



A STUDY ON INVENTORY MANAGEMENT COROMANDAL INTERNATIONAL LIMITED

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ABSTRACT:

In day-to-day management of the firm, it is essential to manage the inventory so as to maintain proper supply of goods at proper time. Inventory represents an important decision variable at all stages of product manufacturing, distribution and sales, in addition to being a major portion of current assets of many organizations. Too much and too low inventories bring down the level of profitability of an organization. Therefore, whether it is a manufacturing or merchandized organization, the goal should always be the same that is, to ensure the inventory is ready and at the same time inventory is at a low level. Inventory management is functional field of finance and production that covers the efficient and effective use of raw materials and spares which are consumed in producing the finished goods in manufacturing concern. A firm ignoring the management of inventories will be jeopardizing its long run profitability and may fail finally. The reduction in 'excessive' inventories carries a favorable impact on a company's profitability. This paper consists of different parts where the inventory management concepts are discussed, and different inventory control techniques are discussed. This paper also introduces the various costs incurred due to the storage inventory, economic order quantities, stock levels, shortage costs, inventory methods.

KEYWORDS:

FIFO, LIFO, Reorder point, Economic order quantity, Demand forecasting, Order processing, Safety stock

INTRODUCTION:

Inventory is one of the resources that are managed by business organizations and it was first recorded in 1601. The need for inventory control cannot be overemphasized as it is a means for improving the performance of manufacturing industries. Inventory can be defined as a record of a business current assets including property owned, merchandise on hand and the value of work in progress and work complete but not sold and it is classified as a current asset because it can be turned into liquid cash within a short period of time. Inventory has created a great impact on the profitability of the manufacturing firm which resulted to the deep research of this topic.

Effectiveness of inventory management in a manufacturing company. Inventory plays a major role in the operation of many businesses and manufacturing companies. In manufacturing, inventories of raw materials allow companies to operate independently of their sources of supplies. Day to day operation is not dependent on deliveries from supplies since stock of the necessary materials are maintained and used as needed. Without inventor control, millions of naira could be lost year because of non-accountability of stocks and inaccurate checks and balances.

OBJECTIVES OF STUDY:

PRIMARY OBJECTIVES:

1. To study on Inventory management with reference to Coromandal international limited

SECONDARY OBJECTIVES:

1. To study the inventory Control measures in inventory management.
2. To examine the extent to which insufficient inventory of finished goods cause loss of sales to the company.
3. To study the inventory management procedure.
4. To analyze the inventory management techniques used in the company.
5. know how the company keeps all the data of inventory perfectly.

REVIEW OF LITERATURE

Abramowitz and Modigliani (2005)

They highlighted the relationship between capacity utilization and inventory investment. Existing stock of inventories was expected to adjust to the desired levels. Thus, the variable, existing stock of inventories, was essential to be negatively related with the desired stock. The result was that there is positive relation among the ratio of inventory to sales and inventory investment. High ratio of stocks to sales in the past suggests requirement of high levels of inventories in the past and promising high investment in inventories in the current period also.

Krishna Murthy (2006)

Study was aggregative and dealt with inventories in the private sector of Indian economy as a whole for the period 1948-61. This study used sales to represent demand for the product and suggested the importance of accelerator. Short- term rate of interest had also been found to be significant.

R.S. Chadda (2007)

Study had been made on inventory management practices of Indian companies. The analysis suggested application of modern scientific inventory control techniques like operations research. These modern scientific techniques furnish opportunities for the companies, Companies can minimize their investment in inventory but there is continuous flow of production. He argued that industrially advanced countries, like, USA, were engaged in

developing highly sophisticated mathematical models and techniques for modernizing and redefining the existing tools of inventory investment.

Krishnamurthy and Sastry (2008)

It is the most comprehensive study on manufacturers' inventories. They used the CMI data and the consolidated balance sheet data of public limited companies published by the RBI, in order to analyse each of the major components, like the raw materials, goods-in-process and finished goods, for 21 industries over the period. The study was a time series one although there were some inter-industry cross-section analyses that were carried out in the analysis. The Accelerator represented by change in sales, bank finance and short-term interest rate was found to be an important determinant. The utilization of productive capacity and price anticipations was also found to be relevant in the study.

George (2010)

It was the study on cross section analysis of balance sheet data of 52 public limited companies for the period of 1967- 70. Accelerator, internal and external finance variables were considered in the formulation of equations for raw materials including goods-in-process inventories. However, equations for finished goods inventories conceive only output variable. Deliberation was given on accelerator and external finance variables.

RESEARCH DESIGN:

The research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. The research design is the arrangement of conditions for collections and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

SOURCES OF DATA:

- Primary Data – Primary data are those which are collected afresh and for the first time and thus happen to be original in character.
- Secondary Data – the data that are already available, it refers to the data which have already been collected and analyzed by someone else. The secondary data are collected from company profile and website. Mostly the data used for the project are secondary data.

TOOLS FOR ANALYSIS:

1. First in first out
2. Last in first –out
3. Base stock methods
4. Inventory turnover ratio

Data Analysis and Interpretation

4.1 FIFO ANALYSIS

4.1.1 Monthly stock ledger between the period (1-04-2022) -(31-03-2021) stores ledger account under FIFO system

Date	Purchases			Issues			Balance (opening/closing)		
	Units	Price Units	Amount	Units	Price Units	Amt	Units	Price Units	Amount
2022									
April 1 st	--	--	--	--	--	--	93.55	70	6548.50
15 th	98	70	6860	--	--	--	93.55	70	6548.50
30 th	--	--	--	97.50	93.55X70		98.00	70	6860.00
					+	6825	94.05	70	6583.5
	37.00	70	2590.00	--	3.95X70	--	94.05	70	6583.5
May 15 th	--	--	--	114.50	--	--	37.00	70	2590.00
30 th					94.05X70	8015	16.55	70	1158.50
					+		16.55	70	1158.50
Jun 15 th	115	70	8050.00	--	20.45X70	--	115.00	70	8050.00
30 th	--	--	--	104.50	--		27.05	70	1893.50
						7315	27.05	70	1893.50
Jul 15 th	124	70	8680	--	16.55X70	--	27.05	70	1893.50
30 th	--	--	--	114.50	87.95X70		124.00	70	8680.00
					--	8015	36.55	70	2558.50
Aug 15 th	131	70	9170	--	27.05X70	--	36.55	70	2558.50
30 th	--	--	--	95.00	87.45X70		131.03	70	9170.00
						7490	60.55	70	4238.50
Sep 15 th	138	70	9660	--	36.55X70	--	60.55	70	4238.50
30 th	--	--	--	95.00	70.45X70	6650	103.55	70	7248.50
					+				
					60.55X70				
					+				
					34.45X70				

Date	Purchases			Issues			Balance (opening/closing)		
	Units	Price Units	Amount	Units	Price Units	Amt	Units	Price Units	Amount
Oct 15 th	121	70	8470	--	--	--	103.55	70	7248.50
							121.00	70	8470.00
30 th	--	--	--	101.00	101.00X70	7070	2.55	70	178.5
	57.00	70	3990.00				121.00	70	8470.00
				--	--	--	2.55	70	178.5
Nov 15 th	--	--	--				121.00	70	8470.00
							57.00	70	3990.00
30 th	94	70	6580.00	98.00	2.55X70 + 95.45X70	6860	25.55	70	1788.50
							57.00	70	3990.00
				--	--	--	25.55	70	1788.50
Dec 15 th	--	--	--				57.00	70	3990.00
							94.00	70	6580.00
30 th	219	70	15330	115.00	25.55X70 + 57.00X70 + 32.45X70	8050	61.55	70	4308.50
				--	--	--	61.55	70	4308.50
							219.00	70	15330.00
Jan 15 th				98.00	61.55X70 + 36.45X70	6859.5	182.55	70	12778.50
30 th	54	70	3780				182.55	70	12778.50
				--	--	--	54.00	70	3780.00
Feb 15 th	137.9	70	9653	67.50	67.50X70	4725	115.05	70	8053.50
							54.00	70	3780.00
30 th	--	--	--	--	--	--	115.05	70	8053.50
Mar 15 th				114.05	114.05X70	7983.5	54.00	70	3780.00
							137.90	70	9653.00
30 th							1.00	70	70.00
							54.00	70	3780.00
							137.90	70	9653.00

Total closing stock is 192.90 units amount is 13503

Interpretation:

From the above table it is identified that the company total purchases units were 1326.9. whereas it issues a unit of 1226.55. Therefore, the issues units were lower than purchased units in the year 2022 – 21

4.4 Inventory turnover ratio

$$\text{Inventory turnover ratio} = \frac{\text{cost of goods sold}}{\text{Average inventor}}$$

$$\text{COGS} = \text{Beginning Inventory} + \text{Purchases} - \text{Ending Inventory}$$

2022

$$\begin{aligned} \text{COGS} &= 99361 - 13503 = 85858 \\ \text{ITOR} &= 85858 / 143.225 = 599.46 \end{aligned}$$

2021

$$\begin{aligned} \text{COGS} &= 88169 - 6545 = 81624 \\ \text{ITOR} &= 81624 / 86.75 = 940.91 \end{aligned}$$

2020

$$\begin{aligned} \text{COGS} &= 76150 - 5200 = 70950 \\ \text{ITOR} &= 70950 / 87.5 = 810.85 \end{aligned}$$

2019

$$\begin{aligned} \text{COGS} &= 75870 - 5200 = 70670 \\ \text{ITOR} &= 70670 / 82.5 = 856.60 \end{aligned}$$

SUGGESTIONS AND CONCLUSION

1. Company may try to order annually rather than monthly depending upon demand for the products.
2. Total cost incurred when purchases are made annually is less than the total cost incurred when orders placed monthly.
3. Company should make orders at one stretch.
4. When orders are made at one time in bulk, then suppliers may provide special discounts.
5. Reduction of transport facilities is noticed when orders in a bulk.

LIMITATIONS OF STUDY

1. The company's certain information is kept secret
2. The period of study restricted only to five years.
3. The study is based on the past records of the company.
4. The study concentrates only on Inventory management of the company

CONCLUSION:

Though coromandel international ltd is doing good in manufacturing many products or items it was found that a little rectification has to be made They are Order is placed monthly or quarterly. It may cost heavy expenditure for placing order so many times. Cost will be bearding each time an order is placed. So, it is suggestible that order should be placed annually depending on demand. Storage facilities should be modified. A stores manager should be appointed separately to look after product at hand. Separate department of research should be placed. Especially for inventory of goods.

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