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ABSTRACT

The research providesan assessment of the impact of stock management on the Performance of an organization. It analyses the nature ofstock and profer principles and measures required for effective stockmanagement. The research portrays the significance of stock management and itsimpact on the performance

On the organization. It provides a case study of the impact of stock management

On the performance ofNigerian bottling company plc.

INTRODUCTION

Stock management is the function of understanding the stock mix of a company and the different demands on that stock. The demands are influenced byboth external and internal factors and are balanced by the creation of purchaseorder requests tokeep supplies at a reasonable or prescribed level.Theadministrativerole of assessing the inventory of a business and making sure it is sufficient to meet consumerdemand. Thedemands that a stock management process seeks to satisfy are affected by externaland internalfactors, andcan be expressed usingpurchaseorderrequests to help maintain appropriate inventorylevels.Inventory is avital part of current assets mainly in manufacturing concerns. Huge funds arecommitted to inventories as to ensure smooth flow of production and to meetconsumer demand. However, maintaining inventory also involves holding orcarrying costs along with opportunity cost. Inventory management, therefore,plays a crucial role in balancing the benefits and disadvantages associatedwith holding inventory. Efficient and effective inventory management goes along way in successful running and survival of a business firm.

Stock management in the retail supply chain follows thefollowing sequence:

Request for new stock from stores to head office

Head office issues purchase orders to the vendor

Vendorships the goods

Warehousereceives the goods

Warehousestocks and distributes to the stores

Storesreceive the goods

Goodsare sold to customers at the stores

Themanagement of the inventory in the supply chain involves managing the physicalquantities as well as the costing of the goods as it flows through the supplychain.

Inmanaging the cost prices of the goods throughout the supply chain, severalcosting methods are employed:

Retailmethod

WeightedAverage Price method

FIFO(First In First Out) method

LIFO(Last In First Out) method

LPP(Last Purchase Price) method

BNM(Bottle neck method)

The calculation can be done for different periods. If the calculation is doneon a monthly basis, then it is referred to the periodic method. In this method,the available stock is calculated by:

ADDStock at beginning of period

ADD Stock purchased during the period
00100 AVERAGE total cost by total qty to arrive at the Average Cost of Goodsfor the period.
ThisAverage Cost Price is applied to all movements and adjustments in that period.
Ending stock in qty is arrived at by Applying all the changes in qty to theAvailable balance.
Multiplying the stock balance in qty by the Average cost gives the Stock costat the end of the period.
Usingthe perpetual method, the calculation is done upon every purchase transaction.
Thus,the calculation is the same based on the periodic calculation whether by period(periodic) or by transaction (perpetual).
Theonly difference is the 'periodicity' or scope of the calculation. - Periodic isdone monthly - Perpetual is done for the duration of the purchase until thenext purchase
Inpractice, the daily averaging has been used to closely approximate theperpetual method. . Bottle neck method (depends on proper planning support)

CHAPTER1

1.1BACKGROUND OF THE STUDY

Inventoryconstitutes a major portion of current assets especially in manufacturingcompanies and retail/trading firms. In order to maintain inventory levels ofsuch magnitude, huge financial resources are committed to them (Mittal, 2014).As such, inventory also constitutes a major component of working capital. To alarge extent, the success or failure of a business depends upon its inventorymanagement performances. Inventory management, therefore, should strike a balancebetween too much inventory and too little inventory (Gupta & Gupta, 2012).The efficient management and effective control of inventories help in achievingbetter operational results and reducing investment in working capital. It has asignificant influence on the profitability of a concern thus inventorymanagement should be a part of the overall strategic business plan in everyorganization (Gupta & Gupta, 2012).
Inventoryplays a significant role in the growth and survival of an organization in thesense that ineffective and inefficient management of inventory will mean thatthe organization loses customers and sales will decline. Prudent management ofinventory reduces depreciation, pilferage and wastages while ensuringavailability of the materials as at when required (Ogbadu, 2009). Efficient andeffective management of inventories also ensures business survival andmaximization of profit which is the cardinal aim of every firm. More so, anefficient management of working capital through proper and timely inventorymanagement ensures a balance between profitability and liquidity trade-offs(Aminu, 2012). Specific performance indicators have been proved to depend onthe level of inventory management practices (Lwiki et al., 2013
Inventorymanagement is recognized as a vital tool in improving asset productivity andinventory turns, targeting customers and positioning products in diversemarkets, enhancing intra and inter-organizational networks, enrichingtechnological capabilities to produce quality products thereby impartingeffectiveness in inter-firm relationships. Proper inventory management evenresults in enhancing competitive ability and market share of smallmanufacturing units (Chalotra, 2013). Well managed inventories can givecompanies a

competitive advantage and result in superior financial performance(Isaksson& Seifert, 2013). Management of inventory is also fundamental tothe success and growth of organization as the entire profitability of anorganization is tied to the volume of products sold which has a directrelationship with the quality of the product (Anichebe&Agu, 2013)

There are many administrative tasksassociated with stock control. Depending on the size and complexity of yourbusiness, they may be done as part of an administrator's duties, or by adedicated stock controller.

Forsecurity reasons, it's good practice to have different staff responsible forfinance and stock.

Typicalpaperwork to be processed includes:

- delivery and supplier notes for incoming goods
- purchase orders, receipts and credit notes
- returns notes
- requisitions and issue notes for outgoing goods

Stockcan tie up a large slice of your business capital, so accurate informationabout stock levels and values is essential for your company's accounting.

Figuresshould be checked systematically, either through a regular audit of stock -stocktaking - or an ongoing program ofchecking stock - rolling inventory.

If thefigures don't add up, you need to investigate as there could be stock securityproblems or a failure in the system.

Healthand safety

Healthand safety aspects of stock control are related to the nature of the stockitself. Issues such as where and how items are stored, how they are moved andwho moves them might be significant - depending on what they are.

You mighthave hazardous materials on your premises, goods that deteriorate with time oritems that are very heavy or awkward to move.

Theresearch seek to provide an assessment of the impact of stock management on theperformance of an organization with a case study of the Nigerian bottlingcompany plc

1.2STATEMENT OF THE PROBLEM

Stock managementwhich is the function of understanding the stock mix of a company and thedifferent demands on that stock is avery crucial for the survival and growth of the organization in view of thefact that huge amount is invested in inventory. stock demands areinfluenced by both external and internal factors and are balanced by thecreation of purchase order requests to keep supplies at a reasonable orprescribed level.Stockcontrol, otherwise known as **inventorycontrol**, is used to show how much stock you have at any onetime, and how you keep track of it.It applies to every item you use to producea product or service, from raw materials to finished goods. It covers stock atevery stage of the production process, from purchase and delivery to using andre-ordering the stock.Efficient stock control allows you to have the rightamount of stock in the right place at the right time. It ensures that capitalis not tied up unnecessarily, and protects production if problems arise withthe supply chain.

However evidence shows that many organization do notmaintain efficient stock management process typified in understanding thefollowing

Types of stocks ,How much stock to keep?Stock control methods

Stock control systems - keeping track manuallyStock control systems - keeping track using computersoftwareUsing RFID for inventory control, stock security andquality management Stock security ,Control the quality of your stock ,Stock control administration

Thereforethe problem confronting this research isto provide an assessment of the impact of stock management on theperformance of an organization.with a case study of the Nigerian bottlingcompany plc.

1.3 RESEARCHQUESTION

1What is the nature of stock management

2What are the principles and methods foreffective stock management

3What is the impact of stock management on theperformance of an organization

4What is the impact of stock managementon the performance of Nigerian bottlingcompany plc

1.4 OBJECTIVE OF THE RESEARCH

1 To determine the nature of stock management

1Todetermine the principles and method for effective stock management

2To determine the impact of stock managementon the performance of an organization

3To determine the impact of stock managementon the performance of Nigerian bottlingplc

1.5 SIGNIFICANCE OF THE RESEARCH

Theresearch shall profer a detail appraisalon the principles and methods of effective Stockmanagement.

Itshall serve as a source of informationfor managers and other professionals.

1.6 STATEMENT OF HYPOTHESIS

1 Hoinvestment in stocks in NBC IS Low

Ho investment in stocks in NBC is High

2 HoStock management in NBC is not given significant attention

Ho Stock management in NBC is givensignificant attention

3 HoThe impact of stockmanagement onNBC Performance is low

Hi The impactof stock management on NBC Performance is high

1.7 SCOPE OF THE STUDY

The study focuses on the assessment of the impact of stock management on the performance of the organization.with a case study ofNigerian bottling company

1.8 DEFINITIONOF TERMS

STOCKMANAGEMENT DEFINED

Stock management is the function of understanding the stock mix of a company and the different demands on that stock. The demands are influenced byboth external and internal factors and are balanced by the creation of purchaseorder requests tokeep supplies at a reasonable or prescribed level.Theadministrativerole of assessing the inventory of a business and making sure it is sufficient to meet consumerdemand. Thedemands that a stock management process seeks to satisfy are affected by externaland internalfactors, andcan be expressed usingpurchaseorderrequests to help maintain appropriate inventorylevels

Minimum stock level - you identify a minimum stock level, and re-order whenstock reaches that level. This is known as the Re-order Level.

Stock review- you have regular reviews of stock. At every review you place an order

toreturn stocks to a predetermined level
Just In Time (JIT) - this aims to reduce costs by cutting stock to aminimum. Items are delivered when they are needed and used immediately. Thereis a risk of running out of stock, so you need to be confident that yoursuppliers can deliver on demand.

Re-order lead time -allows for the time between placing an order and receiving it.

Economic Order Quantity (EOQ) - a standard formula used to arrive at a balancebetween holding too much or too little stock. It's quite a complex calculation,so you may find it easier to use stock control software.

Batch control -managing the production of goods in batches. You need to make sure that youhave the right number of components to cover your needs until the next batch.

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