

PDF - STOCK CONTROL: AN INDISPENSABLE TOOL FOR EFFECTIVE PERFORMANCE IN AN ORGANISATION A CASE STUDY OF BETA GLASS COMPANY PLC, UGHELLI - researchcub.info

ABSTRACT

This study was conducted to highlight the relevance of stock control: an indispensable tool for effective performance in an organisation (A case study of Beta Glass Company Plc, Ughelli) It is also meant to emphasize the objective of stock control in Beta Glass Co Plc, Ughelli and other such related establishments. The study cover the general introduction overview of the topic and statement of problem, objective of the study, significant of the study, research methodology, limitation of the study and definition of terms. While chapter two is literature review which dealt on the historical background of the study, nature and classification of stock budgeting and material storage and is followed as chapter three. All our findings during the course of study were explained in chapter four, these includes the organisational structure, capitalization of Beta Glass Company Plc, which further led to the recommendations and conclusion and then followed by references.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study.

Stock is a system used in a firm's investment in stock which involves recording and monitoring of stock level, forecasting future demands deciding when and how many to order to minimize overall cost associated with stock.

This emphasize as managerial area of responsibility which focuses production on material control, procurement quality control and stock handling. Stock control is thus essential and an activity that is concerned with efficient procurement and use of material for the attainment of predetermined corporate objectives.

The need for efficient stock control in the surface increasing cost of material due to information and over deteriorating economy cannot be over emphasized, stock constitutes an essential cost element of production in 2 large majorities of manufacturing industries, stock cost amount for about 65 percentage the total manufacturing cost of their finished goods.

Quite obviously, the objective of any business concern among others is maximization of profit, profit maximization is the result of optimal and effect utilization of available financial and material resources. In essence, corporate success is increased profit as well as by exploiting opportunities sustained profitability.

Company's procurement function because of paramount important with its outlay account for high production of total cost of manufacturing operating process, when a large range of diverse items are required, and tend to scare on unavailable at critical stage of the production cycle range of spare parts have to be obtained from important sources and their product cost fluctuation and their international trade barriers.

1.2 Statement of Problem.

The major stock control problem is to maximize profit ability balancing stock investment cost against what is required to sustain small operation. Raw material stocks which constitute a vital cost element manufacturing expenditure of any organisation engaged in manufacturing produce account. (For about 65% the total manufacturing cost of most industries).

An increasing high cost of material have been recorded in recent years due to the worsening economic problem of monetary instability and inflation, this cost of material could also be attributed to

materials mis-administration. Huge sum of money is lost through various form of procurement fraud large – scale material pilferages by the store and material users department, in addition losses through material obsolesces, waste occasioned by mismanagement can lead to supply disaster of various magnitude. One of such suppliers disasters may stockout cost, this present a major problem of disruption in operations results of inaccurate balancing of material procurement with consumption consequences of this may be in the form of breakdown of machines, loss current sales, premium payment for rush delivery, loss of goodwill and future sales.

1.3 Objectives of the Study.

In carrying out this study of stock central Beta Glass Co. Plc Ughelli, the following objectives will be achieved;

- a. To study the material control policies and practices by evaluating analytically the purchasing, material hauling method and various accounting method of costing material issued by valuation of closing inventory stock.
- b. To investigate so as to identify, the controllable and uncontrollable with material cost control with a view of determining ways of keeping them within controllable limits.
- c. To highlight the end and importance of sound scientific approach to stock control in the face of our deteriorating economy and over increasing cost of stock and materials.
- d. To analyse the efficiency of their stock holding economic order quantity (EOQ).

1.4 Research Questions

Research question enable one to view the essence of literature review to provide the required foundation for undertaking an empirical study on stock control, answers are required to the following research questions.

- a. How familiar are you with the activities of the store and materials handling department and purchase and supplies department?
- b. In your own opinion, what are the functions of the store material holding department and the purchasing/supplies department?
- c. How has the store/material holding department and the purchasing and supplies department improved the stock control system of the company?
- d. What do you think is the major cause of inefficiency and ineffective stock control in the economy?
- e. How efficient is the local purchase order (LPO) committee?
- f. What are the major considerations that are criteria for the selection of a supplier for an order?
- g. How does stock control play an important role on the profit maximization of the company?

1.5 Significance of the Study.

Stock control is even more necessary for Nigeria firms especially in period of economic deterioration on every increasing cost material consequently resulting in the folding up of a lot of firms.

Stock constitutes a major part of the economy's investment, these in need therefore to control stock because more than half of the company's income used to purchase stock production. Hence, there is need to have effective stock control so as to avoid shortage of stock for production and at the same time, too much stock which will result in waste and high holding cost.

The major problem faced by a manufacturing firm as regard stock, the way of determining optimum level of stock and evaluation of management policies for ordering stock unfortunately little or not attention have

been given toned for values analyses (VA) cost analyses and purchasing research of material to evolve a more scientific approach and innovation to improve efficiency and effectively taking of inflationary threads.

This research work therefore is intended to fill the gaps that have existed and create a ground for future research will attempt to offer practicable suggestion in stock control in Beta Glass Co. Plc Ughelli and to hope that suggestion will be of benefit to the company and their manufacturing firm. It will go a long way to enhance interest in new approach, concept and philosophies aimed at better cost control over material.

1.6 Scope of the Study.

This research work is committed to cover the following:

- i. To evaluate analytically the procurement stock control policies and practices of Beta Glass Co. Plc Ughelli. The purchasing procedure of the organisation was examined.
- ii. A methodical study for the stock department was particularly carried out on its organisation, its various stock control method as well as its stock level analysis.
- iii. The cost accounting section involvement in stock control and rational accounting system was examined with regard to method off costing ledgers and stock taking and checks.

1.7 Limitation of the Study.

This study was limited by the following factors.

- a. The bureaucratic redemption involved in obtaining data that was cumbersome series for approval had been granted before certain form of data were released. Even the deterring approvals to carry out the research study, the difficult of eliciting the necessary co-operation of those in place of relevant information were experienced. Some of those approached declined for fear of giving out secret information about the organisation. Other assumed this study to be fact finding exercise into their fraudulent practices and mismanagement, as such declined respond.
- i. Unwillingness to reach to questionnaires.
- ii. Also to an appreciable extent, the study was limited by the values aspect which could not ready to determine by statistical analysis.

1.8 Definition of Terms.

- a. ABC analysis, a basic technique of stock control, which classified stock according to monetary values. Stock item are this categorized as:
 - i. A- Item: High values item for which careful control is needed.
 - ii. B- Item: Moderate value item.
 - iii. C- Item: Low value item.
- b. Bin card: A store record showing maximum and minimum quantity to be held in – stock and re – order level.
- c. Carry Cost: Cost incurred in maintain inventories including storage, insurance and cost off find invested in stock.
- d. Current Asset: These assets which can be, converted into cost within an accounting year or within the operation cycle.
- e. FIFO (First in First Out): Material are issued which assumes that material are issued from orders stock and according price.
- f. Values Analysis (VA): It is an organized creative approach to identify unnecessary cost items, it tries to reduce cost and possible, ultimately eliminate these unnecessary component of cost which have no

functional utility to these itemconcerned.

- g. Stock Out Cost: Losses through idle capability caused by non availability of material.
- h. NewControllable Cost: Cost that cannot be affected by the action of decision of individual.
- i. MaterialRequisition Planning (MRP): A system of planning for availability of stock in time, which pre – supposes that lead time for all stock items are known and can be supplied to the system at least as estimate.
- j. Re-OrderPoint: The stock level where an order must be placed to provide adequate leadtime to ensure delivery in time. A replenishment order is made where stock research re – order point.

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