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INVENTORY MANAGEMENT IN FOOD COMPANIES: GROWTH AND PROSPECTUS

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Abstract:

Inventory management has to do with keeping accurate records of finished goods that are ready for shipment. This often means posting the production of newly completed goods to the inventory totals as well as subtracting the most recent shipments of finished goods to buyers. Whenthe company has a return policy in place, there is usually a sub-category contained in the finished goods inventory to account for any returned goods that are reclassified or second grade quality.

Accurately maintaining figures on the finished goods inventory makes it possible to quickly convey information to sales personnel as to what is available and ready for shipment at any given time.

Inventory management is important for keeping costs down, while meeting regulation. Supply anddemand is a delicate balance, and inventory management hopes to ensure that the balance is undisturbed. Highly trained Inventory management and high-quality software will help make Inventory management a success.

The ROI of Inventory management will be seen in the forms of increased revenue and profits, positive employee atmosphere, and on overall increase of customer satisfaction.

Key words: ROI of Inventory management, finished goods inventory

INTRODUCTION

Inventories constitute the most significant part of current assets of a large majority of companies in India. On an average, inventories are approximately 60% of current assets in public limited companies in India. Because of the large size of inventories maintained by firms, a considerable amount of feuds is required to be committed to them. It is therefore, absolutely imperative to ménage inventories efficiently and efficientlyin order to avoid unnecessary investment. A firm neglecting the management of inventories will bejeopardizing its long run profitability and may fail ultimately. It is possible for fore a company to reduce itslevels of inventories to a considerable degree e.g. 10 to 20 percent, without any adverse effect onproduction and sales, by using simple inventory planning and control techniques. The reduction in excessive inventory carries a favorable impact on a company's profitability.

The objective of inventory management is explained in some detail sections. Section two is concerned with inventory management techniques. Attention is given here to basic concepts relevant to the management and control of inventory

Inventory is the physical stoke of goods maintained in an organization for its smooth sunning. In accounting language it may mean stock of finished goods only. In a manufacturing concern, it may include raw materials, work-in-progress and stores etc. In the form of materials or supplies to be consumed in the production process or in the rendering of services. In brief, Inventory is unconsumed or unsold goods purchased or manufactured

Need for the study:

The inventory can also be preciously govern through information technology. Thus, an application composed with expert's opinions to the factors affecting inventory control & supply chain management of food processing and distribution firm and the sequential pattern analysis are focused in this work. The further sections of this paper is focus on different factors of inventory control & supply chain management in food industry. Analytical results based on suitable example of InfoTech company.

Review of Literature:

In the food processing & distributive firm, an industry uses a set of methods to change complete ingredients into foods (transformation of foods into other products) for consumption by consumers (Connor in 1988). This packaged foods are then supplied to different vendors through some distribution methods (Dennis in1999, Smith & Furness in 2006). The big amount of raw input foods and processed foods (packaged) waiting for delivery are little bit tough to manage in a warehouse because food is spoilable after a span of time (Dennis in 1999, Mahalik & Nambiar in 2010).

Objectives of the Study

1. To examine the organization structure of inventory management in the stores of Amrutha Foods.

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2. To discuss pattern, levels and trends of inventories.
3. To access the performance of inventory management by selected accounting ratios.

Hypothesis

H0: There is no significant impact of inventory management on Food Company's performance

H1: There is a significant impact of inventory management on Food Company's performance

Research Methodology:

The descriptive research design for carrying out our research study. We have collected the primary data in our research study from Food organizations and also the stakeholders.

The Primary data has been collected based on a well-structured questionnaire and was given to the employees within the selected sample.

The Secondary data collection: The available company resources would be considered for our use as the secondary data sources, apart from the Internet and other public data sources in our research study.

MEANING OF INVENTORY

Inventory is a list for goods and materials, or those goods and materials themselves, held available in stock by a business. It is also used for a list of the contents of a household and for a list for testamentary purpose of the possessions of someone who has died. In accounting inventory is considered an asset

TYPES OF INVENTORIES

Inventories play a major role in a business or depending on nature of the businesses. The inventories may be classified as under.

Raw Materials:

Materials and components scheduled for use in making a product. These are the basic inputs, which are converted into finished products through manufacturing process. Raw materialinventories are those units, which have been purchased and stored for future production.

Work in process / Progress:

Materials and components that have begun their transformation to finished goods. Materialsissued to the stop floor, which have not yet become finished products they are value added materials to the extent of labor cost incurred.

Finished Goods

Finished goods are a completed part that is ready for a customer order. These goods have been inspected and have passed final inspection requirements so that they can be transferred outof work-in-process and into finished goods inventory. From this point, finished goods can be sold directly to their final user, sold to retailers, sold to wholesalers, sent to distribution centers, or held in anticipation of a customer order.

STORES & SPARES

The level of four kind of inventory depends upon the nature of the business. Supplies include office and cleaning materials like soap, brooms, oil, light, blubs etc. these materials do not directly enter production, but are necessary for production process.

NEED OR INVENTORY CONTROL

Transaction motive:

Every firm has to maintain some level of inventory to meet the day-to-day requirement of sales, production process, customer demand etc. In the finished goods as well as raw material are kept as inventories for smooth production process of the firm.

Precautionary motive:

A firm should keep some inventory for unforeseen circumstances also like loss due to natural calamities in a particular area, strikes, lay outs etc so the firm must have some finished goods as well as raw-materials to meet circumstances.

Speculative motive:

The firm may be made to keep some inventory in order to capitalize an opportunity to make profit due to price fluctuations.

BASIC REASONS TO KEEPING AN INVENTORY:

There are three basic reasons for keeping an inventory:

1. TIME: The time lags present in the supply chain, from supplier to user at every stage, requiresthat you maintain certain amount of inventory to use in this “lead time”.
2. UNCERTAINTY: Inventories are maintained as buffers to meet uncertainties in demand,supply and movement of goods.
3. ECONOMIES OF SCALE: Ideal condition of “one unit at a time at a place where user needsit, when he needs it “principle tends to incur lots of costs in terms of logistics. So bulk buying, movement and storing brings.

ABC Analysis

ABC analysis classifies various inventory into three sets or groups of priority the allocates

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managerial efforts in proportion of

The priority the most important item are classified into class - A,

Those of intermediate importance are classified as “class - B’’ and remaining items are classifiedinto class - C’.

The financial manager has to monitor the items belonging to monitor the items belonging to different groups in that order of priority and depending upon the consumptions.

The items with the highest values is given priority and soon and are more controlled then low value item. The re - rational limits are as follows.

Category	% of items	% of total cost of materials
A	5 - 10	70 - 85
B	10 - 20	10 - 20
C	70 - 85	5 - 10

Procedure

Items with the highest value is given top priority and soon.

There after cumulative totals of annual value consumption areexpressed as percentage of total value of consumption.

Then these percentage values are divided into three categories.

ABC analysis helps in allocating managerial efforts in proportion to importance of variousitems of inventory.

Result and Discussion

Table: 1 Stock Turnover Ratio

Year	Stock Turnover Ratio
2016-17	151.75
2017-18	103.32
2018-19	12.93

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2019-20	17.02
2020-21	17.58

Source –Computed From Annual Report of Amrutha Foods.

Interpretation

From the above table it is inferred that in the year 2016-17 the stock turnover ratio is 151.75, in the 2017-2018 it is 103.32, 2020-2021 it is 17.58 and in the year2018-2019 the stock turnover ratio is 12.93. The analysis reveals that the above table reveals in the year 2016-2017 the stock turnover ratio is 151.75. The stock turnover ratio, is an efficiency ratio that measures how efficiently inventory a current asset account found on the balance sheet, consisting of all raw materials, work-in-progress, and finished goods that a is managed.

Table: 2 Total Assets Turnover Ratio

Year	Total Assets Turnover Ratio
2016-17	0.71
2017-18	0.78
2018-19	0.60
2019-20	0.77
2020-21	0.70

Source –Computed From Annual Report of Amrutha Foods.

Interpretation

From the above table it is inferred that in the year 2016-2017 the total assets turnover ratio is 0.71, in the 2017-2018 it is 0.78, 2018-19 it is 0.60, 2019-20 it is 0.77 and in the year2020-21the total assets turnover ratio is 0.70. Asset turnover is the ratio of total sales or revenue to average assets helps investors understand how effectively companies are using their assets to generate sales. Investors use the asset turnover ratio to compare similar companies in the same sector or group.

Table :3 Fixed Assets Turnover Ratio

Year	Fixed Assets Turnover Ratio

2016-17	2.70
2017-18	3.22
2018-19	3.99
2019-20	8.94
2020-21	9.04

Source –Computed From Annual Report of Amrutha Foods.

From the above table it is inferred that in the year 2016-2017 the Fixed Assets turnover ratio is 2.70, in the 2017-2018 it is 3.22, 2018-19 it is 3.99, 2019-20 it is 8.94 and in the year2020-21the total assets turnover ratio is 9.04. This ratio indicates that how the company is utilizing the assets.

Table:4 Absolute Liquid Ratio

Year	Absolute LiquidRatio
2016-20	0.30
2017-18	0.14
2018-19	0.10
2019-20	0.11
2020-21	0.01

Source –Computed From Annual Report of Amrutha Foods.

The above table analysis reveals that in the year 2016-2017 the absolute Liquid Ratio is 0.30, in the 2017-2018 it is 0.14, 2018-19 it is 0.10, 2019-20 it is 0.11 and in the year2020-21the total assets turnover ratio is 0.01. This ratio indicates that how the company is utilizing the assets.
To increase the inventory turnover ratio by increasing the sales level and maintaining the required level of inventory. The goal of the wealth maximization is affected by the efficiency with which inventory is managed. Inventories constitute about 60% of current assets of companies in India. The manufacturing companieshold inventories in the form of raw materials, work in progress and finished goods. Inventoriesfacilitate smooth production and sales operation

(transaction motive), to guard against the risk of unpredictable changes in usage rate and delivery time (Precautionary motive), & to take advantage of price fluctuations (speculative motive).

1. The organizations give proper knowledge &training for unskilled employees about their work.
2. In store department items should placed their proper sequence & acknowledgement
3. There should be proper record of wastage. It is good for the company.
4. Store manager give the proper knowledge about engineering & raw materials.
5. Organization should have proper staff in HR/Personnel department.
6. Personnel manager should listen grievances of the employee's personnel .So employeescould not left the organization.

ABC Analysis

Table: 5 Finished goods (at closing stock)

YEAR	AMOUNT OFFINISHED GOODS
2017	2704.08
2018	6717.44
2019	15019.79
2020	16880.69
2021	7443.66

Source –Computed From Annual Report of Amrutha Foods.

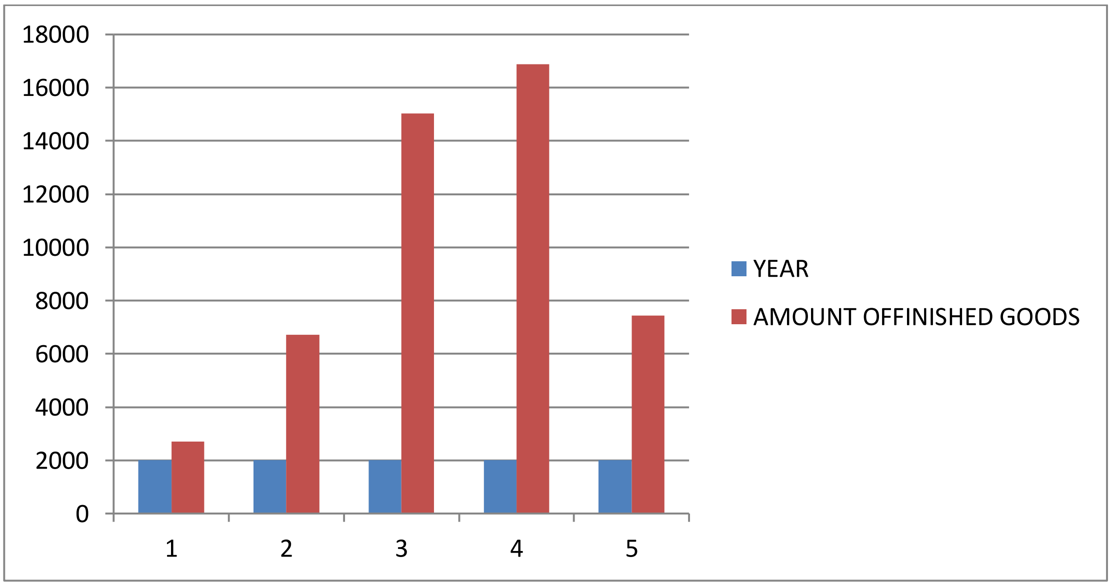

Figure:1 Finished goods (at closing stock)

The above graph shows the amount of raw materials at cost. In 2017 the cost of material is 274.94increased to 1858.17rs and in 2019 it is increased to rs2031.85 and in 2020 it is decreased to 1768.52 in the year 2021. Inventory is the physical asset of a company that can create problem if there is shortage, while in production and also if it's in excess even after production. Inventory is constantly changing as quantities are sold and replenish.

CONCLUSION

Inventory management has to do with keeping accurate records of finished goods that are ready for shipment. This often means posting the production of newly completed goods to the inventory totals as well as subtracting the most recent shipments of finished goods to buyers. Whenthe company has a return policy in place, there is usually a sub-category contained in the finished goods inventory to account for any returned goods that are reclassified or second grade quality.

Accurately maintaining figures on the finished goods inventory makes it possible to quickly convey information to sales personnel as to what is available and ready for shipment at any given time.

Inventory management is important for keeping costs down, while meeting regulation. Supply anddemand is a delicate balance, and inventory management hopes to ensure that the balance is undisturbed. Highly trained Inventory management and high-quality software will help make Inventory management a success.

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