

INVENTORY MANAGEMENT



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WHAT IS INVENTORY: -

Inventory is an idle resource which is usable and has value.

It may be men, money, materials, plant acquisition, spares and other stocked to meet future demand.

TYPES OF INVENTORY: -

- (1) Official Inventory
- (2) Unofficial Inventory



NEED FOR INVENTORY:-

Inventory control is necessary to ensure.

- (a) Uninterrupted supply of materials.
- (b) Optimal stock. (Not too much, not too little)
- (c) Adequate controls over materials un-used, used.



There are some selective Inventory control methods to have an effective control on the inventory.

The important methods are:-

1. ABC Analysis (Always Better Control)
2. VED “ (Vital, Essential, Desirable)
3. FSN “ (Fast, Slow moving and Non-moving)
4. SDE “ (Scarce, Difficult, Easy)
5. HML “ (High, Medium, Low)



1. ABC Analysis (Always Better Control):-

- ❖ Classify the items on the basis of importance and the technique of grouping is called as ABC analysis.
- ❖ To provide maximum overall protection against the stock outs for a a given investment in safety stock.
- ❖ This analysis prepared and checked weekly or monthly.

<u>Category</u>	<u>% of items</u>	<u>% of value</u>
A (High Cost)	10	70
B (Medium Cost)	20	20
C (Low Cost)	70	10



ADVANDAGES:

- Preference for keeping inventory can be placed properly after **ABC** analysis.
- Store personnel are placed better with this analysis i.e their time can be utilized better.
- Storing, handling and delivery of materials to production department become better.



2. VED ANALYSIS ((Vital, Essential, Desirable):

- ❖ This classification is applicable only for spare parts.
- ❖ It based on the price, availability etc.,
- ❖ For **V** items, a reasonable large volume of stocks might be necessary, while for **D** items, no Stocks are, perhaps, required be kept.
- ❖ For **V** items of **A** classification a close control should be kept on stock levels, but if it is a **C** items, than large quantities mat be stored.



3. FSN ANALYSIS (Fast, Slow moving and Non-moving):

- ❖ It based on the issues from stores.

4. SDE ANALYSIS (Scarce, Difficult, Easy)

- ❖ Scarce item merely equal to the A item. But we can't apply the same procedure for its stocking.



5. HML ANALYSIS (High, Medium, Low):

❖ Only the difference from the former is being that it is the unit value and not the annual consumption value.

H Unit value > 1000 (Sanctioned by higher officials)

M Unit value 100 to 1000

L Unit value < 100



OBJECTIVES TO INVENTORY CONTROL:-

1. To keep the investment on inventories to the minimum.
2. To minimize idle time by avoiding stock outs and shortages.
3. To avoid carrying cost.
4. To improve quality of care with lesser inventory.
5. To avoid obsolescence of inventory.

PRINCIPLE OF INVENTORY CONTROL:-

1. To place orders frequently keeping the stock low for high valued and more used items.
2. To place orders less frequently keeping sufficient stock for low valued and low consumed item.



Thank You



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