

PDF - ANALYSIS OF THE PROBLEMS AND PROSPECTS OF INVENTORY CONTROL IN A  
MANUFACTURING COMPANY (A CASE STUDY OF NIGERIA BOTTLING COMPANY PLC ILORIN  
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CHAPTER ONE		

#### 1.1 BACKGROUND OF THE STUDY

A major problem facing the stock control has affected the growth of business or company is the determination of an economic order quantity that will minimize total inventory cost. The purchasing department only orders the amount needed to attain the maximum stock level whenever stock reaches or fall below the minimum stock level. While the company fails to realize that the minimum level does not have to be attained always, it has cost implications whenever stock falls below minimum level, ordering cost per unit decreases as quantity increases, however, there will be an increase in carrying cost. Hence, total cost is not minimized whenever the quantity order is greater than the optimum required that is the economic order quantity.

The company is faced with the problem of delayed with regards to local supplies of its production materials such as sugar, and water bottle softener carbon(iv)oxide  $O_2$ . even though local supplies constitute only 28% of the total production material used in most cases, supplies fail to meet the delivery date upon because they do not know the exact materials required and yet will not admit ignorance. The high value part of the materials on the one hand and the financial inability on the part of suppliers initially may not realize the huge amount of capital involved with the result that they will not supply at all and fail to inform the company of their inability to supply.

Consequently, the company incurs cost in sending reminders and in cancellation of orders prompt delivery of production material is of primary concern to management.

Delay in the delivery of these materials will lead to the increment of enormous cost by the company.

#### 1.2 STATEMENT OF THE PROBLEM

The importance of stock in any organization can be over emphasized and its control must be accorded a great attention so as to minimize some of the problems associated with inventory control. Some of these problems are:

inventory valuation method are many

There are improper record keeping

The supply of raw material by contractors is ineffective

No policy regarding minimum and maximum stock levels determination

The company adopts manual inventory control system

The bi-annual stock taking is not enough for effective control.

## B. PROBLEM OF STOCK MANAGEMENT DUE TO INEFFECTIVE STOCK CONTROL SYSTEM

For accurate pricing of stock, there has to be an effective means of recording the movement of stock. This is to say that the recording must be up to date regarding material prices. The following are major problems of stock management due to ineffective stock control system.

Materials are brought at different prices

These materials become unidentifiable from other undesirable from costing point of view

Profit calculation is affected by the pricing method adopted by an organization, particularly where materials from a large of raw material due to suppliers cause problem of stock inefficiency management

Storage: material like concentrates chemical require fully air conditioned, very cold room

Ineffective supply of raw material due to suppliers cause problem of stock inefficiency management.

Capital tied down due to ineffective control system

Quality of materials; there may be available found but in absence of materials of the desired quantity for graded materials, problems ensue.

### 1.3 AIMS AND OBJECTIVE OF THE STUDY

Inventory forms a large proportion of any firm's working capital and therefore, there is need for effective control by management which is like major objective of this study on inventory control system

To have a general critical review of managing problems arising from stock control of the soft drinks industry

The Bi – annual stock taking adopted by NBC plc to be used as a case study industry.

Ways of correcting faulty valuation method and at the same time determine the suitable stock valuation method for the particular circumstances of soft drink companies in Nigeria

To check the problem of determining the E.O.Q

To suggest appropriate policy regarding determination of maximum and minimum stock levels.

To look at possible means of bringing to minimum the huge expenditure on stock control

The effective management of available funds will be the result of effective stock control system

Management information system (MIS) to enhance control system on introduction of computer

Clerical operations account for inefficiencies in management control on inventory

To look at the ways of making maximum and effective use of the seemingly wasting human resources who are not fully utilized in management control system of stock other implement to efficiency of stock management in organization which with equally draw attention in this study include

Fraud and misappropriation of stock balance (quantity) and of pricing (price)

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