

Financial Management

Inventory Management
BBA ,BCOM,MBA & MCOM
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Inventory Management

- Meaning : Stock pile of the products by a firm for sale. It is a type of current asset to be sold during the course of business operation in near future. It can be raw materials , work—in-progress or finished goods.
- Objectives
 - Minimization of cash or fund requirement.
 - Sales maximization
 - Meeting production schedule.
 - Cost reduction.

Inventory Management

- Cost of Inventory: Mainly three types of cost incurred
 1. Ordering cost: Expenses related to acquisition of material or placing order ,receipt,checking and recording of material, clerical exps, stationary exps
 2. Carrying cost: Exps related to tax, insurance, rent of building, depreciation, maintenance cost of storage house, insurance of inventory against theft or damage, losses due price variation, labour cost, accounting cost etc
 3. Opportunity cost i.e financing cost or loss of income due to blockage of fund.

Inventory Management

- Factors affecting inventory:
 - Type of product
 - Type of manufacturer
 - Volume of material
 - Availability of finance
 - Personnel capabilities
 - Information system
 - Demand of products
 - Availability of raw materials.

Inventory management

- Techniques:
 1. Classification based
 2. Economic Order Quantity
 3. Ordering point