

ABSTRACT

The research provides an assessment of the impact of stock management on the Performance of an organization. It analyses the nature of stock and proper principles and measures required for effective stock management. The research portrays the significance of stock management and its impact on the performance

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

On the performance of Nigerian 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 by both external and internal factors and are balanced by the creation of purchase order requests to keep supplies at a reasonable or prescribed level. The administrative role of assessing the inventory of a business and making sure it is sufficient to meet consumer demand. The demands that a stock management process seeks to satisfy are affected by external and internal factors, and can be expressed using purchase order requests to help maintain appropriate inventory levels. Inventory is a vital part of current assets mainly in manufacturing concerns. Huge funds are committed to inventories as to ensure smooth flow of production and to meet consumer demand. However, maintaining inventory also involves holding or carrying costs along with opportunity cost. Inventory management, therefore, plays a crucial role in balancing the benefits and disadvantages associated with holding inventory. Efficient and effective inventory management goes a long way in successful running and survival of a business firm.

Stock management in the retail supply chain follows the following sequence:

Request for new stock from stores to head office

Head office issues purchase orders to the vendor

Vendor ships the goods

Warehouse receives the goods

Warehouse stocks and distributes to the stores

Stores receive the goods

Goods are sold to customers at the stores

The management of the inventory in the supply chain involves managing the physical quantities as well as the costing of the goods as it flows through the supply chain.

In managing the cost prices of the goods throughout the supply chain, several costing methods are employed:

Retail method

Weighted Average 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 done on a monthly basis, then it is referred to the periodic method. In this method, the available stock is calculated by:

ADD Stock at beginning of period

ADD Stock purchased during the period

00100 AVERAGE total cost by total qty to arrive at the Average Cost of Goods for the period.

This Average 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 the Available balance.

Multiplying the stock balance in qty by the Average cost gives the Stock cost at the end of the period.

Using the 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).

The only difference is the 'periodicity' or scope of the calculation. - Periodic is done monthly -

Perpetual is done for the duration of the purchase until the next purchase

In practice, the daily averaging has been used to closely approximate the perpetual method. .

Bottle neck method (depends on proper planning support)

CHAPTER 1

1.1 BACKGROUND OF THE STUDY

Inventory constitutes a major portion of current assets especially in manufacturing companies and retail/trading firms. In order to maintain inventory levels of such magnitude, huge financial resources are committed to them (Mittal, 2014). As such, inventory also constitutes a major component of working capital. To a large extent, the success or failure of a business depends upon its inventory management performances. Inventory management, therefore, should strike a balance between too much inventory and too little inventory (Gupta & Gupta, 2012). The efficient management and effective control of inventories help in achieving better operational results and reducing investment in working capital. It has a significant influence on the profitability of a concern thus inventory management should be a part of the overall strategic business plan in every organization (Gupta & Gupta, 2012).

Inventory plays a significant role in the growth and survival of an organization in the sense that ineffective and inefficient management of inventory will mean that the organization loses customers and sales will decline. Prudent management of inventory reduces depreciation, pilferage and wastages while ensuring availability of the materials as and when required (Ogbadu, 2009). Efficient and effective management of inventories also ensures business survival and maximization of profit which is the cardinal aim of every firm. More so, an efficient management of working capital through proper and timely inventory management ensures a balance between profitability and liquidity trade-offs (Aminu, 2012). Specific performance indicators have been proved to depend on the level of inventory management practices (Lwika et al., 2013)

Inventory management is recognized as a vital tool in improving asset productivity and inventory turns, targeting customers and positioning products in diverse markets, enhancing intra and inter-organizational networks, enriching technological capabilities to produce quality products thereby imparting effectiveness in inter-firm relationships. Proper inventory management even results in enhancing competitive ability and market share of small manufacturing units (Chalotra, 2013). Well managed inventories can give companies a

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

There are many administrative tasks associated with stock control. Depending on the size and complexity of your business, they may be done as part of an administrator's duties, or by a dedicated stock controller.

For security reasons, it's good practice to have different staff responsible for finance and stock.

Typical paperwork 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

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

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

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

Health and safety

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

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

The research seeks to provide an assessment of the impact of stock management on the performance of an organization with a case study of the Nigerian bottling company plc

1.2 STATEMENT OF THE PROBLEM

Stock management which is the function of understanding the stock mix of a company and the different demands on that stock is a very crucial factor for the survival and growth of the organization in view of the fact that huge amount is invested in inventory. Stock demands are influenced by both external and internal factors and are balanced by the creation of purchase order requests to keep supplies at a reasonable or prescribed level. Stock control, otherwise known as **inventory control**, is used to show how much stock you have at any one time, and how you keep track of it. It applies to every item you use to produce a product or service, from raw materials to finished goods. It covers stock at every stage of the production process, from purchase and delivery to using and re-ordering the stock. Efficient stock control allows you to have the right amount of stock in the right place at the right time. It ensures that capital is not tied up unnecessarily, and protects production if problems arise with the supply chain.

However, evidence shows that many organizations do not maintain efficient stock management process typified in understanding the following

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

Stock control systems - keeping track manually
Stock control systems - keeping track using computersoftware
Using RFID for inventory control, stock security and quality management
Stock security ,Control the quality of your stock ,Stock control administration

Therefore the problem confronting this research is to provide an assessment of the impact of stock management on the performance of an organization. with a case study of the Nigerian bottling company plc.

1.3 RESEARCH QUESTION

1 What is the nature of stock management

2 What are the principles and methods for effective stock management

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

4 What is the impact of stock management on the performance of Nigerian bottling company plc

1.4 OBJECTIVE OF THE RESEARCH

1 To determine the nature of stock management

1 To determine the principles and method for effective stock management

2 To determine the impact of stock management on the performance of an organization

3 To determine the impact of stock management on the performance of Nigerian bottling plc

1.5 SIGNIFICANCE OF THE RESEARCH

The research shall provide a detail appraisal on the principles and methods of effective Stock management.

It shall serve as a source of information for managers and other professionals.

1.6 STATEMENT OF HYPOTHESIS

1 H_0 Investment in stocks in NBC IS Low

H_0 Investment in stocks in NBC is High

2 H_0 Stock management in NBC is not given significant attention

H_0 Stock management in NBC is given significant attention

3 H_0 The impact of stock management on NBC Performance is low

H_i The impact of 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 of Nigerian bottling company

1.8 DEFINITION OF TERMS

STOCK MANAGEMENT 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 by both external and internal factors and are balanced by the creation of purchase order requests to keep supplies at a reasonable or prescribed level. The administrative role of assessing the inventory of a business and making sure it is sufficient to meet consumer demand. The demands that a stock management process seeks to satisfy are affected by external and internal factors, and can be expressed using purchase order requests to help maintain appropriate inventory levels

Minimum stock level - you identify a minimum stock level, and re-order when stock 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

to return stocks to a predetermined level

Just In Time (JIT) - this aims to reduce costs by cutting stock to a minimum. Items are delivered when they are needed and used immediately. There is a risk of running out of stock, so you need to be confident that your suppliers 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 balance between 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 you have the right number of components to cover your needs until the next batch.

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