

CHAPTER ONE

INTRODUCTION

1.0 HISTORICAL BACKGROUND OF THE STUDY

For many years now a lot of manufacturing company does not know the importance of stock methods and even when they know, it is not consciously handled or put in the care of a professional. In fact, they believe that the stock control methods is not the ultimate thing the organization desires. This means the contribution of effective stock control can make to the success of an organization is still not very widely appreciated and hence it is of great significance to reflect the impact and effective and efficient stock control would have on an organization as well as the profitability level of the company.

The fundamental point about stock control is that by the very nature of its operation, every item of the store receives individual attention. The stock is the key element of working capital which has the power to influence the future of the company either positively or negatively and the effect is said to prevail over the other when it is not highly controlled. Where an organization's materials are not systematically controlled, it can result to unnecessary tying up of capital in stock and losses through breakage, pilferage, deterioration, theft, obsolescence etc. Besides, any organization which has stock out control is always faced with the problem of stock out in which may cause hold up in production service and sales, the staff become idle meanwhile salaries still have to be paid. Effective and efficient stock control will go a long way in preventing losses and waste as such increase the profit level of the organization.

In fact a slight percentage increase in efficiency a stock control will amplify the profitability level. Since stock is often regarded as a life wire or life giving element of an organization, the control of stock therefore is highly significant and should start right from the time the need is identified to purchase order expediting. Receipt and inspecting storage and issue so that services will be rendered in the most effective manner and at the lower possible cost. The achievement of the potential benefits that are there in an efficient stock control system will only be possible if any one when store personnel are well trained in their profession make available necessary material handling equipment and above all ensure an effective security of the stock card, store house, store personnel as well as the keys to every entrance.

In September, 1969 the federal military government decided to merge the (ECN) Electricity Corporation of Nigeria and (NDA) Nigeria Dams Authority into a single body to avoid duplication of resources in the two organizations.

A year later, a Canadian firm of consultants (Shansimont Ltd) was appointed to look into the technical detail of the merger. The report was submitted in 1974. Consequently a decree merging the two organizations in the National Electric power authority (NEPA) is to develop an efficient, coordinated and economical system of electricity for all parts of the federation.

The national grid connected the facilities resulting from the merger, the grid interconnection includes generating at Kainji, Lagos (Ijora) Ughali (Delta) Afam and Oji River.

In addition there were diesel generator installations at Ibadan, Benin, Warri, Aba, Enugu, Zaria, Kaduna, Owerri, Abeokuta and Oshogbo further, diesel generation supplied system in population centers isolated from the grid include Gusau, Sokoto, Bauchi, Yola, Maidugari, Potiskum and Mubi. The grid was fact two major sub-systems since the connection between the western system and Onitsha and was yet to be effected, a 330Kva transmission was in operation in the western system between Kainji and Lagos.

March 2005, witnessed a major milestone in the electricity power sector reform process with the signing into law of the (EPSR) act in March, 2005 and the emergence of Power Holding Company of Nigeria Plc in place of National Electric Power Authority as well as the subsequent Electricity Regulatory Commission (NERC) on 31st October, 2005. The visible results of the ongoing transformation of the company include staff re-orientation anchored on customer service delivery. The new focus in the unbundled units has resulted in improved revenue collection and customer services delivery with a landmark collection of seven billion Naira (₦7,000,000,000) in October 2005.

In the last three months we have consistently on a daily basis achieved peak generation of over 3000- mw to the national grid we are optimistic that with this improvement in generation availability and the federal government's commitment to build its new power station that will add 6000 Mw new capacity there quest to meet the 10,00 Mw target by 2010 was not reality. The National Electric Power Authority central Kaduna was established in 1976 now Power Holding Company of Nigeria (PHCN) made up of the following.

1. Administration

2. receipt and packaging
3. issue and storage
4. Account
5. stock control

At inception, there were about twenty(20) staff but since then, there has been an increased manpower section namely inspection and audit section the principal objective of establishing a central issue to fifteen (15) states at the Northern state.

Since national electric power authority has three central store which the country made up of central store Oshodi, Issuing material to western states of the country and central store port-Harcourt for eastern states of the country.

Organizational structure

1.1 **STATEMENT OF GENERAL PROBLEM**

Every organization is it big or small keeps stock to order to provide necessary basic raw materials for daily operation and also to provide a reservoir for absorbing the effect of variation in delivering and consumption also to maintain ready availability of supplies within the organization which may be required at short notice. But most organization does not consider the necessity of some basis consideration for keeping such items.

When goods are held in stock there is great deal of administrative work involved i.e. control of receipt issues and the general custody of all the stock items in order to prevent theft and pilferage and sometimes equipment for loading and off loading such materials have to be bought all these costs must be taken into consideration. Otherwise the organization may end up tying down its working capital when could be invested elsewhere and generate more profits for the organization concern.

In PHCN control store Kaduna the store is responsible for providing the standard material such as transformers, underground cable copper wires, fuses etc to the sixteen Northern states PHCN districts.

Sometimes one has to consider the general problems associated with unreliable deliveries of stock by supplier it is impossible to rely total on suppliers to deliver every order on schedules this is obvious for the fact that supplier may be held up by weather transport delay etc.

Stock in the store represent solid cash and as such, it must be carefully protected and checked to similar ways as cash. Must be protected against fraud, theft and also high storage costs because stock have to be stored in certain conditions depending on the items involved e.g. warm, dry and cool these must be taken into account in order to prevent rust or evaporation deterioration which can lead to reduction in value of the materials concerned. While there is no standard system. In stock control which can be universally recommend every stock control system must be designed to meet the particular needs of the organization concerned.

In Nigeria and indeed in many of the developing countries of the world, co-operative have not been accorded a complete management function. Clerk have carried out stock control as an element of this noble profession in a routine manager and business are facing a continuity of sequence of profits, it is on this note that topic for this project work, has been chosen to critically examine stock control to PHCN Kaduna central store.

Many people have the believe even among the elite that store managers or controlled only stay in the store, without any contribution to the overall company's objective the function of stock control include receiving, inspection and proper storage of equipment, issue material to user department at the right time and place notifying the procurement department of stock mentioned function are properly co-ordinated and carried out the cost involved in operating the store will be surpassed. Stock control or management made use of techniques. Modern methods and equipment to increase the efficiency and reduce most of the cost associated with material storage cost involved in running a store numerous some of them are; operation expenses of store house, wages, depreciation, rates, repairs, insurance stock checking, recording and interest in value of stores in stock etc the need to reduce these cost be at a minimum to achieve store objective by contributing to company profit makes it worthwhile for the research work to be embarked upon.

1.2 RESEARCH QUESTION

Those question proposed by the researcher are made to help the organization in other to find solution to the problems.

- Are stock control importance to the profitability of organization?
- To what extent can stock control reduce cost in an organization?

-Who control the stock?

OBJECTIVES OF THE STUDY

1. A good and effective store keeping to minimize wastages deterioration, obsolescence and guard against pilferage.
2. proper authorization and recording of stock issue for cost centre absorption
3. Constant checking by its store keeper of all documents and ensure correct completion and authorization before issuing, receiving or up dating stores.
4. Carry out periodic and annual taking to check all physical quantities of materials for control proposes.
5. Carry out continuous/perpetual inventory system more regularly on daily, weekly or monthly to correct the discrepancies of periodic stock taking.
6. Material in store should be correctly positioned with the appropriate store card properly maintained.

1.5 RATIONALE FOR THE STUDY

The rationale behind the research work includes first fulfilling one of the requirement for the work of National Diploma in Department of cooperative, economic and management, the study will make the researcher to have an insight into the practice aspect of stock control or management in a public utility agency such as PHCN central Kaduna research is usually made to identify problems and come up with solution to problem on the area of study or prove upon what has been in essence. This project therefore, is to carry out assessment on stock control system with its application and the necessary solution to such problems.

The researcher also can provide valuable suggestion and advice on problems facing the store department. This will help the organization to obtain the benefit of adoption of recommend stock control method and technique to improve service and profit level of the organization.

1.4 DEFINITION OF TERMS

1. **Stock:** materials or good kept in the store
2. **Control:** Checking to see that accurate quantity and quality is maintained.
3. **Stock control:** this is means by which materials of the right quality and quantity is made available as at when required with due regards to economy in storage and ordering cost

purchases price and working capital.

4. **Stocktaking:** This is a complete process of verifying the quantity balance of the entire range of items held in stock.
5. **Stockchecking:** is any others checking on physical quantity balance of the entire range of items held in stock.
6. **Storage:** It is a means of holding and protecting commodities for future use and the system by which such commodity are held and controlled for efficient retrieval.
7. **Store:** Is the place where all goods produced or brought by the organization are kept and issued out needed in some organization the store house is collected where.
8. **Stock levels:** are the level employed that stock are not allowed to raise or fall between the level e.g. maximum and research levels.
9. **Maximum Stock Level:** is the amount expressed in unit of issues above which other stock should not be allowed to raise.
10. **Redundant:** when the quantity of an item in stocks more than necessary to provide an adequate service to production or operational activities the excess over the normal holding is said to be redundant.
11. **Obsolescent:** An item is said to be obsolescent when it is going out of use but not just completely unusable.
12. **Obsolete:** an item is regarded as being obsolete when it is no longer usable by the organization because of a change in operation practice or method of production.
13. **Discrepancy:** Is the difference between stock records and physical quantity of stock taking.
14. **Storage:** It is a means of holding and protecting commodities for future use, and system by which such commodities are handled and controlled for efficient retrieval.
15. **Material:** Are components, spare parts, raw materials, that are kept in store house.
16. **Minimum stock level:** Is the amount expressed in units of issue below when of any given commodity should not be allowed to fail.

IMPORTANCE OF STOCK CONTROL TO BUSINESS ORGANIZATIONS

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