

Methodological tool: Monitoring Stock level

Number of methodological Tool	EUPANEXT_LO_005_M_001
Work Area Code and Title	WA1 Office Procedures
Unit Code and Title	2.2 Handle the Stock
Learning Outcome Number and Title	LO005: Demonstrate the ability to maintain the right level of stock needed to run the office smoothly using specific procedures and tools.
Objective of the methodological tool	After the completion of this exercise, participants will be able to: <ol style="list-style-type: none"> 1. Maintain the right level of stock needed to run the office smoothly 2. Maintain stationery stock items to the required level 3. Keep up to date, accurate and legible records of stock delivered and held
Individual or group exercise	<input type="checkbox"/> Individual <input checked="" type="checkbox"/> Group
Type of methodological tool	<input type="checkbox"/> Written Exercise <input type="checkbox"/> Video Analysis <input type="checkbox"/> Simulation <input type="checkbox"/> Multiple choice <input type="checkbox"/> Group exercise with cards <input type="checkbox"/> Exercise using ICT <input type="checkbox"/> Role Play <input checked="" type="checkbox"/> Group discussion <input type="checkbox"/> Case study <input type="checkbox"/> Creative Group Work
Description of the exercise/Procedure	<p>At first, the trainer writes these questions on the flipchart (or develops question cards to give to each of the groups):</p> <ol style="list-style-type: none"> 1. Why is it important to monitor the stock? 2. What are the consequences of inefficient stock monitoring? 3. How would you monitor the stock? 4. How would you decide what level of stock is appropriate? 5. What tools of monitoring would you use? <p>Participants are divided in small groups, to discuss and prepare answers for the questions. Each group shares their answers with the whole class afterwards. Discussion follows.</p>
Exercise is accompanied by	<ul style="list-style-type: none"> • Background materials for the trainer to be used during the lecture
Exercise solution	-
Other comments to the trainer	Stock control for production, scheduling and ordering inventory is a core part of managing a business enterprise. Warehouse managers

	<p>use a variety of stock review techniques that can range from the simplest to the most complex models. The goal of any stock control method, nevertheless, is to maintain efficient inventory that ensures that products and goods are replenished in a timely manner.</p> <p><u>Stock control methods</u></p> <p>There are several methods for controlling stock, all designed to provide an efficient system for deciding what, when and how much to order.</p> <p>You may opt for one method or a mixture of two or more if you have various types of stock.</p> <ul style="list-style-type: none">• Minimum stock level - you identify a minimum stock level and re-order when stock reaches that level. This is known as the Re-order Level.• Stock review - you have regular reviews of stock. At every review, you place an order to return stocks to a predetermined level. <p><u>Basic Forecasts</u></p> <p>A simple stock order forecast reviews historical data which allows demand patterns to be measured, in order to determine the number of days it takes for a particular quantity of an item to sell or to be consumed. The forecast then calculates the number of days it takes for the items to be replenished, either through the production or the supplier delivery. Warehouse managers who understand the speed with which an item sells out or is consumed, but also the amount of time it takes for an order to be delivered or replenished through production, can identify the stock amount that triggers a re-order, also called an order point.</p> <p><u>Just In Time</u></p> <p>Just in time, or JIT, is a cost-cutting inventory control method used frequently in the manufacturing industry to maintain the absolute minimum stock levels. Inventory is ordered when it is needed with the goal of reducing holding or carrying costs. The reliability of a supplier's delivery times is central to efficient JIT operations. If supplier delivery times are not predictably consistent, warehouse</p>
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	<p>management will not be able to use this important factor in JIT forecasting and runs the risk of frequent stock shortages.</p> <p><u>Inventory Control Software</u></p> <p>Inventory control software automates warehouse stock systems and helps managers to track inventory levels. Stock control software programs generally include systems that notify managers when stock items fall below order points. When order points are triggered, computer tracking systems can place reorders.</p> <p><u>Fixed Order Quantities</u></p> <p>When an order point occurs, an FOQ is a specific inventory quantity used in stock control administration. Absolute supply quantity and time supply quantity are two kinds of FOQs. An absolute supply quantity directs that a specific number of items be reordered when an order point is triggered. A time supply quantity directs that a specific number of days' supply of an item be reordered.</p> <p><u>Economic Order Quantity</u></p> <p>Economic order quantity, or EOQ, is a stock control and production scheduling method that aims to establish stock quantities at the lowest possible costs. The EOQ formula uses factors such as a stock item's fixed cost, annual turnover rate and storage and delivery costs to make complex calculations that establish the optimal stock level for an item.</p> <p><u>How much stock should you keep?</u></p> <p>Keeping little or no stock and negotiating with suppliers to deliver stock as you need it.</p> <table border="0"> <tr> <td style="vertical-align: top;"> <p><u>Advantages</u></p> <p>Efficient and flexible - you only have what you need, when you need it</p> <p>Lower storage costs</p> <p>You can keep up to date and develop new products without</p> </td> <td style="vertical-align: top;"> <p><u>Disadvantages</u></p> <p>Meeting stock needs can become complicated and expensive</p> <p>You might run out of stock if there's a hitch in the system</p> <p>You are dependent on the efficiency of your suppliers</p> </td> </tr> </table>	<p><u>Advantages</u></p> <p>Efficient and flexible - you only have what you need, when you need it</p> <p>Lower storage costs</p> <p>You can keep up to date and develop new products without</p>	<p><u>Disadvantages</u></p> <p>Meeting stock needs can become complicated and expensive</p> <p>You might run out of stock if there's a hitch in the system</p> <p>You are dependent on the efficiency of your suppliers</p>
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	<p>wasting stock</p> <p>This might suit your business if it is in a fast-moving environment where products develop rapidly, the stock is expensive to buy and store, the items are perishable or replenishing stock is quick and easy.</p> <p>Keeping lots of stock</p> <table border="0"> <tr> <td><u>Advantages</u></td> <td><u>Disadvantages</u></td> </tr> <tr> <td>Easy to manage</td> <td>Higher storage and insurance costs</td> </tr> <tr> <td>Low management costs</td> <td>Certain goods might perish</td> </tr> <tr> <td>You never run out</td> <td>Stock may become obsolete before it is used</td> </tr> <tr> <td>Buying in bulk may be cheaper</td> <td>Your capital is tied up</td> </tr> </table> <p>This might suit your business if sales are difficult to predict (and it is hard to pin down how much stock you need and when), you can store plenty of stock cheaply, the components or materials you buy are unlikely to go through rapid developments or they take a long time to re-order.</p> <p><u>Stock control systems - keeping track manually</u></p> <p>Stocktaking involves making an inventory, or list, of stock, and noting its location and value. It is often an annual exercise - a kind of audit to work out the value of the stock as part of the accounting process.</p> <p>Codes, including barcodes, can make the whole process much easier, but it can still be quite time consuming. Checking stock more frequently - a rolling stock take - prevents a massive annual exercise, but demands constant attention throughout the year. Any stock control system must enable you to:</p> <ul style="list-style-type: none"> • track stock levels • make orders • issue stock <p>The simplest manual system is the stock book, which suits small</p>	<u>Advantages</u>	<u>Disadvantages</u>	Easy to manage	Higher storage and insurance costs	Low management costs	Certain goods might perish	You never run out	Stock may become obsolete before it is used	Buying in bulk may be cheaper	Your capital is tied up
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	<p>businesses with few stock items. It enables you to keep a log of stock received and stock issued.</p> <p>It can be used alongside a simple reorder system. For example, the two-bin system works by having two containers of stock items. When one is empty, it is time to start using the second bin and order more stock to fill up the empty one.</p> <p>Stock cards are used for more complex systems. Each type of stock has an associated card, with information such as:</p> <ul style="list-style-type: none">• description• value• location• reorder levels, quantities and lead times (if this method is used)• supplier details• information about past stock history <p>More sophisticated manual systems incorporate coding to classify items. Codes might indicate the value of the stock, its location and which batch it is from, which is useful for quality control.</p> <p><u>Stock control systems - keeping track using computer software</u></p> <p>Computerised stock control systems run on similar principles to manual ones, but are more flexible and information is easier to retrieve. You can quickly get a stock valuation or find out how well a particular item of stock is moving.</p> <p>A computerised system is a good option for businesses dealing with many different types of stock.</p> <p>There are many software systems available. Upon your requirements, they allow various functions. For example, your needs might include:</p> <ul style="list-style-type: none">• multiple prices for items• prices in different currencies• automatic updating, selecting groups of items to update, single-item updating• using more than one warehouse• ability to adapt to your changing needs
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	<ul style="list-style-type: none">• quality control and batch tracking• integration with other packages• multiple users at the same time <p>Avoid choosing software that is too complicated for your needs, as this will be a waste of time and money.</p> <p><u>Stock control administration</u></p> <p>There are many administrative tasks associated with stock control. Depending on the size and complexity of your business, they may be done as part of an administrator's duties, or by a dedicated stock controller.</p> <p>For security reasons, it is a good practice to have different staff responsible for finance than those responsible for stock.</p> <p>Typical paperwork to be processed includes:</p> <ul style="list-style-type: none">• delivery and supplier notes for incoming goods• purchase orders, receipts and credit notes• returns notes• requisitions and issue notes for outgoing goods <p>Figures should be checked systematically, either through a regular audit of stock - stocktaking - or an ongoing programme of checking stock - rolling stock take.</p> <p>If the figures do not add up, you need to investigate, as there could be stock security problems or a failure in the system.</p> <p><u>Stock security</u></p> <p>Keeping stock secure depends on knowing what you have, where it is located and how much it is worth - so good records are essential. Stock that is portable, does not feature the business logo, or is easy to sell on, is at particular risk.</p> <p><u>Thieves and shoplifters</u></p> <p>A thief coming in from outside is an obvious threat. Check the security around your premises to keep the risk to a minimum.</p>
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	<p><u>Theft by staff</u></p> <p>Theft by employees is a problem. To prevent this:</p> <ul style="list-style-type: none">• Train staff about your security systems and your disciplinary policies and procedures. Training about the cost of stock theft will help, as many people are not aware of the implications for company turnover and job security.• Set up procedures to prevent theft. Staff with financial responsibilities should not be in charge of stock records.• Restrict access to warehouses, stockrooms and stationery cupboards.
Approximate Time needed for the completion of this exercise	

