

Mga 311 Chapter 11

1. Overview: inventory process
2. System: perpetual, periodic
3. Management problem:
4. Technology:
5. Controls:

1. Overview

- Include: service and products sold
- Occurs between revenue and expense process
- types of businesses:
 - merchandising: finished products (already produced), resale to customers
 - manufacturing: raw material, turn into finished goods, then sold to customer
 - service: offer service

merchandising:

- receive merchandise from vendor, inspect, count and compare
- inventory storage
- pull for shipment
- package and ship

2. inventory system

- periodic:
 - tracking sales in total
 - physical count EI, subsequently CGS
- perpetual:
 - constant, continuously track
 - adjust quantity, values for purchase, sale and return
 - evaluate what to sell, stock, and clearance

3. Management Problem

Merchandising company:

- Level of inventory on hand
- Avoid obsolete inventory
- Selection and satisfactory

Terms:

Lead time: order and receive time

Lead time stock: based on Lead time, the amount inventory needed

Safety stock: quantity avoid out of stock

Reorder point: time to order, when inventory equals sum of lead time stock and safety stock.

Hold/Carrying Stock: cost when hold stock, e.g. interest, warehousing, taxes

Stock out cost: Loss on sale when out of stock

Economic Order Quantity: considering cost of holding and order, optimal quantity amount

Ordering costs: cost order, receive, pay (expense process)