Inventory helps the organization make important decisions that are tangible at all levels of activities, including distribution and sales, and is a main part of the total current assets of many organizations (Moore, Lee and Taylor, 2003).

It is essential to keep a physical stock in the system to protect against uncertainty because the non-availability of material may lead to delays in production, projects, or services delivered. Keeping inventory also has the opportunity cost of "carrying" or "storing" inventory for the organization. So, the contradiction is that, though we want inventory, it is not easy to have it. These conditions make inventory management a difficult problem area in materials management. It also makes for a high inventory turnover ratio, which can be an indicator of enviable performance (Vrat, 2014).

Effective inventory management gives the chance to make continues competitive advantage and improvement of the competitive position of the companies. This leads to a reduction in the cost of storing stock by replenishing just sufficient inventories at the right place, at the right time, and at the right cost. High levels of inventory affect the organization's cash flow, reduce efficiency, and adversely affect the procurement performance out of the capital. The inventory system helps with operating policies and organizational work flow for replenishing and controlling materials in stores. Capable management of an inventory system requires an appropriate system for making decisions about keeping track of items in inventory and how much and when the order is applied. In every organization, the decision on inventory is based on facts about the balance of inventory on hand, forecasting demand information, lead time and time variation, stock cost, ordering cost and shortage cost (Nalika and Namusonge 2015).

### **2.1.3 Inventory Management**

According to Sharma (2006), inventory management can be described as the protection of over investment and underinvestment in inventories by improving on the main necessary operational activities. The determination of the right level of investment in inventories, consistent with production operation schedules and prompt services, is the activity of inventory management. Mohamad et al. (2016) Inventory management refers to the total activities in each operation stage, which may be in raw materials, semi-finished materials, or finished goods, so make sure the availability of stock and the over or under stocks are always low. Brutus (2015) explains that inventory materials represent an important asset. It is the largest single item, and it is used in every organization. Material management is an important aspect of any organization's function: handling and acquisition of stock, assigning line management, storage, and material transport. Material management and control components' roles are very similar in order to make organizations effective and efficient.

According to Reid & Sanders (2007), inventory management mostly serves two main purposes. First, all responsible inventory management takes responsibility for the availability of stock material. The availability of inventory is important for the smooth running of operations. The second goal is to perform the required activity efficiently, which can be achieved by minimizing optimal costs.

Mohamad et al. (2016) said that every company manages its inventory items by using different ways of managing their own system. However, the usage of inventory is similar, as is where the inventory is stored or is ready to be used, and the cost must be expected to be low.

Lau and Snell (2006) note that the scope of inventory management is concerned with replenishment and lead time, carrying costs of inventory, asset management, inventory forecasting, inventory valuation, inventory visibility, future inventory price forecasting, available physical space for inventory, quality management, returns and defective goods, and damage forecasting. Godana & Ngugi (2014) stated that inventory management is more concerned with controlling each step of inventory activities. This is practiced by involving the system of storekeeping and stock control activities efficiently and economically in the store. Most of the time, the efficiency of inventory management procedures and practices is under question for management because many times the result of a procedure of managing inventory has a problem

of shortages leading to different weaknesses, such as losses that happen as a result of overstocking, under stocking, expired inventory, or failure to achieve the set goal.

Banjoko (2000) explained that the basic objectives of inventory management are making sure the right item is offered at the right time, stored at the right place, and minimizing the cost of stock. Wild (1998) described that the function of inventory management is to organize the work and responsibility together for determining the materials required for scheduling, storing, and disposing of obsolete inventory items.

Ziukov (2015) stated that stock is created to keep the reserve inventory in store for use when the need arises in operation or at maintenance time. It needs proper determination to control the level and to allow significant amounts of assets to be frozen in the form of stocks, which ultimately increases the competence of resource use. Brutus (2015) stated that classical material management is the acquisition of materials and services in the required quantity, at the right price, from the right source, and at the right time. Even though there are actually many different types of products produced in our society, there are only two major decisions to be made: first, controlling activity. The question of how large an inventory replenishment order should be and when should an inventory replenishment order be placed? must get the answer before any decision; consider the main objective of management frequently minimizing the problem; if it is more profitable by fast movement to get more profitable but more expensive, or by slow movement to lower the cost, Such a strategy will be optimal inventory control that can minimize the sum of many stock costs that include production or services, storage, and inventory shortages per unit of time (Ziukov, 2015).

Generally, inventory needs serious managerial attention since it ties up a lot of organizational capital. However, keeping inventory in store is very necessary for the activities of continuous production or to sustainably render services to customers (Samuel & Ondiek, 2014).

#### **2.1.4 The Role of Inventory Management**

The role of inventory management is to determine the level of inventory needed to produce specific items. The system of planning and controlling inventory items is based on the product and customer needs, and the operation activities are based on the available inventory. In addition,



inventory is important for the balance sheet because it is used to increase the asset group on the company balance sheet because many firms reduce their investment in fixed assets such as plants, warehouses, office buildings, equipment, and machinery by increasing their inventory (Mohamed et al. 2016). An inventory management system is essential to ensuring the quality of control in stock handling and the number of customers served by consumer goods. A good inventory system will help the company easily know when to order. An inventory management system is also an essential means of tracing large shipments in a short time. An automated inventory system enables you to minimize the risk of error and helps by providing up-to-date information on the stock items in the warehouse (Ackah & Ghansh 2016).

The role of inventory management is to arrange and organize the overall operation of the organization while maintaining the transactions of sales appropriately and maintaining the level of stock to satisfy customers' needs. The achievement of inventory management is satisfying customers and driving profit by keeping the required inventory items in the right order according to customer needs. The activities and controls of effective inventory management are very necessary for any business's success. Since all businesses have limited working capital, inventory management is responsible for making decisions about what type of materials to buy, the quantity to buy, and how much to spend within the capital limits. These are the important decisions. Bulky inventory keeping can tie up capital that may be used for other investments to generate income, which is locked up without anything. On the other hand, fewer inventory items can be a weaker way to satisfy customer needs, and the organization can't achieve its set goal (Naliaka & Namusonge, 2015).

Poor inventory management has become an issue of great concern since performance is regarded as the main stream for the development of organizations. A truly effective inventory management system minimizes the complexities involved in planning, executing, and controlling a supply chain network, which is critical to business success. The opportunities available through improving a company's inventory management can significantly improve bottom-line business performance. (Ackah & Ghansh 2016). Therefore, inventory management plays a very critical role for all types of organizations. It is vital for profit-making and service-reaching organizations' successes.

## **2.1.5 Inventory Control**

Inventory control is the management activity that attempts to maintain stocks at their estimated levels. It is practiced by planning necessary stock sizes at usual intervals by taking two stocks, counting and valuing them at the same interval, and comparing the two sets of feedback margins of variance (Sharma, 2006). Inventory is a major asset that should be the source of returns on capital investment. The marginal profit on sales got from the return on inventory investment; accordingly, this would not occur without inventory. Accounting experts stated that accepting corporate profit-and-loss without measuring the true cost and benefit of inventory is difficult. Because of the lack of measurement clarity, it is complex to evaluate the trade-offs between service levels, operational activeness, and inventory maximum or minimum levels. While the cumulative inventory levels have decreased, the inventory carry of many enterprises is still greater than their basic requirements (Bowersox, 2002).

Sharma (1997) stated that inventory control is a very important activity of inventory management and that it plays an essential role in managing economic operations. "To achieve higher operational efficiency and profitability for an organization, it is very vital to reduce the amount of capital locked up in inventories." This will not only help in achieving a return on investment by minimizing tied-up working capital but will also improve the liquidity position of the concern. And also, Benedict and Margeridis (1999) described that inventory control means any time and any place the required availability of materials is in stock. The sum total of those activities of an organization that are important to the procurement, storage, sales, disposal, or usage of materials can be identified by material management. Inventory management is ready when required, utilizes available storage space, and keeps the items in balance. The process of maintaining accountability and responsibility for inventories is inventory management. Inventory management: before making a decision, they must be checked against the plan budget and also know how to order and when to order. Therefore, without any problem, the stock is easily available in store at an optimal price (Costsmaros, 2003). Hence, inventory management must be practiced in the activities of the planning system through the operation of the service points and distribution.

### **Inventory records management**

Inventory control is important when making the decision to buy or sell. Some companies control their stock by taking physical inventories at regular intervals, such as monthly or quarterly. Others use a dollar inventory ratio, which gives a rough idea of what the inventory may be from day to day in terms of dollars. If the stock is made up of thousands of items, as it is for a convenience store, dollar control may be more practical than physical control (Arnold, 1998). Inventory accuracy defines how well the inventory records, specifically the quantities on hand, match the actual quantities in the storeroom. Accurate records are a prerequisite to effective inventory management. Susan and Michael (2000) argue that the accuracy of inventory records is necessary to provide satisfactory customer service, determine replenishment of individual items, ensure that material availability meets repair or project demand, analyze inventory levels, and dispose of excess inventory.

## **Stock Verification and Accounting**

To reconcile the stock records and documents for their accuracy and usefulness, to identify areas that require more disciplined document control, and to back up the balance sheet stock figures, a provision should be made for an independent central stock verification team instead of departmental committees to verify the stocks annually. A policy of centralized stock verification is likely to result in better reconciliation between the assets as per the balance sheet and the actual assets in the stock (Sharif, 2015).

### **2.1.6 Model of Inventory control Management**

Key parameters and procedures, namely, when to order, how much to order, and inventory control, guide inventory planning. When to order is determined by demand, performance average, and variation. How much to order is determined by the order quantity. "Inventory control determines the process for monitoring inventory status." (Bowersox, 2002, page 291).

## **Inventory Control System- Degree of Involvement**

The effects of inventory control systems on organizational performance and the effects of lead time on organizational performance Inventory control systems are the most important function of materials management, and they form the nerve center of any organization (Ramakrishna, 2005).

An inventory control system is a system that encompasses all aspects of managing a company's inventories: purchasing, shipping, receiving, tracking, warehousing and storage, turnover, and reordering. Using that definition, the respondents were required to respond to the statements as they implied about the organization (Keitany, Wanyoike, &Richu, 2014).

### **2.1.7 Inventory Purchasing and Dissection**

Procurement is the process of determining the order quantity for the purchase of items, work processing, store requisitions, issue of inquiries, evaluation of quotations, supplier appraisal, negotiations, placing of contracts, progressing deliveries, and clarifying payments (Brutus, 2015). Successful inventory management involves creating a purchasing plan and design that will ensure that items are available when they are needed but that neither too much nor too little is purchased, and keeping track of existing inventory and its use (Berling, 2011). In every organization, there are two types of common inventory management strategies: the just-in-time method of direct purchase for direct use, where establishments plan to receive items as they are needed rather than maintaining high inventory levels, and material requirement planning, which schedules material deliveries based on sales forecasts. Proper inventory management requires an organization to undertake stocking and use appropriate methods to value stock so as not to understate or overstate profits (Kotabo, 2002). The inventory purchasing management approach of accurate response is an excellent mechanism that helps businesses.

### **Inventory Decision**

The main objective of inventory management is to identify the effects of having items in stock and not having items in stock and compute the cost of holding and ordering the inventory. In order to attain a balance between inventory availability and cost, the main target inventory management volume is how much to order and when to order it (Porter, 2011). Therefore, since inventories are a key to any organization, inventory management must be given attention when making decisions. There are different techniques, and modeless can help inventory management control systems.

### **Economic Order Quantity Modal**

Economic order quantity is the technique of determining the optimum quantity that can minimize the total of inventory orders and carrying costs. There are two types of major costs included with inventory. Those are procurement costs, which vary with the number of orders in annual procurement and carrying costs. This affects the procurement costs if the inventory items are purchased in small quantities. The annual cost of purchasing inventory is directly equivalent to the quantity in stock. If the quantity ordered in each order is small, the carrying cost of stock is decreased. The procurement cost and the carrying cost are completely different. The right quantity is obtained as opposed to "economic order quantity" (EOQ) (Jose & Jayakumar, 2013).

### **Just in Time (JIT) model**

According to Canel et al. (2000), JIT aims to reduce time spent waiting during the production process. Therefore, the cost of inventories can not only be minimized but also the time for production can be reduced. The JIT concept is not talking about standardization or the way of managing, but rather focusing on zero inventories. This system builds a good relationship and trust with suppliers based on their willingness.

### **2.1.8 Warehouse Management**

Sustainable material management is the management of raw materials and services from supplier to manufacturer or service rendered to customer and return, with improvement of social and environmental advantage also considered. It improves technology by decreasing manual practices. Sustainable material management has allowed businesses and the supply chain to distribute over a wide area and increase future needs. These practices include organizing and managing warehouses, as well as settlement. Benefits of sustainable supply chain management include increased goodwill for the business. Having a sustainable supply chain would also improve clarity, visibility, and the ability to respond quickly to any change. (Tan, Ahmed, & Sundaram, 2009)

### **2.1.9 Handling of Inventory**

Zijm (1999) defines inventory material management as the movement of materials (raw material, scraps, semi-finished products, and finished product spare parts) in processes of any operation

system, in warehouse storage, in resaving processes, and in shipping areas. The main material handling concern is material flow in warehousing. There are some typical materials that support the material flows, like forklifts, automated guided vehicles, shuttles, overhead cranes, and power and free conveyors. Warehousing uses those materials for flow activities from place to place and also to receiving and shipping areas. Essentially, according to material usage and type, the receivers of inventory material warehouses may be divided into distribution warehouses, production warehouses, and contract warehouses.

## **Design of Material handling system**

The inventory material handling system designed is taking cost minimization into consideration. Material handling is the most important activity in many conditions since, while material handling can add value to an organization, it is typically difficult to measure and enumerate the benefits included with material handling. But the material handling cost is much easier to measure (Heragu, 2009).

### **2.1.10 Principles of Material Handling**

According to Heragu (2009), even if, material handling system designee haven't a definite followed rule. However, the College-Industry Council on Handling Education (CIC-MHE), in collaboration with the Material Handling Institute (MHI), represents the sanitization and cleaning of many years of experience and knowledge. They have complied with ten principles of material handling.

- a) Planning Principle. All material handling is necessarily planned according to the required objectives.
- b) Standardization Principle. Material handling methods that are to be standardized, fixable equipment, and software, keeping the modularity of the organization to achieve its set goals.
- c) Work Principle. Material handling is defined by the material movement without stacking the activity of the organization while keeping the level of inventory.

- d) Ergonomic Principle. Balancing human capabilities and limitations must be included in the design, and material handling tasks and equipment must be ensured during operation.
- e) Unit Load Principle The material flow and inventory objectives in each operation activity must be insured, and the availability of materials must be checked by supply management.
- f) Space Utilization Principle Effective and efficient use must be equally available at every stage and place.
- g) System Principle. Every material movement in operation and storage is integrated to form a coordinated, operational system that spans receiving, inspection, storage, production, assembly, packaging, unitizing, order selection, shipping, transportation, and the handling of returns.
- h) Automation Principle Material handling should be in every place and must be systemized or done using computer systems to improve operational activity and efficiency, decrease operating costs, and also minimize the use of unsafe manual labor.
- i) Environmental Principle At the time of designing and selecting the alternative equipment, the material handling system must be taken into consideration.
- j) Life Cycle Cost Principle On the material handling life cycle, the economic analysis should be considered. (Heragu, 2009)

Heragu (2009) describes a material handling system as the continuous management of a function of resource movement from one location to another. It is more common in manufacturing and service Systems. Material movement occurs everywhere and every time, as required, in the warehouse or out of warehouse. Consequently, a minimum level of handling activity is essential for any company. Due to the manufacturer's produced varieties of products to easily satisfy the demand. Therefore, highly efficient and an effective material handling system is very necessary. Also, the material design system included in that facility layout, product routings, and material flow movement must be considered (Heragu, 2009).

### **2.1.11 The Impact of Excess inventory**

Excess inventory in a firm has a cost of holding inventory, and it will negatively affect the net cash flows of the firm. Those costs could include capital costs (interest opportunity), storage costs, insurance, taxes, spoilage, losses, and other related storage costs. Other costs are based on a firm decision to take action against excess inventory. In the industry, when technology changes fast and the product cycle are short, the price of products may naturally go down. In any organization, excess inventories and declining prices are part of holding excess inventory. In addition to these, the cost of providing price protection and product returns increases in cases of excess inventory (Jijm, 1999).

According to Calloni et al. (2005), in some situations, unfortunately, a firm or business might be forced to close and restart again, at which time the organization incurs a cost. The cost of inventory becomes a write-off; all items that have an economical value, like inventory materials, will become less valuable and must be scrapped or sold at a bargain price. These imply that inventory write-offs could incur additional costs for inventory disposal. So, if excess inventory is a cause of the lower value, the profit margin becomes compressed. In addition, the liquidations that the undervalue involves involve marketing and incurred distribution and selling costs. In general, excess inventory increases the total cost and decreases revenue and profit. Also there are many cases that can be affected indirectly the price of inventory items. A firm may have restricted price control over excess inventory by giving the first opportunity to the customer. Excess inventory has an influence on the flow of sources of funding availability, and it is the main obstacle to the business's new opportunity for expansion.

### **2.1.12 Inventory Valuation**

Since the inventory materials are idle, the price of those materials decreases for many reasons, which is a deductible cost. Net asset valuation is one of the simplest forms of company valuation. It is computed to be the difference between the assets and liabilities based on the respective balance sheet values. But net asset values are generally lower than market values as many value-creating items are not accommodated in the balance sheet for accounting reasons like investments in marketing, education of employees, etc. The asset valuation methodology is useful in cases of liquidation or closure of the business (Arooq & Agrajan, 2014).



### **2.1.13 Obsolescence**

Obsolescence costs result from the deterioration of products during storage. A prime example of obsolescence is a product those ages beyond its recommended sale date, such as a hold or pharmaceutical. Obsolescence also includes financial loss when a product becomes obsolete in terms of fashion or model design. Obsolescence costs are typically estimated based on past experience concerning markdowns and quantities destroyed. This expense is the percent of average inventory value declared obsolete each year (Bowersox, 2002).

### **Inventory Costs**

Inventory is an important asset for any organization. It plays an important role in the performance of any firm's production activities and is also essential for a service-oriented organization. However, inventory, since it is an idle resource, incurs some costs over time to the organization or business.

"Inventory carrying cost is the expense associated with maintaining inventory." Inventory expense is calculated by multiplying the annual inventory carrying cost percent by the average inventory value. "Standard accounting practice is to value inventory at purchase or standard manufacturing cost rather than at selling price" (Bowersox, 2002, page 288).

Storage "Storage cost is a facility expense related to product holding rather than product handling." Storage costs must be allocated based on the requirements of specific products since they are not directly related to inventory value. In public or contract warehouses, storage. Bowersox, 2002, page, 289).

### **2.1.14 ABC Analysis**

The company purchases different inventory items from different suppliers. There are many types of control systems, such as ABC, XYZ, FSN, and VEN. The concept of ABC is a model that can be used to form a rational inventory policy that minimizes stock costs, including storage and wage costs. The purpose of the ABC analysis is to organize the inventory materials according to

their usage and annual dollar amount. The amount is calculated by multiplying the amount per unit by the annual rate. This analysis follows a simple rule of thumb. (Kumar, 2017)

Table 1 ABC Classification

Descriptions	Number of Items	Number of annual sales revenue
Class A items	About 20%	About 80%
Class B items	About 30%	About 15%
Class C items	About 50%	About 5%

ABC classification usually categorizes a company's products into three classes in order to assign priorities in inventory control:

1. Class A items are the most critical ones. These items require tight inventory controls, frequent review of demand forecasts and usage rates, highly accurate part data, and frequent cycle counts to verify perpetual inventory balance accuracy.
2. Class B items are of lesser criticality. These items require nominal inventory controls, occasional reviews of demand forecasts and usage rates, reasonably accurate part data, and less frequent but regular cycle counting.
3. Class C items have the least impact in terms of warehouse activity and financials and therefore require minimum inventory controls.

### **2.1.15 Obsolete Inventory**

According to Grondys, Kott, and Strzelczyk (2014), for warehouse management processes to control excess and obsolete inventory, they need a sum-control management mechanism to indicate the inventory material condition and level. To properly manage excess and obsolete inventory, it needs some first indicators to separate nonmoving stock, identify the level of slow moving stock in the warehouse that may be treated as excess or obsolete inventory, and then make an analysis allowing to show the reason for the occurrence of utilization of the inventory. The indicator can show the difference between the current and previous inventory and the amount of resource coming from the last deliveries until zero value is obtained after that,

multiplying it by the number of days that have passed since the delivery. The FIFO method is the best option to get the actual slow-moving stock. This indicator is calculated as:

$ZM = \frac{I}{d}$  Where:

d – Number of days of slow-moving resource by FIFO

I – Value or amount of slow-moving resources in a warehouse

## **2.2 Empirical Review**

Different studies have been conducted by different researchers concerning the practices of inventory management, with the aim of investigating and controlling both public and private bodies with the general practices in such companies. More of them have problems managing inventory items. Ackah & Ghansha (2016), in their study titled "Assessment of Inventory Management," assessed the performance of the production sector to find out how the management of inventory within the organization would be effective and bring a lot of cost savings for the organization, increasing organizational profitability. In order to reduce the cost of holding and ensure the continuity of supply at the same time, it shows how the management of inventory within operational work would be effective and bring a lot of cost savings to the organization. Therefore, increasing organizational profitability is important since inventory represents the asset account. Despite the growing concern for non-stock procurement policies, inventory continues to play an important role within the organization's supply chain (Ackah & Ghansha 2016).

According to Girma (2016), studies on title assessed the problems of inventory management and stock recording handling in the warehouse. He stated his finding that the major problems of inventory management are: lack of attention from store management; lack of qualified employees assigned to the right position at the right time; no planning mechanism to solve problems to improve inventory management and control systems; and lack of work performance evaluation of employees of the warehouse. The warehouse management and employees are working on inventory management and controlling functions and are facing a lack of knowledge or skill to meet the expected performance. The company inventory items kept unsafely, misused

of some materials and improper guide lines work manual. The researcher also gave his comment on the company concerning the periodic and perpetual inventory systems: the company should pay attention to inventory management, plan and evaluate warehouse employees' performance, approve employees who are assigned to warehouses, and prepare work-related policies and procedures concerning inventory management and controlling systems.

Chan (2015), in her study, said that she examined the association between inventory management and ineffective internal controls and hypothesized that those managers found in firms with inventory-related material weaknesses in internal control were delayed in their inventory management, thus their firms experienced more stock shortages and overages. The company has a higher probability and magnitude of inventory impairments. The weak evidence shows that inventory turnovers improve when the weaknesses are corrected.

Demisse (2015), Nganga (2013), and Nzuzza (2015), in their studies, assessed factors affecting the effectiveness of inventory control in the problem area of long purchasing processes systems and factors affecting inventory control problems due to a lack of knowledge and training of employees, as well as the practices of inventory auditing, which negatively affect inventory. According to Ogbo and Ukpere's (2014) studies on effective inventory control management, an ineffective inventory control system drives high inventory and storage costs that decrease the organization's profitability. Improving inventory control systems has the benefits of cost reduction, improved sales effectiveness, reduced waste, transparency and accountability, easy storage, and high inventory utilization. In order to achieve all these, organizations have to maintain flexible inventory services.

Keitany, Wanyoike, and Richu (2014) stated that their study shows that with inventory control systems and lead time in materials management, an organization can achieve the benefits of effective use of labor, providing system flexibility, increasing productivity, decreasing lead times, reducing waste, reducing production costs, and increasing product quality. The ratings showed that inventory control systems played a vital role in organizational performance, and as such, organizations must ensure that inventory control systems are highly involved in material management activities, thereby achieving higher organizational performance.

According to Mwangi and Nymbura (2015), understanding the challenges faced by organizations due to poor performance of inventory control systems has an advantage over the organization's successes. The results clearly indicate the necessity of providing support to organizations if they are to successfully manage inventory. Accordingly, support to overcome the identified barriers to inventory management needs to be recognized. However, most businesses are not confident in inventory management as a technique for influencing the performance of food processing companies.

Naliaka and Namusonge (2015), in their study, they conclude that the firm's computers are linked with those of the suppliers in a real-time environment, although with varied responses. The firm, to a lesser extent, has computerized all its inventory management systems. The study concludes that Unga Group Limited has attained much through inventory control systems. The inventory control system has enhanced timely deliveries, reduced production costs, increased product quality, decreased production cycle time, reduced wastage, reduced stock levels, and increased profitability. The ratings showed that inventory control systems played a vital role in attaining competitive advantage, and as such, organizations must ensure that inventory control systems are highly involved in inventory management activities.

### **2.3 Summary of the Review and Research Gap**

Generally, in all the above studies, researchers conducted inventory control management studies by different researchers from different angles concerning the factors affecting inventory management, the assessment of inventory management, the internal control system, and the role of inventory control management. These show that inventory management is a key part of the management functions to perform in manufacturing, service-oriented companies, any public company, and small and large industries. Inventory management plays a very significant role for any firm or business. Ackahand & Ghansh (2016). However, since it holds without service instead of generating income, it incurs costs. There is a lot of research done on inventory control management in different problem areas, but most of it is done in firms' areas. Like the Ethiopian Tourist Trading Enterprise Company, the maximum amount of inventory is purchased from abroad at a very competitive price. In addition to these, the company's role is different from other services because electric services are critical for today's lives. Those studies described above do

not assess the main core areas of gaps in the purchasing inventory control system, the finance recording control system, the impact of the unavailability of inventory on customer service department work performance, the revaluation of inventory items, the disposal of obsolete inventory items, excess inventory purchases, or idle inventory purchases. So the assessments of the inventory management study encompass those areas of the Ethiopian Tourist Trading Enterprise.

## **CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

### **3.1 Description of the Study Area**

The study's title is "Assessment of Inventory Management Systems." The key organization that collected data for this study was Ethiopia Tourist Trading Enterprise. The organization's main department was located in Addis Ababa. The company has six stores and eight shops in Addis Ababa. The stores (Ayat finishing store, Ayat raw material store, Dellgabeya liquor store, Head Office duty-free store, and Dellgabeya liquor store) are located in Addis Ababa.

### **3.2 Research Approach and Design**

The research approach was selected by researchers based on the research purpose, the nature of the research, the problem area, and research questions (Alhamdani et al. 2006). The research the approach in this study is based on the purpose and research questions set out to be addressed. According to Creswell (2003), there are three basic types of research approaches. Quantitative, qualitative, and mixed approaches In order to achieve the objective of this study and Answer the research questions. A mixed research approach is best to converge across qualitative and quantitative methods. Employing this approach was used to neutralize or cancel the biases of applying any of a single approach and means to offset the weaknesses inherent in a single method with the strengths of the other method (Creswell, 2003).

Research design is the blueprint for fulfilling research objectives and answering research questions. It ensures that the study will be relevant to the problem and that it uses economical procedures (John et al., 2007: 20–84). A choice of research design reflects a decision about the priority being given to a range of dimensions of the research process (Bryman & Bell, 2007:40), and this, of course, has considerable influence on lower-level methodological procedures such as sampling statistical packages. Therefore, it is a blueprint that enables researchers to find answers to the questions being studied for any research project.

### **3.3 Data sources and type of data**

In order to carry out any research activity, information should be gathered from proper sources. Therefore, to achieve its objective, this study used both primary and secondary sources of data. The primary sources of the data serve as the main sources of the study; they were collected from employees in the organization, such as store employees, purchasers, accountants, and management. Attempts were made to make use of secondary sources of data as well. In this study, one of the purposes is to develop a theoretical framework for the study, for which national and international literature related to the study under consideration is reviewed. This includes documents, related research, financial reports, and the internet.

### **3.4 Data collection methods**

The major data collection instruments used was questionnaires and interview guides. Questionnaires were used where a respondent could easily read and understand them without assistance; the questionnaires were prepared based on the research objective. While interviews were conducted for respondents whose responses required follow-ups and who did not have the time to go through the questionnaires and provide the needed responses and to get an in-depth understanding of the issue from these concerned managers and supervisors who have a direct relationship with the activity and have knowledge and expertise in their area of field, they were expected to answer the interview questions briefly. In addition, the study also considers some information from the organization's documents specifically to retrieve information on the techniques used by the organization to control innovation. In general, questionnaires were distributed for the finance department, store employees, and procurement, while in-depth interviews were done with the management of each department.

### **3.5 Target Population and Sampling Techniques**

The sampling technique used to acquire the primary data is the all-target population purposive type. The reason behind selecting such a technique is to enable the researcher to acquire the required information from those respondents who have directly related work to the topic of the study for better data collection. This selected total target population technique benefits the researcher in getting more information because all target populations are participants in the



information supply based on their work. The researcher, based on the above sampling technique, displayed the selected and employed target population size in the following table:

**Table 2, Total Targeted Population /Number of staff in department**

Department Name	QUESTIONNAIRE	INTERVIEW	TOTAL
<b>1 FINANCE DEPARTMENT</b>		1	1
Finance officer	21		21
Purchaser officer	10		10
<b>2 Budget plan and monitoring senior officer</b>		1	1
Budget officer	5		5
<b>3 CENTRAL WARE HOUSE HEAD</b>		1	1
warehouse officer	8		8
Store clerk	8		8
<b>4 BRANCH WARE HOUSE HEAD</b>		1	1
Warehouse officer	5		5
Store clerk	5		5
<b>5 RETAIL AND BUSINESS DEPT</b>		1	1
Sells man head office	7		7
Sells man branch office	6		6
<b>TOTAL</b>	<b>75</b>	<b>5</b>	<b>80</b>

The researcher selected 5 departments which are related to inventory handling, purchasing process, inventory control management and user department. The total population size of selected target department consist 80 staff members.

TABLE 3

**Number of Selected Population for interview**

Methods	Interview	Quantity
	Finance department	1
	Budget and plan dep't	1
	Central warehouse head	1
	Branch ware house head	1
	Retail business dept.	1
	Total	5

The researcher selected five /5/ department head staff members from the total targeted department's population for interview. Who are able to provide the most relevant information for the study considering their position, skills and work experience to get the main root of problems; Those selected departments are;

**Finance Head:**A head of finance has a leadership role overseeing financial staff and a company's financial strategies. Head of Finance responsibilities include ensuring finances are used beneficially, developing the financial strategy, assessing investments, and ensuring legal and regulatory compliance.

**Branch Warehouse Head:** It has a responsibility to control inventory management activities in finance recording across the company. Therefore, the department is the most important for the study to obtain more detail and necessary information on the controlling area.

**Central Warehouse Head:** is the most important part of the study. It administered the central warehouse and purchasing department. Those two departments have a big role in inventory purchasing and management systems. Thus, the interview with this department is more essential for the study to get detailed information on the problem area of inventory purchase.

**Retail Business Department:** This is a useful department to acquire supportive information for the study to understand how the impact of inventory items affects the work performance of their

department. It supports the overall customer management representatives by planning and designing how the company could provide the services to the customers.

**Table 4 Number of Selected Population for Questionnaires**

Selected Population for Questionnaires	Total number of selected population
Finance officer	21
Purchaser officer	10
Budget officer	5
Branch warehouse officer	10
Central warehouse officer	16
Retail and business	13
Total	75

These are the rest 75 of the 80 selected population staff members who are working in the area related to the topic of the targeted department are chosen for questionnaires to obtain the necessary information concerning the inventory management problems to find a resolution for them in a simple and easy way, making the respondents' responses confidential.

### **3.6. Method of data analysis**

The data analysis method of the research is a descriptive statistic method that used tables for computation of measures of average by using SPSS system. Therefore, the correct interpretation of the data in descriptive form is made to draw conclusion from the analyzed data and to lead valid conclusion on the study. And also interview responses are analyzed using thematic analysis .It can aid the researcher's authenticated conclusion and recommendations.

## CHAPTER FOUR: RESULTS AND DISCUSSION

### 4.1 RESULTS/ FINDINGS OF THE STUDY

This chapter contains the analysis and interpretation of the data collected through questionnaires and interviews, presenting an assessment of the inventory management system in the case of the Ethiopia Tourist Trading Enterprise. Its analysis and interpretation of this data were organized into four different parts. These are named as purchasing department, central warehouse and, retail business and Finance department. Because the target population of the study encompasses different departments, the questionnaires and interviews conducted were different for each department. Hence, the general views of all respondents are presented below.

Table 5. Part I, Questionnaires Respondents Background Information

Variables		Frequency	Percentage
Gender of the respondents	Male	45	60
	Female	30	40
Education level of employees	Master	5	6.66
	Degree	35	46.66
	Diploma	25	33.33
	Under grade 12	10	13.33
Field of Study	Accounting	30	40
	Management	20	26.66
	Business	25	33.33
	Administration		
Employees Work experience	1-5 years	13	17.33
	5-10 years	20	26.66
	11-20 years	30	40
	Above 21 years	12	16
Total respondent		75	100

According to the above table, 45 (60%) out of 75 (100%) questionnaire respondents are male, while the remaining 30(40%) out of 75 (100%) respondents are female. The result shows that the

number of females involved in the company is lower than the number of males, because male greater than female work behavior very difficult to working warehouse but female is natural does not carrying material one place to other place so work position more male necessary for warehouse job.

The respondents' education level result indicates that 35(46.66%) out of 75 (100%) respondents have a first degree, the remaining 25(33.33%) out of 75(100%) are at diploma level, and 42 (56% of the total respondents) have more than 11 years' work experience, which enables them to understand and replay the questionnaires easily.

**Table 6 Parts I, Interviewees Background Information.**

variables		Frequency	Percentage
Gender of the respondents	Male	3	60
	Female	2	40
Education level of employees	Master	1	20
	Degree	3	60
	Diploma	1	20
Field of Study	Accounting	2	40
	Management	1	20
	Business	2	40
	Administration		
Employees Work experience	11-20 years	3	60
	Above 21 years	2	40
Total respondent		5	100

Source: Authors computation based on the field survey, 2023

The result of the above table shows that the total number of interviewees who participated in the study was 5; out of these participants, 3 (60%) of the total interviewees were male, whereas the remaining 2 (40%) of the interviewees were female. The result illustrates that the number of female participants in the interview is lower than the number of male participants. At the education level, 1 (20%) of the total interviewees are at the 2nd degree level, while 3 (60%) of

the total interviewees are at the 1st degree, and the total interviewer diploma level is 1 (20%). Beside this, the total interviewees have more than 11 years' work experience, which enables them to understand and discuss the interviews as required.

## 4.2 The Purchasing Practices of Ethiopian Tourist Trading Enterprise

The purchasing department is key for any organization because it supplies the necessary inventory materials to maintain activity. According to the company's operations, their purchasing department plays an important role in supplying the necessary duty-free materials such as liquor (alcohol) and production materials such as woodworking materials and painting. Thus, the researcher believes that this area is important for ETTE inventory management research. Because the inventory management and purchasing systems affect the operations of every company, in this way, the researcher evaluates the purchasing practices of the company by inviting interviews and questionnaires from managers of logistics and warehouse departments and buyers. The responses of the department are presented in the following tables, interpreted

Table 7Part II, Inventory Purchasing Practices – Responses of Purchasing Department

Production materials purchased for stock items from local market	Frequency	Percentage
1. We can got	7	70
2. Some materials are not available easily	3	30
3. Most of the time it is difficult	0	0
Total	10	100
Purchasing department sends purchase order request to suppliers, and the suppliers response to purchasing department	Frequency	Percentage
1. Always match to our request	3	30
2. Mostly match to our request	5	50
3. Match to our request	2	20
4. Not match to our request	0	0
Total	10	100

Source: Authors computation based on the field survey, 2023

As specified above in the table, 7 (70%) of the respondents said that "the production materials and handcrafts can easily be obtained from the local market." The remaining 3 (30%) of them said, "Most of the time, getting such items is difficult." On the second questionnaire, the supplier's response to the purchasing department ordering the purchase requisition, 2 (20%) of respondents said that it "matched our request." 5 (50%) of the respondents answered that "most of the time it matches our request," and 3 (30%) of the respondents said that "it always matches our request." According to the respondents' reply, ETTE has a chance of purchasing supplies and the required inventory materials from the local market. In addition to this, in purchasing processes, the suppliers can deliver the ordered materials according to the requisition. However, on interview questions and discussion with the logistic and warehouse department, it was stated that "most of the time some production materials, like woodwork and handcrafts, are not available in the local market." Because of that, the majority of the inventory items of the company are purchased from abroad. Due to the size of the company, the purchasing department is forced to purchase bulky inventory items from abroad. Even though the company purchased inventory items from abroad, their price is lower than in the inland market. Even if the company bought inventory items at a cheap price, sometimes it is obliged to purchase them from the inland market at a higher price than the abroad market price.

Therefore, the local purchase of inventory items cannot satisfy the company's purchasing demand because of the high purchase price, which incurs purchasing costs, and the unavailability of the required quantity.

The second result of the above table demonstrates that the suppliers delivered the inventory items according to the purchasing department's order request. Such types of transaction activities are good practice. But the majority respondent's response and interview discussion contradict each other. However, there is a gap between the purchasing department and the logistics department.

According to Vrat (2014), it is crucial to keep a physical stock of the inventory item on hand in the system to protect against uncertainty because the non-availability of material may lead to delays in production, projects, or services delivered. Keeping inventory also has the opportunity

cost of "carrying" or "storing" inventory for the organization. So, the contradiction is that, though we want inventory, it is not easy to have it. These conditions make inventory management a difficult problem area in materials management. It also has a high inventory turnover ratio, which can be an indicator of enviable performance.

Therefore, according to the company's size, it needs huge purchases of inventory items, especially fast-moving stock materials, but if the local market does not satisfy as required, every activity may fall under problems of shortage and customer complaints.

Table 8. Part II, Inventory Purchasing Practices – Responses of Purchasing Department

The annual inventory items purchasing demand level	Frequency	Percentage
1. By collecting from work units demand	6	60
2. From past trend	2	20
3. From main warehouse	2	20
4. From material management	0	0
Total	10	100
A problem of defected inventory items on foreign purchase	Frequency	Percentage
1. Rarely it happens	6	60
2. Very rarely	4	40
3. Most of the time	0	0
4. Not defected	0	0
Total	10	100
Inventory items are not timely maintained	Frequency	Percentage
1. Agree	6	60
2. Strongly agree	4	40
3. Disagree	0	0
4. Strongly disagree	0	0
Total	10	100

Source: Authors computation based on the field survey, 2023



The result of the above table specifies that 6 (60%) of the respondents said that "by collecting the demand of the work units annually." while 2 (20%) of the respondents said that "based on past experience," and 2 (12%) of the remaining respondents said that "collects the demand from the central warehouse." According to the majority consensus, the ETTE annual stock purchasing items are purchased based on the demand of the work units.

According to Sharma (2006), inventory management can be described as the protection of over- and under-investment in inventories by improving on the main necessary operational activities. The determination of the right level of investment in inventories, consistent with production operation schedules and prompt services, is the activity of inventory management. But according to the majority consensus, the ETTE trend of annual stock purchasing items is based on the request of work units, which points out that the ETTE material management does not have a mechanism to know the level of inventory maintenance.

On discussion of the interview, the logistic and warehouse department described the process of purchasing items and demand collections that are as follows: collecting the quantity on hand of fast-moving items from the central warehouse every week. Then this report is sent to the user department, which is named the distribution department. After the distribution department receives the report analysis data and prepares the request to maintain stock items, if it is necessary, the department can request the new extra items. In addition to the discussion regarding their requisition, the re-checking of the stock data is to protect the purchase of excess and idle stock. If their "answer is not checked," then the department practices direct the purchasing activity.

On the other hand, in the discussion held with the central store department, it was said that most of the time excess stock, slow-moving stock, and idle stock items are purchased without department request.

According to the above response and interview discussion, due to a lack of mechanism to set the level of stock and a lack of computer technology, the company's inventory items are bulky and cannot be replenished on time. Their current trend for company stock maintenance is based on the user department requisition without choking the balance of stock on hand.

Therefore, there are gaps between the central warehouse and the purchasing department. These gaps are the lack of exchange of information between each other and the fact that they don't apply policies and procedures for purchasing inventory items. The problem implies that the inventory items are exposed to idle stock, obsolete stock, and excess stock, and it also declines the customer service performance.

The second questionnaire raised questions about the problem of defective inventory items on foreign purchases. Hence, 6 (60%) of respondents agree that the practice of foreign purchases "rarely happens with defecated materials." The four (40%) of them said that "it happens very rarely." According to the majority of answers, ETTE has a problem with the practice of foreign purchasing because of the opportunity to purchase defective inventory items. In the interview discussion, this problem is mentioned as one that could be solved by a contract agreement. In the process of a foreign purchase, the contract agreement deals with the best risk assurance. Because if the problem happens to the buyer, he can have a chance to return the defective materials or get compensation

Respondents respond to the questionnaire, "Stock maintenance is not timely done." Six (60%) of respondents agree that inventory items are not timely maintained; the other four (40%) respondents strongly agree that it is "not timely minted." These indicate that the company has a shortage of stock items to perform the service-request activity. The interview discussion implies that the purchase of inventory from abroad sometimes takes a long time to import due to a lack of foreign currency. Such problems cause gaps in the company's service activities.

Therefore, this shows that ETTE material management can't timely determine what type of items they purchase. How much and when do they purchase? Such and such questions are not exercised well in the company.

Table 9, Part II, Inventory Purchasing Practices – Responses of Purchasing Department

Variables	Highly	Moderate	minimally	Not any problem	Total percentage
Dalliance of long process to authorize by top management		(9) 90%	(1) 10%	0	100%

purchase request					
Dalliance on finance department in process of preparing the payment of Suppliers affect purchase department.	(2) 20%	(6) 60%	(2) 20%	0	100%
Dalliance of receiving inventory of central store affects purchasing Department activities.	0	(3) 30%	(7) 70%	0	100%
Total respondent					10

Source: Authors computation based on the field survey, 2023

With regard to the long process of purchasing systems to authorize the top management's degree of dalliance, the processes are evaluated by 9 (90%) of the respondents as "moderate," "neither fast nor late," and "minimum percent."

On the dalliance of the finance department to process the payment of purchasing items to suppliers. The remaining 2 (20%) of the respondents agreed on "moderate time," 6 (40%) of the respondents agreed on "high time," and the remaining 2 (20%) of respondents agreed on minimum time. And also for dalliance on the receiving process, 7 (70%) of the respondents agreed on a minimum time, while the other 3 (30%) agreed with a moderate time. This indicates that the inventory purchase processes and the receiving processes have not shown any problems.

Therefore, In ETTE on purchasing processes no bureaucratic procurement procedures problem and also purchaser without any dalliance received the purchased inventory items. This is good practice for the company.

Therefore, ETTE has good inventory-receiving processes. This practice shows the strength of the company.

### **4.3 Inventory Receiving and Handling Practices of ETTE**

Inventory material is received in the right condition, and handling system design is taken into consideration for cost minimization. Material handling is one of the most important activities in

many conditions since it can add value to organizations. It is typically difficult to measure and enumerate the benefits included with material handling. But the material handling cost is much easier to measure, according to Heragu (2009). Material handling in good condition is, in other words, a benefit to the company, and it is one aspect of inventory management. In the case of ETTE, to understand the receiving and handling practices of the company, the researcher conducted an interview discussion and raised some questionnaires. The collected respondent responses are shown in the following table:

Table 10. Part III, Inventory Receiving and Handling System – Responses of Warehouse Employees

The purchasing department sends the necessary document to warehouse for receiving activity	Frequency	Percentage
1. They send sometimes	4	15.38
2. They send but lately	10	38.46
3. They send always	12	46.15
Total	26	100
Receiving inventory materials dalliance in case of inspection	Frequency	Percentage
1. Has no any dalliance	11	42.30
2. Minimally	13	50
3. Moderately	2	7.69
Total	26	100
The occurrence of defective inventory materials probability on receiving activities	Frequency	Percentage
1. Sometimes	18	69.23
2. Mostly	8	30.76
Total	26	100

Source: Authors computation based on the field survey, 2023

The result of the above table indicates that 12 (46.15%) of respondents said that "always the purchasing department sends us the necessary document." The other 10 (38.46%) said that "they sent lately." With regarding inspection for which necessarily need inspection materials on

receiving activity raised a questionnaire, if there is any dalliance of inspection document, the respondent responses 2(7.69%) of the respondent said that" take a medium time", 13(50%) of them said take a minimum time, the others 11(42.30%) of the respondents "are not take a time" . On the issue of receiving processes and the occurrence of getting defective inventory materials, 8 (30.76%) of the respondents responded that "it happens many times," while the other 18 (69.23%) respondents said that "sometimes we get the defected materials."

According to the above responses, on processes of receiving activity, even if 12 (46.15% of respondents) said that "the necessary receiving document was sent by the purchasing department to the warehouse on time," the other 13 (50% of respondents) said that "the document was sent lately." This shows that there is a contradiction between the respondents. In addition to this, on the dissection of the interview, the conformation described in the receiving process is showing as there is no document liaison.

Therefore, in the receiving area, there are some gaps that indicate a problem. Processing the activities of receiving inventory items without documents is a big problem. Due to such activities, inventories are exposed to theft and corruption.

In regard to inspection, the above result shows that 13 (50%) of respondents said that "has a minimal problem," while the other 11 (42.3%) said that "have no problem of dalliance." According to this result, it can be concluded that the problem is not as severe as shown on the inspection dalliance.

The result of the last questionnaire in the above table shows that in the process of receiving inventory materials, the probability of getting defective materials is sometimes high. According to the interview discussion, this problem is solved by a contract agreement. So in this area, ETTE has good practices.

Table 11. Part III, Inventory Receiving and Handling System – Responses of Warehouse Employees

Occurrence of Sample dissimilarity at the time of receiving activities	Frequency	Percentage
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1. Sometimes it happens	15	57.69
2. Always happens	5	19.23
3. Not happen	6	23.07
4. others	0	0
Total	26	100
Sufficient space to handle inventory items properly	Frequency	Percentage
1. For now it is sufficient	7	26.92
2. It is not sufficient	17	65.38
3. I have sufficient space	2	7.69
Total	26	100
Inventories that is occupied more in the warehouse	Frequency	Percentage
1. Obsolete and expired items	18	69.23
2. Slow moving items	6	23.07
3. Fast moving items	2	7.69
Total	26	100

Source: Authors computation based on the field survey, 2023

As described in the above table questionnaire of the supplier's delivery, the sample of dissimilarity shown by 5 (19.23%) of respondents said that "always a problem of dissimilarity is occurring," other 6 (23.77%) of respondents said "any problem does not happen," and the majority of 15 (57.69%) of respondents said that "sometimes the purchased items have a problem of dissimilarity."

Even if 5 (62.5%) of the purchasing department respondents responding on table 6 under the company purchasing practice said that "the suppliers delivered mostly much to the request of the purchasing department," the majority of warehouse respondents on the above table confessed that sometimes the purchased items have a problem of dissimilarity.

Even if 5 (50%) of the purchasing department respondents responding on table 6 under the company purchasing practice said that "the suppliers delivered mostly much to the request of the purchasing department," the majority of warehouse respondents on the above table confessed that sometimes the purchased items have a problem of dissimilarity.

Therefore, in the process of purchasing, clarity and transparency are the best ways to avoid corruption because the supplier may win by offering a quality sample, but after winning the bid, he could deliver dissimilar inventory materials. Thus, according to the above result, ETTE has a gap in the bid purchasing process area.

As presented in the above table, in the questionnaire on "sufficient space to handle the inventory items in the store," 7 (26.92%) of the respondents said "for now it is sufficient," 17 (65.38%) said "not sufficient," and the other 2 (7.69%) of the respondents said that "there are no spaces." The interview discussion also indicates that the problem of spacing is the biggest challenge for warehouse workers' activities.

These indicate that the company warehouse is full of materials. According to Samuel & Ondiek (2014), inventory is a fundamental and main asset of any organization. It needs serious managerial attention since it ties up a lot of organizational capital.

For the third questionnaire, "the most occupied type of materials," 18 (69.23%) of the respondent responses said "obsolete and expired items," and the remaining 6 (23.07%) of the respondents said "slow moving stock items."

According to the majority response, the company warehouse is occupied by obsolete, idle, and date-expired materials, which are incurring a very high storage cost to the company. Therefore, receiving and placing the new fast-moving items is difficult for the company warehouse.

**Table 12. Part III, Inventory Receiving and Handling System –Responses of Warehouse Employees**

Problem of obsolete and expired items to keep separately from active stock in order to take action.	Frequency	Percentage
1. Lack of sufficient place to separate them	20	76.93
2. Due to lack of human resource	6	23.07
Total	26	100
The reason of many inventory items kept outside the store	Frequency	Percentage
1. Due to lack of space in warehouse and in shelter	23	88.46

2. I don't know the reason	3	11.54
3. Not have usage	0	0
Total	26	100
Stock materials which kept outside the store for long time exposed todamage and theft	Frequency	Percentage
1. Strongly agree	18	69.24
2. Agree	8	30.76
3. Disagree	0	0
4. Strongly disagree	0	0
Total	26	100
How the warehouse is overfull due to obsolete materials	Frequency	Percentage
1. Highly	21	80.76
2. Minimally	5	19.24
3. Moderately	0	0
4. Nor has any effect	0	0
Total	26	100

Source: Authors computation based on the field survey, 2023

As presented on the above table 20(76.93%) of respondent conformed that separately to place the obsolete and expired items lack of sufficient space prevents taking of an action and to handle the items separately. The other 6 (23.07%) respondents said that "due to a lack of human resources," they couldn't handle it separately.

For the reason raised in the above table, 18 (69.24%) of the respondents confirm that the reason is due to "lack of warehouse and shelter." The remaining 8 (or 30.76%) of the respondents said, "I don't know the reason."

Third questionnaire: materials outside the store are exposed to damage and theft; 8 (30.76%) of the respondents "agree" and 18 (69.24%) "Strongly agree."

In the respondents' responses to the last questionnaire about the reason that the warehouse is overflowing with obsolete materials, 21 (80.76%) of the respondents said that the warehouse is



"highly overflowing," and the remaining 5 (19.24%) of respondents said that "minimally." In addition to the interview discussion, the company warehouse is overflowing with materials. Most of them were kept in and out of stores for long years. For the question raised to discuss "why those items were kept for long years," For this interview discussion, nobody can clearly state what this case is. But some of them said that "there is no organized work unit to function this work." Others said that "this work is done by the disposal committee." The company's disposal practices were done by the disposal committee for a long time, but in recent years they have not been practiced.

Obsolete and excess inventory of a firm has a cost of holding an inventory, and it will negatively affect the net cash flows of the firm. Those costs could include capital costs (determining opportunity), storage costs, insurance, taxes, spoilage, losses, and other related storage costs. The amount of other costs is based on a firm decision to take action against excess inventory and obsolete inventory. (Jijm, 1999). The ETTE Company, without any consideration, simply holds obsolete, idle, and excess inventory items.

This implies that the company is incurring high storage costs, that the company's huge capital is at risk, and that the newly purchased inventory items can also be exposed to damage and misuse. In general, the holding of obsolete material is a high-risk factor for the company's performance. In addition, materials kept outside of the warehouse are exposed to damage and theft.

#### **4.4 Warehouse Internal Control over Inventory**

An inventory control system is a system that encompasses all aspects of managing a company's inventories: purchasing, shipping, receiving, tracking, warehousing and storage, turnover, and reordering. Keitany et al. (2014) since the inventory is the most important asset of any organization, it must be controlled. The activities of the controlling system began in the warehouse, taking a record at the time of receiving, at the time of issuing, and including keeping it in a safe place. So, to assess the ETTE warehouse inventory control system, for the raised questionnaire, the respondent responses are shown in the following tables:

Table 13. Part IV, Internal Control over Inventory (A) - Responses of Warehouse employees

The way to control the excess and under level stock items	Frequency	Percentage
1. I don't have any mechanism to control	15	57.70
2. I control by bin card record	10	38.46
3. I have no idea about this	1	3.84
Total	26	100
The reason of company for purchasing of idle stock	Frequency	Percentage
1. To use in the future when the need arise	8	30.76
2. Because of lack of information	13	50
3. I haven't any idea about	2	7.69
4. Not clear to me	3	11.53
Total	26	100
he reason of problem on reconciliation at the end of fiscal period, the stock /warehouse bin card /balance with stock catalogue	Frequency	Percentage
1. Finance recording error	5	19.23
2. Problem of recording in warehouse	6	23.07
3. Maybe all are the reason	15	57.69
Total	26	100

Source: Authors computation based on the field survey, 2023

On the above table of pendant responses for the questionnaire of excess and under level stock control, 15 (57.70%) of the respondents said that "we do not have any mechanism," while another respondent (13.84%) said that "I have no idea," and also on the interview discussion, control by bin card record respondent 10(38.46) The big problem with the inventory control system in the warehouse is that every inventory transaction is done manually. The items of production materials and handcrafts are very large in number. Every warehouse is occupied by idle, obsolete, and excess inventory materials. In addition to this, the employees who work in warehouses lack skilled and educational capabilities. So, controlling excess and under level stock is very difficult for warehouse workers.

These indicate that, for company inventory management to differentiate between active, idle, and obsolete stock materials in warehouses, it is very difficult. Therefore, controlling excess and under stocked stock levels is not easy for warehouse management.

For the second questionnaire regarding "why the company purchases idle stock," 8 (30.76%) of the respondents said that "to use in the future when the need arises." The remaining 13 (50%) of them responded that the reason is lack of information; 2 (7.69%) of those answers I have no idea about; and the remaining 3 (11.53%) respondents said that "not clear to me." On interview discussion, the reason to purchase the idle stock is the user department purchase requisition sent directly to the purchasing department, and then without checking the stock purchase balance, it is done. This indicates that the main reason for purchasing the idle stock is an inventory management warehouse data recording and handling problem.

On the above table for the last questionnaire regarding the problem of reconciliation stock balance with catalog 5 (19.23%) of the respondent responses, the reason for the reconciliation problem is the finance recording error. The other 6 (23.07%) answer is "the problem of recording in warehouse." The majority of them (15, 57.69%) said that maybe the problem is the recording error of warehouse and finance departments. The interview results also indicate that on the warehouse side and finance side there is a problem with the document dispatching system; the recording error in the store and the posting error in finance are the main reasons.

According to the majority response and interview discussion, the reconciliation of stock record and stock catalog problems is the recording problem of both the warehouse and finance departments. Therefore, there is a gap in document collection and recording errors in the warehouse and finance departments.

Table 14 Part IV, Internal Control over Inventory (A) – Responses of Warehouse employees

In current situation inventory control management is well organized, efficiently to perform and kept the items safe handling	Frequency	Percentage
1. Strongly agree	0	0
2. Agree	0	0

3. Strongly disagree	18	69.23
4. Disagree	8	30.77
Total	26	100

Source: Authors computation based on the field survey, 2023

On the above table for the second questionnaire regarding current inventory management, 8 (or 30.77%) of respondents disagree that the current situation of inventory management's controlling system is well organized and efficiently performed and also keeps the stock items handled safely; the remaining majority of 18 (or 69.23%) of the respondents also strongly disagree.

Inventory control systems are the most important function of materials management, and they work as the nerve center in any organization. Ramakrishna (2005). But, in ETTE, according to the respondent, inventory management controls are not well organized and do not perform efficiently in handling and securing the inventory items. Therefore, the company's material management has a big problem managing and controlling inventory.

Table 15. Part IV, Internal Control over Inventory (A) – Responses of Warehouse Emp.

Recording of problem on controlling the returned surplus materials from different work units and projects.	Frequency	Percentage
1. The returned items have not the required document	10	38.46
2. Most of them are not properly organized	11	42.30
3. I don't have idea about this	5	19.23
Total	26	100
On controlling receiving practice the material which is necessarily needs inspection approval document before receiving.	Frequency	Percentage
1. Necessarily we do this	18	69.23
2. Sometimes we processed without inspect the document	0	0
3. Sometimes we are ordered by our boss to process the receiving inventory without inspection.	8	30.77
Total	26	100

Source: Authors computation based on the field survey, 2023

According to the above table, when asked about the problem of returned inventory items from projects and different work units in cases of surplus inventory, 10 (38.46%) of respondents said that "the returned materials have no document." Others, 11 (42.3%), said that most of the materials were not properly organized. The remaining 5 (19.3%) said, "I don't have any idea about this." In addition to the interview of the central warehouse and material and property departments, the main problem of returned surplus materials, especially from projects, is that they are not supported by any documents, do not have a price, are not organized, are simply delivered to the warehouse, and are received by physical count. But in problem of lack information about those material prices cannot post to stock ledger and not issued to use. So without recording, it waits for a long time, exposing the materials to theft and becoming obsolete.

The result shows that the returned inventory material control system is not well recorded and controlled. Most of the time, the returned materials from projects are exposed to theft and are obsolete. The returned materials were exposed to obsolete Therefore; there is a gap in the inventory return recording and handling system.

On the above table regarding the control of inspection documents in receiving processes, 18 (69.23%) of the respondents said that "before processing, necessarily, we check." The remaining 8 (30.77%) of them responded that sometimes we are ordered to process without an inspection document by our boss.

Even if the minority of respondents said that "sometimes we ordered to process without an inspection document," the majority of respondents confessed that they processed according to the inspection document. Therefore, in the receiving area, the company has no problem.

Table 16. Part IV, Internal Control over Inventory (A) - respondents of Warehouse emp.

The main problem of warehouse on ordering of the inventory items to maintain the level stock	Frequency	Percentage
1. Lack of mechanism to know the level of stock	22	84.62
2. The problem of handling the record	4	15.38

3. Maybe all are the problem	0	0
Total	26	100
Types of inventory items that most of the time on problem of shortage	Frequency	Percentage
1. Fast moving items	26	100
2. Slow moving items	0	0
3. Not happens a shortage	0	0
Total	26	100

Source: Authors computation based on the field survey, 2023

As shown in the above table, for the questionnaire of ordering the inventory level maintained, 22 (84.62%) of the respondents said that there was a "lack of mechanism to know the level of stock items." The remaining 4 (15.38%) of the respondents said that there was a problem handling the record. In the interview discussion, it was mentioned that the company's inventory management has no mechanism to calculate or know the level of stock items. The warehouse record management system, which is a manual system, also does not have a practice of maintaining stock items. The stock maintenance is done at the user's request.

The above result indicates that the company warehouse has no mechanism to determine the level of stocks and has no practice of this activity. According to Naliaka & Namusonge (2015), the inventory system helps the operating policies and organizational work flow for replenishing and controlling materials in stores. Capable management of an inventory system requires an appropriate system for making decisions about keeping track of items in inventory and how much and when the order is applied. In every organization, the decision on inventory is based on the facts of the balance of inventory on hand with regard to forecasting demand information, lead time and time variation, stock cost, ordering cost, and storage cost.

On the above table for the questionnaire on shortage problems in stock, 26 (100%) of the total respondents agree that most fast-moving items have a shortage problem. The interview discussion of on this problem area, on other hand, the company warehouse very occupied by different inventory materials. However, the most important materials which is used to customer services fast moving stock items is always obtained a problem of a shortage.

This indicates that company inventory management has not actively done its duty and that all problems are beyond its capacity. A problem of shortage of fast-moving Production materials and handcrafts may decrease the company's ability to serve its customers.

#### 4.5 Inventory Controlling System on Finance Department

The effects of inventory control systems on organizational performance are the effects of lead time. Inventory control systems are the most important function of materials management, and they form the nerve center of any organization. Ramakrishna (2005). Since inventory is the key to any organization's ability to perform its activities well controlled, According to ETTE activities, the inventory movement is very high and expensive. To study ETTE inventory control management, we raised some questions to the finance department. Respondent responses are presented in the following table:

Table 17. Part IV, Internal Control over Inventory (B) -Finance Department Employees

Variables	agree	strongly agree	disagree	strongly disagree	Total percentage
Human resource power works in warehouse is well skilled and educated to manage inventory items	0	0	(10) 47.61%	(11) 52.38%	100
Human resources works on material accounts in finance department are well skilled to manage and control stock record	0	0	(18) 85.71%	(3) 14.29%	100
ETTE inventory control management practices are organized and efficiently performed, keeping and handling safely stock materials	0	0	(6) 28.57	(15) 71.43	100
Total respondent					21

Source: Authors computation based on the field survey, 2023

As shown in the above table, the human resources work in warehouses; 10 (47.61%) of the respondents disagreed that the human resources work in warehouses well skilled and educated to manage the inventory items as required; 11 (52.38%) of the majority of respondents strongly disagree.

On the second questionnaire on human resources in material accounts, 18 (85.71%) of the majority disagree on human resources in material accounts, on being well skilled, and on controlling inventory management. The remaining three respondents (14.29%) said they strongly disagreed.

As presented on the third questionnaire, 6 (28.57%) of the respondents disagree that ETTE inventory control management practices are organized and efficiently performed, keeping and handling stock materials safely, and the majority of 15 (71.43%) strongly disagree.

The above result shows that the human resources working in the warehouse have a gap in skilled knowledge and education. Similarly, the finance workers who are working in the material accounts have a skill gap in controlling inventory materials. The ETTE inventory control management practice is not organized and efficiently performed, keeping and handling stock material safely.

Effective inventory management gives companies the chance to maintain their competitive advantage and improve their competitive positions. This leads to a reduction in the cost of storing stock by replenishing sufficient inventories at the right place, at the right time, and at the right cost to enable the right amount of stock needed (Pandy, 2003).

Therefore, from the above result, we understand that ETTE has a problem with the practice of inventory management and control systems and also has a skilled and educated human resource. This implies a problem with service rendering activities and also incurs high inventory costs for the company.

Table 18. Part IV, Internal Control over Inventory (B) - Finance Department Employees

Variables	very	high	moderate	Not	Total
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	highly			affected	percentage
effects on financial statement in case of difference between finance record and actual stock balance by material amount	(9) 42.86	(12) 57.14	0	0	100
The problem of excess inventory items affects the company cash flow.	(13) 61.90	(8) 38.1	0	0	100
Total Population					21

Source: Authors computation based on the field survey, 2023

As required in the above table, 8 (38.1%) of respondents responded that the weight of stock problem on material amount has a very high effect; the remaining majority of respondents, 12 (57.14%), said that it has a "high" effect. As it can be seen from the above table, 13 (61.9%) of the respondents believe that the problem of excess inventory items affects the company's cash flow, and the remaining 9 (42.86%) of the respondents believe that it has a high effect.

The result shown in the above table is that, most of the time; ETTE's inventory account has a difference between actual stock and the actual stock. In the case of the gap between the warehouse and finance departments, that effect can have a high impact on the company's financial statement. On the other hand, excess inventory affects the company's cash flow. Because the company's inventory items, which are used for customer service, are purchased from abroad or locally at a high price, Therefore, holding excess inventory items is an expense for the company.

Table 19. Part IV, Internal Control over Inventory (B)-Finance Department Employees

Problem to collect warehouse data	Frequency	Percentage
1. There is a problem of dalliance	21	100%
2. There is no any problem	0	0
3. Other	0	0
Total	21	100%
The finance department manage the warehouse recorded data	Frequency	Percentage

1. Managing by computer system	21	100%
2. Managing by manual system	0	0
Total	21	100%
The reason the finance department not get up-to-date information	Frequency	Percentage
1. Due to the warehouse data is not collected on time	5	23.80%
2. Due to the collected data is not timely encoded to the system	6	28.58%
3. A and B also the main reason	10	47.62%
4. Not have any reason	0	0
Total	21	100%

Source: Authors computation based on the field survey, 2023

As presented in the above table for the first questionnaire, 21 (100%) of the total respondents agree that a dalliance of warehouse documents should be delivered to the finance department. In a second questionnaire, 21 (100%) of the total respondents responded that the finance department's stock data record is managed by computer.

For the last questionnaire, 5 (23.8%) said that "due to warehouse data not being collected on time," others 6 (28.58%) said that "due to the collected data not being timely encoded to the system," and 10 (47.62%) of the remaining of them said that "all the warehouse data was not collected on time and due to the collected data not being on time encoded to the computer system."

On interview discussion, the material finance department described that the main challenging problem with data recording in the finance department is that warehouse data is not properly dispatched on time; most of the time there is a delay of one month. In the case of these costs, finance can get an up-to-date inventory report.

As indicated by the above respondent, the result was that the finance department did not get the warehouse data properly on time, which means the warehouse didn't properly dispatch the document.

The second result shows that the finance department of the stock data record is managed by a computer system. According to the last questionnaire respondent, the problem of the finance department is a lack of up-to-date information. The first case is that the warehouse data is not timely dispatched, and the second is that the collected data is not encoded on time.

Inventory control is essential to making buying and selling decisions. Some companies control their stock by taking physical inventories at regular intervals, such as monthly or quarterly.

Others use a dollar inventory ratio, which gives a rough idea of what the inventory may be from day to day in terms of dollars. If the stock is made up of thousands of items, as it is for a convenience store, dollar control may be more practical than physical control. Arnold (1998)

Therefore, according to the majority responses and the interview discussion, the company's material management control system has a problem getting updated information. Due to the warehouse data not being properly dispatched on time, most of the time the warehouse data is delayed by up to one month. This implies that the main controlling system is missed because, without recording information, inventory management cannot control the activities of inventory.

Table 20. Part IV, Internal Control over Inventory (B) - Finance Department Employees

The reason is that the finance department unable to record the fast moving, obsolete and expired inventory materials	Frequency	Percentage
1. The data base system is not support us	16	76.20%
2. Lack of human resource	5	23.80%
3. Lack of information	0	0
Total	21	100%
The way to manage the fiancé department Excess and under level stock	Frequency	Percentage
1. Have no any mechanism to control	16	76.20%
2. I have no idea about this	5	23.80%
Total	21	100%
The reason of the company purchase the idle stock	Frequency	Percentage

1.To use in the future when the need arise	2	9.53%
2.Because of lack of information about the stock	15	71.42%
3.haven't any idea about this	4	19.04%
Total	21	100%

Source: Authors computation based on the field survey, 2023

As required on the above table, 16 (76.20%) respondents said that the reason for the lack of up-to-date information about separately the data of active stock data, obsolete data, expired data, and idle stock lists is that the database system does not support us. The remaining respondents responded: 5 (23.8%) of them said that "the lack of human recourse"

As presented on the above table for the second questionnaire, 16 (76.20%) of the majority respondents said that "I haven't any mechanism to know the excesses and under levels of stock," and the remaining 5 (23.80%) said that "I have no idea."

On the above table, the third respondents, 2 (9.53%) of them, respond that the reason for the purchase of idle stock is to use it in the future when the need arises. Other respondents said that "because of a lack of information, 15 (71.42%) of the remaining respondents said that "I haven't any idea about it." The remaining 4 (19.04%) confess that they have no idea about it.

As shown in the above respondent's answer and the discussion, separately handling the data of obsolete, idle, expired, and active stock data for finance is difficult. Because the computer system that used to control stock data does not have access to differentiate the stock items according to their history, so, computer technology is the one challenge to controlling obsolete, idle, and excess stock as required.

This indicates that without the proper record information, controlling and managing the inventory system is difficult, so the company finance department's inventory recording and handling data have a big gap because the necessary data to control inventory cannot be easily obtained. The computer technology is not advanced, so finance cannot get full information about inventory as required.

Table 21. Part IV, Internal Control over Inventory (B) - Finance Department Employees

On the problem of reconciliation the total balances of the stock catalogue with balance of stock card balance.	Frequency	Percentage
1. Ledger posting error	5	23.80%
2. Warehouse recording error	4	19.05%
3. Maybe all are the reason	12	51.15%
Total	21	100%
The problem of the end year physical period reconciliation stock balance ledger and stock catalogue balance.	Frequency	Percentage
1. Finance recording error	7	33.33%
2. Problem of recording in warehouse	4	19.05%
3. Maybe all are the reason	10	47.62%
Total	21	100%
The main problem on recording and controlling returned materials from different work units and projects	Frequency	Percentage
1. Finance does not got a document	15	71.42%
2. Not record in warehouse properly	7	33.34%
3. I don't have any idea	0	0
Total	21	100%

Source: Authors computation based on the field survey, 2023

As presented on the above table, 5 (23.8%) of the respondents agree that the problem is due to "ledger posting error," the other respondents (4,19.05%) said that the difficulty is due to "warehouse recording error," and 10 (47.62%) of the remaining final respondents said that the cause "may be the ledger and warehouse recording error."

As shown on the above table for questionnaire two, 7 (33.33%) of the respondents agree that the problem of stock balance ledger with catalog difference is a finance recording error; 4 (19.05%) of the respondents said that the problem is "record error in warehouse," and the remaining 10 (47.22%) of the respondents said that the problem is due to "agree with error in finance and warehouse."

As indicated in the above table, regarding the controlling of inventory returned from different work units and projects, 15 (71.42%) of the majority of the respondents said that they agreed that finance could not obtain the document, while the other 7 (33.34% of the respondents) said that it was not properly recorded at the warehouse.

In addition to these, the interview discussion, especially at the end of the fiscal period, shows that the catalog, the master stock record files, and the stock care records on a database system with stock care records by store man are not reconciled. Due to the recording problem in the warehouse, wrong data encoding by data encoders, and posting errors by accountants, these problems affect the closing time of inventory items, which takes time. And also, the stock catalog/detail list of stock master file balance with stock ledger/finance recording does not agree with their balance. The reason is the store data input error and the posting error. In this area, there is a big challenge at the time of closing because it takes time to make reconciliation. The other issue discussed is that when projects finish their working time and their surplus spare parts are returned without full information, it is a problem for finance to record those items with full information. Due to this, the finance department cannot record to the master file /catalog/. It can only be recorded on the warehouse stock card and on the ledger by total price.

This result shows that there is a recording error in the warehouse and a posting error in the finance department. According to Ngugi (2014), inventory management is more concerned with controlling each step of inventory activities. This is practiced by involving the system of storekeeping, recording, and stock control activities efficiently and economically in the store. Therefore, the controlling system of company inventory management in finance and warehouse is not given attention. Because without a proper recording system, it can't control the stock's movement.

## **4.6 Inventory Revaluation and Disposal**

Obsolescence costs are due to product deterioration during storage. A good example of expiration is a product that expires after the recommended expiration date, such as canned goods and medicines. Obsolescence also includes financial loss if the product is outdated in fashion or design. Obsolescence costs are usually estimated based on past discounts, giveaways, or scrap

amounts. This cost is a percentage of the average value of inventory declared obsolete each year. Bowersox (2002).

And also, the lack of revaluation of inventory is another problem that shows the true picture of the financial statement; the inventory appearing in the financial statement must be revalued considering the physical condition of the inventory and the market value of that period. The reason is to show the true value of inventory in the financial statements. The answers of the respondents to the question about ETTE share revaluation and disposal practices are given in the following tables:

Table 22. Part V, Inventory Revaluation & Disposal- Finance Department Employees

Variables	Highly	moderately	Not have any effect	Not have any idea	Total percentage
Inventory revaluation affects financial reports	(12) 57.15%	(9) 42.85%	0	0	100%
Inventory revaluation affects price to be changed to customers	(10) 47.61%	(11) 52.38%	0	0	100%
The effect of financial report on the reason of bulky obsolete inventory materials	(26) 100%	0	0	0	100%
Company stock and storage cost affected in case of bulky obsolete stock handling	(16) 76.20%	(5) 23.80%	0	0	100%
A problem of physical count in case of handling occupied obsolete materials	(18) 85.72%	(3) 14.28%	0	0	100%
Total respondent					21

Source: Authors computation based on the field survey, 2023

As presented in the above table for Questionnaire one, 12 (57.15%) of the respondents agreed that not practicing inventory revaluation has highly affected the company's financial report, and 9 (42.85%) agreed that it has a medium effect.

As the above table indicates, 10 (47.61%) of the respondents agree that not practicing inventory revaluation has an effect on stock price, and the remaining 11 (52.38%) agree that "the price of stock is affected moderately."

This shows that ETTE has a huge amount of untouched and lapsed investors because the stock revaluation has been done and the stock price shows the historical price, which can greatly affect their financial statement. Gottwaldov (2011) defines this value as a "justified price" that expresses the true value of the shares. Ideally, the stock should have such a price. The estimated intrinsic value of a stock is one of the main objectives of fundamental analysis. Investors usually buy undervalued stocks because their prices tend to rise in the future. They also usually sell overvalued stocks that tend to fall in price in the future. Fundamental analysis assumes that there are undervalued and overvalued stocks in the capital market. In other words, the actual price of the stock may differ from its true value.

Therefore, a lack of inventory revaluation affects the company's financial statements, which means the true value of the stock price is not seen. The price of stock that is to be charged to customers is also affected.

As it can be seen from the above table 21, questionnaire three, 21 (100%) total respondents agree with bulk obsolete inventory's high effect on the company's financial statement.

On the fourth questionnaire, 16 (76.20%) of the respondents responded that bulk obsolete inventory had high storage and wage costs incurred by the company, while the remaining 5 (23.8%) agreed that medium cost incurred by the company

On the fifth questionnaire, 18 (85.72%) of the majority respondent agrees that the bulk obsolete stock occupied in store has a high effect on physical stock counting activity, while the remaining 3 (14.28%) say that "it does not have any effect."



The result of those respondent interview discussions shows that a large amount of company inventory is much occupied by materials that are obsolete, idle, or in excess inventory.

Due to the large number of items held and priced, the company's financial statement report included those items that affect the financial statement. And the company also incurred high storage costs. At the time of the physical count, those occupied bulky obsolete items take time to count, which implies the duration of the closing time to be long. To count those bulky materials, additional manpower is needed.

Therefore, the bulky obsolete materials affect the company's financial statement, incurring high storage costs. Those occupied items require a physical count, which is more complicated and difficult.

Table 23. Part V, Inventory Revaluation & Disposal-Finance Department Employees

The reason that a company not practicing a disposing obsolete inventory materials	Frequency	Percentage
1. there is no organized work units to do these	14	66.66%
2. lack of skilled human resources	6	28.57%
3. Lack of policy and procedure	1	4.76%
Total	21	100%
The reason of the company that do not practicing the inventory revaluation	Frequency	Percentage
1. The largeness of stock items	17	80.96%
2. Lack of policy and procedure	4	19.04%
3 Other	0	0
Total	21	100%

Source: Authors computation based on the field survey, 2023

As presented in the above table, 17 (66.66%) of the majority respondents regarding the reason why the company is not practicing the disposal of obsolete inventory said that "there is no organized work unit to do this," 6 (28.57%) of the respondents said that "lack of skilled manpower," and other only 1 (4.76)

In the second questionnaire, regarding the reason why the company is not practicing inventory revaluation, 17 (80.96%) of the respondents said that due to the problem of "the largeness of the stock items," 4 (19.04%) of the remaining respondents agreed that the company has no policy to revalue the inventory items.

Therefore, ETTE has not organized disposal work units. It had not disposed of the inventory items for a long time. So the company warehouse is full of obsolete materials, which implies the company is exposed to incurring high storage costs. The reason for not practicing to dispose of those items is not enough to dispose of them. The two reasons that are not enabling the company to dispose of the unwanted inventory items are policy and procedures.

## **4.7 Interview Discussion**

### **4.7.1 How to use the inventory Items**

In this case, we are talking about warehouse products that are acquired by the purchasing department to be taken centrally to the company's central warehouse. According to the coordination of the distribution department, the central warehouse divides the distribution into five branches. In the current situation, the central warehouse contains production materials, such as wood and handicrafts, together with goods thrown out of the store without protection. But on the other hand, many customers expect services from the company due to a lack of materials. However, not all in-store and out-of-store materials are functional. Most of them are kept as obsolete, unused, or slow inventory.

Therefore, most of the products in the warehouse were bought without moving but kept in the warehouse for a long time. This results in high costs for the business occupying space in the store and outside the store. In addition, there is no room in the store for newly purchased goods because there are expired goods. This means that recently purchased products can end up unused and damaged because there is no proper place for them.

### **4.7.2 The impacts of Inventory Management**

The designated marketing and sales department is the representative of the company's general customer management. This information from the department is essential for this study to find out the effect of the inventory management problem and how its effect can be seen in the performance of the service. Based on the idea presented above, the interviewee answered that the biggest obstacle to the performance of the department's work is the lack of necessary materials that enable the delivery of services to customers. Because of this problem, new applicants waited a long time to receive production materials such as woodwork. In addition, the annual (2022) report of the marketing and sales department ensures that the number of customers registered on the waiting list is a total of 245 customers. This is an example of how material shortages affect their department's customer service.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This study was conducted to assess the inventory management system in the case of Ethiopia Tourist Trading Enterprise. On the basis of the findings discussed earlier, the summary, conclusions, and recommendations are offered below.

### **5.1 Summary of Major Findings**

Ethiopian Tourist Trade Enterprise (ETTE) has the ability to purchase supplies and necessary inventory materials from local markets. However, in most cases, some alcoholic beverages and electronics are not available in the local market, as inventory is purchased in large quantities from overseas.

The company's foreign purchasing activities have a great challenge in obtaining foreign currency, and the importation of purchased inventory takes a long time. Contrary to the challenges mentioned above, the domestic market cannot satisfy the demand of the company providing the necessary inventory. In addition, the local market price of warehouse products is very high compared to the foreign market price.

The current trend of the company in purchasing and replenishing the annual inventory products is based on the orders of the user department without checking the inventory.

There are gaps between the central warehouse and the purchasing department. These deficiencies are due to a lack of communication between them, and they do not apply the purchasing policies and procedures for stock products. Due to these deficiencies, the open inventory in the company's warehouse is empty, which is excess inventory, and it also degrades the performance of customer service.

Sometimes the problem is a difference between the purchased stock and the bid-won samples at the time of receipt of the purchased stock. Because suppliers exchange genuine winning samples with fake stock. Since the warehouse is full of obsolete products, unused inventories, and excess

inventories, it faces the problem of sorting and organizing the inventories in a way that allows the company to maintain high inventory costs. In addition, the above problem arises from the scarcity of space for the excess of newly purchased stock products and returned materials. This also results in a shortage of active inventory and damage to stored products. This inconvenient location created the need to keep stock away from the store without protection. Even if there are so many problems in warehouse operations, the company has done nothing to solve the difficulties.

Stock material is maintained manually without information technology. Due to this problem, the warehouse does not have updated information in an accurate and timely manner, and we do not have a control system to manage excess and unused inventory of warehouse products. In addition, there is no mechanism to set the level of the stock product so that stock replenishment is required in time, but stock maintenance is done according to the order of the user department.

Materials returned from projects without complete information will not be stored or distributed to users. Thus, the study found that there is a gap in the system to handle and track obsolete and theft-vulnerable returned materials.

The company's warehouse is very full of various active materials. However, the most important materials used for customer service and fast-moving warehouse products are always missing.

There is a lack of skills, knowledge, and training in warehouse work, and financial staff working with material accounting lacks the skills to manage warehouse materials.

A company's excess and unused inventory affects the company's cash flow. Because the company's inventory, which does not move quickly but is used for customer service, is expensively purchased from foreign or local markets and tied up in the company's capital,

The company's material management control system has problem receiving updated information because the inventory information was not sent exactly on time. Stock information is delayed, usually by at least a month.

The company's database system, which was used by the finance department to manage inventories, is a very old system and also lacks the ability to record inventory as needed. Because of these problems, it is not possible for the finance department to receive a report on excess, unused, expired, or obsolete inventory items. It is the lack of information technology that challenges the company's management system to manage stock products as needed.

At the end of the accounting period, the stock card with the stock lists and the stock register with the stock list cannot be reconciled due to a recording and registration error made by the stock and finance departments. Returnable materials are other registration matters on the share list, share register, and share information card. These effects can have a significant impact on a company's financial statements.

The company's warehouses are full of obsolete, unused, and excess inventory. Because these items are considered expensive in large quantities, a company's financial statement does not show the true value of inventory items. These types of inventories affect a company's financial statements. In addition, the company used the weighted average cost method. Therefore, due to this method, the price of new shares purchased is affected by the old share price. So the inventory sold to the customer is also affected by the old price; it can be an increase or decrease in the price paid.

During physical counting, it takes time to count large, obsolete items, so counting such space-consuming and labor-intensive materials takes a long time instead of closing in a short time.

ETTE does not have an organized disposal work unit, but disposal committees are formed to dispose of shares, but disposal of shares has not been practiced for a long time because disposal works challenge the elected members of the disposal committee.

Most of the company bought unused stock, but it was stored in the store without moving, and it was in stock for a long time. Therefore, it causes huge expenses for the company to occupy space in the store and outside the store. In addition, there is no room in the store for newly purchased goods because there are expired goods.

The respondent stated that the main problems are that the department does not provide for their needs on time and does not even know their actual requirements. Inventory management activities are not properly integrated with procurement activities. As per the respondent, it is common to see the practice that highly demanded items are purchased in smaller portions, whereas unnecessary material is purchased in bulk. Additionally, due to poor communication channels, materials that were found in stock were purchased repeatedly. Their lack of an integrated and networked inventory management system makes it difficult to move materials in each warehouse.

## **5.2 Conclusions**

Based on the preceding findings of the study the following conclusions were made;

Capable inventory system management requires an appropriate system that tracks decisions made about items in stock, how much is in stock, and when the order is applied. In any organization, the inventory decision is based on facts about the available inventory balance, forecast information on demand, lead time and time variations, inventory costs, ordering costs, and shortage costs (Naliaka and Namusonge 2015). But according to the study, the company found that there is a big gap between the central warehouse and the purchasing department in the purchasing practices of ETTE inventory management. These shortcomings are the lack of mutual information exchange, the fact that most companies buy without checking the inventory, and the fact that policies and procedures for purchasing inventory are not followed. Due to these deficiencies, the open inventory in the company's warehouse is empty, which is excess inventory, and it also degrades the performance of customer service. In addition to them, there is a proof of purchase token that allows you to receive and issue receipts. The difference between the purchased shares and the samples won in the offer is also a problem. Because the supplier replaces the actual winning sample with fake stock products, which leads to corrupt practices in the bidding process.

The company's warehouse is full of obsolete, unused, and obsolete materials, which can cause high storage costs for the company. This inconvenient location forced inventory items to be stored away from the store without protection. Although there are so many problems in

warehouse operations, the company has not taken any action to solve the problems. Jijm (1999) argued that the excess inventory of any company has inventory holding costs and negatively affects the company's net cash flows. These costs may include capital costs (interest potential), storage costs, insurance, taxes, damage costs, losses, and other costs associated with storage costs.

Susan and Michael (2000) explained that accuracy in inventory accounting is essential for providing satisfactory customer service, determining the replenishment of individual items, ensuring the availability of materials to the organization, analyzing inventory, and eliminating excess inventory. On the contrary, the recording of ETTE stock material is done by a manual system without information technology, and there is no control system to manage excess, under stocked and unused stocks of stock products during procurement. Also, excess inventory materials returned from unpublished projects to users will not be stored and returned without complete information. Thus, the study found that because there is a gap in the system of handling and controlling returned materials, it is vulnerable to obsolescence and theft.

There is a lack of skills, knowledge, and training in warehouse work, and financial staff working with material accounting lacks the skills to manage warehouse materials.

Samuel and Ondiek (2014) point out that the fault lies in the company's inventory system, as most do not have a functioning computerized inventory system, and such companies tend to have large inventories due to poor planning. It is also difficult to find qualified people to stay in the business sector. In the case of ETTE, the inventory information is not sent correctly to provide the necessary information to the finance department in time, so the control system crashes to manage the difficulties. The financial department and the warehouse information register are managed by a computer system. But because of the database, the system cannot save the necessary data; inventory information management is not supported to control inventory information as needed.

At the end of the accounting period, the stock card with the stock lists and the stock register with the stock list cannot be reconciled due to a registration and registration error made by the stock and finance departments. Returnable materials are other registration matters on the share list,



share register, and share information card. The above problems show that there is a big hole in the inventory management and control system.

Inventories are part of the company's assets, and they are always reflected in the company's balance sheet (Mohamed et al., 2014). Since ETTE, a large amount of inventory materials have been reserved as obsolete, unused, or excess inventory. Due to the large number of high-value inventories, the company's financial bulletin contains those items that affect the financial statements

During physical counting, it takes time to count the bulky, obsolete things used, so it takes a long time to close in time, and when counting such bulky materials with multiple workers, it will not close in a short time.

The company's inventory was purchased without a transaction but had been in storage for a long time. This results in high storage costs for businesses occupying both in-store and out-of-store space. This means that recently purchased products can end up unused and damaged because there is no proper place for them. Based on this, the interviewees considered the availability of different materials at different times to meet customer demand a challenge in the field. For the reason that the customer has the obligation to register customers who want the service on a waiting list. Therefore, the ETTE warehouse management system greatly affects the operations of the marketing and promotion department.

### **5.3 Recommendations**

Mohamed et al. (2016) stated that the task of inventory management is to maintain the desired level of inventory for each specific product or products; in this case, inventory planning and control systems must be based on product, customer, and process. product available from stock that the company's purchasing department pay attention to the improvement of the company's storage system to protect the accumulation of unused and excess inventory, which causes high storage costs and ties up the company's capital.

Material handling is in many cases the most important activity because, although it can add value to an organization, the benefits of material handling are usually difficult to measure and quantify.

However, material handling costs are much easier to measure (Heragu, 2009). The logistics and warehousing department of the company must pay attention to solving the problems of the warehouse material handling system, which are caused by the obsolete, redundant, and unused inventory items in each warehouse and by a large stock. Problems and challenges for warehouse workers Manage inventory as needed.

The company warehouse department should improve the inventory record handling system by practicing computer technology and supporting it with skilled manpower.

The material and real estate financing departments of the company must pay attention to the problems caused by incorrect recording, reporting, and distribution of accounting and inventory numbers. What are the main problems facing the company at the end of the financial year? It takes too long to close the accounts and also faces audit comments. Sharif (2015) argued that inventories and documents must be reconciled for accuracy and utility, to identify areas that require disciplined accounting controls, and to support balance sheet inventory figures by enabling an independent central inventory audit team instead of departmental committees. Inventory must be checked annually. Centralized inventory control is likely to result in better reconciliation between the balance sheet and actual inventory assets.

The company's management pays attention to the company's inventories because they necessarily require inventory management decisions to dispose of obsolete and unused inventory, the design and planning of new technology computer systems, and an inventory audit. Company policy and procedure in this area acquisition, revaluation, and disposal of inventory to improve the company's customer service. According to Naliaka and Namusonge (2015), the role of inventory management is to organize the activities of the entire organization and properly store sales transactions by maintaining a level of inventory that meets the needs of the customer. The goal of inventory management is to satisfy the customer and make a profit by maintaining the necessary stock lots and balancing the right order according to the needs of the customer.

In planning for purchase, the company has to consider the estimated amount of possible obsolescence and damages in raw materials and finished goods to avoid cost overruns above the planned purchase to replace such obsolescence and damages.

The company should adopt an on-the-job and job training program in order to upgrade the existing knowledge and skills of employees in relation to the inventory management system. Training programs not only develop employees but also help an organization make the best use of its human resources to gain a competitive advantage. Therefore, it seems mandatory for any organization to plan a training program for its employees to enhance their abilities and competencies that are needed at the workplace (Jie and Roger, 2015).

I recommend that the company improve the warehouse in a way that minimizes damage and increases employees' knowledge of using technology to improve customer service and maximize the use of warehouse space, which is achieved through planning and minimizing the use of appropriate measures. Handling functions and modern warehouse equipment.

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## **APPENDIX**

### ***Dear respondents***

*This study was conducted to fulfill part of the requirements of the Master's program in Accounting and Finance. It aims to evaluate the inventory management system in the case of the Ethiopian Tourist Trade Enterprise. The objective of this questionnaire is to get your opinion on the basis of your organization's inventory management system. I would like to remind you that your answer will only be used for research and it will be highly confidential. Therefore, feel free to answer any questions. Thank you in advance for sharing your precious time and kind cooperation.*

### ***Part I. Part: - Respondents Background Information***

*1 Sex: A) Male  B) Female*

*2 Ages: A) 20 – 30  B) 31 – 40  C) 41 – 45  D) above 45*

*3 Academic qualifications: A) below grade 12<sup>th</sup>  B) 12<sup>th</sup> complete  C) Certificate   
D) Diploma  E) Degree  F) Masters  G) others.....*

*5 Year of services in the organization?*

*A) Less than 5 years  B) 5-10 years  C) 11-15 years  D) More than 15 years*

### ***Part II, Purchasing Practices***

*1. Does your department could easily get the electric equipment and spare parts from local market to stock?*

*A, Yes, we can got*

*B, Yes, but some materials not easily got*

*C, No, most of the time it is difficult*

*D, No, we can't*

*2. When your department sends purchase order request to suppliers, how do the suppliers deliver the inventory items according to your request?*

*A, Much to our request*

*B, mostly much to our request*



C, rarely much to our request  D, not much to our request

3. How did your department get the level of inventory items to purchase annual demand of inventory items?

A, by collecting from work units  B, from past trend

C, from main warehouse  D, from material management

E, others \_\_\_\_\_

4. How does your department have a problem of dalliance on case of long processes to authorize the purchase order request by top management?

A, highly  B, moderately

C, minimally  D, not any problem

5. How the foreign purchased inventory items have got a problem of defect?

A, most of the time  B, rarely it happens

C, very rarely  D, not defected

6. How does a dalliance on finance department in processes of preparing the payment of suppliers affect your work?

A, highly  B, moderately

C, minimally  D, not affected

7. How does the dalliance on processes of central store receiving inventory delivery affect your work?

A, Highly  B, moderately

C, minimally  D, not affected

8. Do you agree that the purchasing of inventory items is not timely done to maintain the level of inventory items?

A, agree


B, strongly agree


C, disagree

D, strongly disagree

*Questionnaires for head office and branch offices Warehouse Employees*

*THE STUDY AIM TO:*

 *Assess the purchasing system of inventory items.*

 *Assess the inventories receiving and handling system.*

 *Assess the inventories controlling system.*

*TO RESPONDANTS: The Inventory management system study is being conducted in Ethiopian Tourist Trading Enterprise. Considering the importance of inventory control management to the company good performance, customer's satisfaction and also the significance of this particular study can be vital. However, the effectiveness of this questionnaires study is highly dependent up on your cooperation to provide reliable information on timely bases. Therefore, I kindly request your kind cooperation in filling out the questionnaire. I confirm you that all the information gathered will be held confidential. In case of any concern you may call by telephone number 09-45-22-70-80 Boja Daba. Thank you*

*1 Sex: A) Male  B) Female*

*2 Ages: A) 20 – 30  B) 31 – 40  C) 41 – 45  D) above 45*

*3 Academic qualifications: A) below grade 12th  B) 12 complete  C) Certificate*

*D) Diploma  E) Degree  F) Masters  G) Others.....*

*4 Year of service in the organization*

*A) Less than 5 years*

*B) B) 5-10 years*

*C) C) 11-15 years*

D) D) More than 15 years

5. Specific filed of education \_\_\_\_\_

### **Part III, Inventory Receiving and Handling System**

1. How does the purchasing department practiced on sending the necessary document of purchased items to your warehouse for processing the receiving activity?

A, always they send  B, they send but lately  C, sometimes they send   
D, not send

2. How your warehouse does a problem on dalliance of inspection to processes the receiving activity? A, highly  B, moderately  C, minimally  D, not has a problem

3. How many times a defective inventory material can be seen in receiving process of your warehouse? A, many times  B, sometimes  C, always  D, not happen

4. How your warehouse does have a problem on processes of receiving dissimilarity of purchased items with sample received items?

A, sometimes it happens  B, always it happens  C, not happens  D, others \_\_\_\_\_

5. Do you have sufficient spaces to handle the inventory items properly in your warehouse?

A, for now it is sufficient  B, it is not sufficient  C, no, I haven't  D, others

6. What types of inventory items mostly occupy spaces more in your warehouse?

A, fast moving items  B, obsolete and expired items  C, slow moving items

D, others -----

7. What is the main problem in your warehouse to keep the obsolete items, fast moveable and slow moveable items separately for the best handling system?

A, Lack of sufficient place to separate them  B, due to lack of human resource

C, others-----

8. In your assumption, what is the main reason why many inventory items kept outside the store and shelter for long time?

A, Due to lack of space in warehouse and in shelter  B, not have a usage

C, I don't know the reason  D, if others \_\_\_\_\_

9. Do you agree that the stock materials which were kept out side of the stores for a long time could be exposed to damage and theft?

A, agree  B, strongly agree  C, disagree  D, strongly disagree

10. How the warehouse did sophisticate in case of handling obsolete stock items?

A, highly  B, moderately  C, minimally  D, not has any impact

**Part IV, Warehouse Internal Control over Inventory**

1. How the Warehouse manage and control the over and under stock inventory items?

A, not have any mechanism to control this  B, I report to my work unit

C, I have no idea about this  D, Other \_\_\_\_\_

2. In your assumption, why your company purchases the idle stock items?

A, to use in the future when the need arise  B, because of lack of information

C, I haven't any idea about this  D, not clear to me

3. What is the problem on reconciliation at the end of fiscal period in between physical count (stock card balance) and computer record data (stock catalogue list)?

A, finance recording error  B, problem of recording in warehouse

C, may be all are the reason  D, if others .....

4. How do you agree that the human resource powers working in the warehouse are well skilled and educated employees to manage the inventory items as required?

A, I agree  B, I strongly agree  C, I disagree  D, I strongly disagree

5. What is the main problem on recording and controlling system on returned materials from different project areas and departments?

A, The return items have no the required document

B, most of them are not properly organized

C, I don't have idea about this

D, if others .....

6. Do you agree that in the current situation the ETTE inventory control management practices is well organized and effectively performed to manage, control inventory items to keep safely and good handling?

A, agree  B, strongly agree  C, disagree  D, strongly disagree

7. How the warehouse does practiced on receiving purchased inventory items before processing of receiving, is it checked the approval documents of inspection for the items which necessarily needs inspection?

A, necessarily we do this  B, sometimes we processed without inspection document

C, sometimes we ordered to process without inspection

D others .....

8. What does the main problem of warehouse in ordering the purchase request to maintain (replenish) the inventory items?

A, lack of mechanism to know the level of stock  B, the problem of handling the record

C, may be all are the problem

D, if others .....

9. What types of Inventory materials mostly on a problem of shortage?

A, Fast moving items  B, Slow moving items  C, Not happens a shortage  C, Others

*Part IV, Internal Control over Inventory on Finance Department (B)*

<i>Question</i>	<i>Agree</i>	<i>Strongly agree</i>	<i>To some extent</i>	<i>Disagree</i>	<i>Strongly disagree</i>
<i>V. Internal Control Over Inventory</i>					
<i>1) Do you agree that the human resource power working in warehouse are being well skilled and educated employees to manage the inventory items as required?</i>					
<i>2) Do you agree that the well skilled and educated human resources power work on material accounts in finance department to manage and control the inventory items as required?</i>					
<i>3) Do you agree that in the current situation, the ETTE inventory control management practices is well organized, effectively performed to manage, control inventory items to keep safely and good handling?</i>					

<i>Question</i>	<i>Very High</i>	<i>high</i>	<i>Moderate</i>	<i>Not affected</i>
<i>V. Internal Control Over Inventory</i>				
<i>4. To what extent the problems on recording inventory stock account affect the company</i>				

<i>financial statement, if the stock price is material amount?</i>				
<i>5. To what extent the problem of holding excess inventory items affect the company cash flow?</i>				

*6. Is there any problem to collect the warehouse data to control the activities of inventory items?*

*A, yes, there is a problem of dalliance*  *B, No, there is no any problem*

*C, others* .....

*7. How the finance departments manage the record of warehouse data to control the inventory items?*

*A, managing by manually*  *B, managing by computer system*

*8. What is the reason that the finance department got a problem on lack of up-to-date information about inventory items?*

*A, Due to warehouse data is not collected on time*

*B, Due to the collected data is not timely encoded to the system*

*C, A and B also the main reason*

*D, not have any reason*

*9 What is the finance department problem to record the fast moving, slow moving, obsolete and expired items separately to manage the controlling system?*

*A, the data base system is not support us*  *B, lack of human resource*

*C, lack of knowledge*  *D, if others* .....

*10. How the finance department manage and control the over and under stock inventory items?*

A, have no any mechanism to control  B, I have no idea about this   
C, not clear for me

11 What is the main problem to reconcile the total balance of the stock catalogue with the balance of stock ledger account?

A, Ledger posting error  B, encoding data error   
C, may be all are the reason  D, If others .....

12 What is the problem on reconciliation at the end of fiscal period in between physical count (stock card balance) and computer record data (stock catalogue list)?

A, finance recording error  B, problem of recording in warehouse   
C, may be all are the reason  D, if others .....

13. What is the main problem on recording and controlling system on returned materials from different project areas and departments?

A, finance does not got a document  B, not properly recorded on warehouse   
C, I don't have idea about this  D, if others .....

14. What is the main problem on recording and controlling system on returned materials from different project areas and departments?

A, finance does not got a document  B, not properly recorded on warehouse   
C, I don't have idea about this  D, if others \_\_\_\_\_

**Part V, Controlling of Inventory Items Revaluation & Disposal Fin. Depart.**

1. How does the company financial report affected in not practicing of inventory revaluation?

A, highly  B, moderately  C, not have any effect  D, not have any idea

2. How the revaluations of the inventory items affect the sales price of stock materials to customer?



A, highly  B, moderately  C, have no any effect  D, have no any idea

3. How the company financial report affected on case of bulky obsolete inventory items?

A, highly  B, moderately  C, have no any effect  D, have no any idea

4. In your assumption, why the company not disposed the obsolete inventory items?

A, may be the company material management not give attention

B, may be due to lack of skilled man power

C, I have no idea  D, others \_\_\_\_\_

5. In your assumption why the company did not practiced the inventory revaluation?

A, the largeness of stock items  B, have no a policy to revaluation of stock

C, others \_\_\_\_\_

6. How does the company affected by storage cost in case of bulky obsolete stock handling?

A, highly affected  B, moderately  C, not affected  D, I have no idea

7. How the finance department does handled a problem by taking a physical count of the obsolete materials which is sophisticated in the warehouse?

A, highly  B, moderately  C, mostly not count

8. How the finance department does have a problem to take a physical count in case of handled obsolete materials sophistication in warehouse?

A, highly  B, moderately  C, not have any impact

9. In your assumption, what is the reason that the company did not disposed the obsolete inventory items?

A, there is no organized work units to do these  B, lack of skilled human resources

C, lack of procedure  D, I don't know their reason  E, others \_\_\_\_\_

## ***Interview for Different Department***

### ***I. The way of purchasing inventory items***

*To Logistic and Warehouse Head/Purchasing Dept.*

- 1. Describe how to determine the level of order and the processes of purchasing and ordering inventory item? Describe also the controlling system on delivery process.*
- 2. Does the company inventory purchase according to plan and budget?*
- 3. Is there a long bureaucracy related to purchase difficulty? If your answer yes, what are the causes of these long bureaucratic purchase difficulties?*
- 4. Is there any problem in purchasing of local and abroad?*
- 5. Does the purchasing department have a mechanism to know the up to date information of inventory balance?*
- 6. What is the big challenge on inventory purchasing system?*
- 7. Most of the time what type of inventory material does you purchases?*

### ***II. Inventory Receiving and Handling/Controlling system***

*Central Warehouse Head*

#### ***A. Handling & receiving***

- 8. Describe the current situation of warehouse inventory handling system? What is the big challenge?*
- 9. How to treat the obsolete, damage, and expired inventory items? Is there any trained to disposed it?*
- 10. What is the problem on receiving?*

#### ***B. Controlling***

- 11. What is the big challenging to managing and controlling inventory items?*

12. *How to control the movement of inventory items?*
13. *How your department does maintain the level of inventory items and at what time?*
14. *Does every purchasing inventory items purchased according to your department request?*
15. *What is the big challenge on managing and controlling inventory items?*

### ***III. Inventory Control, Revaluation and Disposal of Obsolete inventory***

#### ***To Material and Property Head /Finance***

1. *What is the company mechanisms used to manage controlling inventory recording system?*
2. *What is the problem challenged your department on practicing of inventory physical count process?*
3. *What is the reason on not practicing the disposing obsolete materials?*
4. *What is the mechanism do you used to control the return materials from project and from different work units?*
5. *Do you believe that the existing inventory management system of ETTE provides Up to date information regarding each type of stock movement in each regional store?*
6. *What are the main problems that encounter in the existing inventory and warehouse management system of ETTE?*
3. *Is there any problem on quality of materials in usage?*
4. *What is a problem on balancing the demand and supply of customer service?*
5. *What is the main problem on availability of materials in your department to force to record many customers on waiting list rather than giving the service to customer?*
6. *Does your department ask or report the inventory items demand to the responsible work unit according to your plan and budget to fill the level of inventory items?*

*7. On current situation do you believe that the company rendering sufficient and efficient service to its customer? If no or yes, give description and reason.*

*8. What is the big challenge on rendering services to customer especially on the area of materials?*