

INVENTORY MANAGEMENT

Chapter 9

Inventory Management

The planning and controlling of inventories to meet the competitive priorities of the organization. The challenge is to have the right amount to achieve the competitive priorities of the business most effectively.

Inventories have profound effect on every operation because they must be created, paid for, used in operations, used to satisfy customers and managed.

Lot Size

The quantity of an inventory item to be ordered and delivered. Items are ordered in manufacturing and retail environments.

Inventory

A stock of materials used to produce additional inventory or to support day-to-day operations of various goods.

Pressures for small inventories

Primary reason to keep it small, because it represents money investment!

Inventory holding cost: is the sum of the cost of capital & the variable costs of carrying items (shrinkage, theft, obsolescence, insurance and shrinkage).

Inventory Strategy

Inventory strategy is a plan that determines the amount of inventory to hold, the location of inventory, and the methods of inventory control.

Operational Objectives

The primary objective is to ensure that the right amount of inventory is available to meet the needs of the customer. This is achieved by maintaining a balance between the cost of holding inventory and the cost of stockouts. Inventory management also involves ensuring that the right inventory is in the right place at the right time.

Accounting

Types of Inventory



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Operations

Inventory
The total quantity of goods held in stock by a business. It includes raw materials, work-in-progress, and finished goods. Inventory is a key component of a business's working capital and is used to meet customer demand.

Inventory Management

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Inventories have profound effect on every operation because they must be created, paid for, used in operations, and to satisfy customers and managers.

Lot Size

The quantity of an item to be purchased or manufactured together or not. (Lot sizes vary among businesses)

Inventory

A stock of materials used to satisfy customer demand or to support the production of services or goods.

Pressures for small inventories

Primary reason to hold it small, because is temporary money investment!
Inventory holding cost is the sum of the cost of capital & the variable costs of leasing, items on hand, such as storage and handling, taxes, insurance and shrinkage.

Pressures for large inventories

Inventory holding cost is the sum of the cost of capital & the variable costs of leasing, items on hand, such as storage and handling, taxes, insurance and shrinkage.

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Inventories have profound affect everyday operations because they must be counted, paid for, used in operations, used to satisfy customers and managed.

Lot Size

The quantity of an inventory item management either buys from a supplier or manufactures using internal processes.

Inventory

A stock of materials used to satisfy customer demand or to support the production of services or goods.

INVENTORY MANAGEMENT

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Operations
Inventory
The total quantity of goods and materials that are available for use in the production process. It includes raw materials, work-in-progress, and finished goods. Inventory is a critical component of a company's supply chain and is used to meet customer demand.

Inventory Management

The planning and controlling of inventories to meet the competitive priorities of the organization. The challenge is to have the right amount to achieve the competitive priorities of the business most effectively.

Inventories have profound effect on every operation because they must be created, paid for, used in operations, and to satisfy customers and managers.

Lot Size
The quantity of an item that is purchased or manufactured together or manufactured together.

Inventory
A stock of materials used to satisfy customer demand or to support the production of services or goods.

Pressures for small inventories

Primary reason to hold it small, because is temporary money investment!
Inventory holding cost is the sum of the cost of capital & the variable costs of carrying items in hand, such as storage and handling, taxes, insurance and shrinkage.

Pressures for large inventories
Inventory is a buffer between demand and supply. It helps to smooth out fluctuations in demand and supply. Large inventories can help to reduce the risk of stockouts and lost sales.

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Accounting

Types of Inventory

- Raw materials
- Corporate
- Work-in-process (WIP)
- Finished goods
- Distributable inventory
- Maintenance, repair & operating supplies (MRO)



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Pressures for small inventories

Primary reason to keep it small, because is temporary money investment

Inventory holding cost: is the sum of the cost of capital & the variable costs of keeping items on hand, such as storage and handling, taxes, insurance and shrinkage.

Pressures for Large Inventories

Customer service: high speed delivery
Ordering Cost is same no matter the volume
Labor and equipment utilization
Transportation cost might get rate discount
Payments to suppliers: quantity discount a drop in the price per unit when an order is sufficiently large.

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Operations
The field of operations management is concerned with the design, production, and distribution of goods and services. It is a broad field that encompasses a wide range of activities, from the design of new products to the management of the production process. Operations management is a key function in many organizations, and it is essential for the success of any business.

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Inventories have profound effect on every operation because they must be created, paid for, used in operations, and to satisfy customers and managers.

Lot Size

Lot size
The quantity of an item that is manufactured or purchased together or stored together.

Inventory

Inventory
A stock of materials used to satisfy customer demand or to support the production of services or goods.

Pressures for small inventories

Primary reason to hold it small, because is temporary money investment!
Inventory holding cost is the sum of the cost of capital & the variable costs of carrying items in hand, such as storage and handling, taxes, insurance and shrinkage.

Pressures for large inventories

Pressures for large inventories
The primary reason to hold it large is to ensure that the customer is always satisfied. Large inventories also provide a buffer against uncertainty in demand and supply.

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Accounting

Types of Inventory



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