

STORES MANAGEMENT

UNIT-I

STORES FUNCTIONS

1. Define stores? What are the responsibilities of a store?

Stores

Store is to preserve the stored materials and carry out their conservation as needed to prevent deterioration in their qualities. Also store is to ensure the safety of all items and materials whilst in the store which means protecting them from pilferage, theft, damage, deterioration, and fire. The Incharge of store is called store keeper or stores manager.

Definition

“Store keeping is that aspect of material control concerned with the physical storage of goods”. -- Alford and Beatty

Responsibilities of stores -

The following are the major responsibilities of stores.

Receipt and incoming goods

Receipt is the process of checking and accepting from all sources (vendors, production units, repairs units etc). All materials and parts which are used in the organisation.

Inspection of all receipts

Inspection involved examination of incoming consignment for quality, very often there is a separate quality control inspection department which undertakes this work for most materials.

Storage and preservation

Storage and preservation involves items to be big grand captain storage beans and impounds, as usual indicates in the yard. The location is usually indicated in the transaction card.

Identification of all materials stored

Identification is the process of systematically defining and the describing all items of materials in stock. It includes the preparation of play stores code, bad option of materials specifications and the introduction of a degree of standardisation.

Material handling

Material handling involves moment and handling. This can be manual or mechanical heavy items dangerous or inflammable sports and delicate merchandise have all to be handled differently.

Packaging

Materials dispatched to customers from the finished goods store or from one store to another at different location required to be packed.

Issue and dispatch

Issue and dispatch is there process of receiving demands, selecting the items required and handling them over to users or dispatching them to customers.

Stores accounting

Stores accounting is the process of recording details of stock movements and balances in terms of financial value. It is sometimes undertaken by accounts department, but there is much to be said for it being handled by stores.

Inventory control

Inventory control is the operation of continuously arranging receipts and issues in such a way so as to ensure that stock balances in quantity and value are adequate to support the current rate of consumption at all times with due regard to economy.

2. Explain the different types of stores.

Stores

A store house is a building provided for preserving materials, stores and finished goods. The Incharge of store is called store keeper or stores manager.

Definition

“store keeping is that aspect of material control concerned with the physical storage of goods”. -- Alford and Beatty

Types of stores

It depending upon the business, location of action, raw material marketplace etc., basically stores classified into two types.

I. Functional stores

II. Physical store

I. Functional stores

Raw material store

This is where raw materials used in the factory are stored. Usually this is the largest kind and the location should be such that it is situated alongside a railway, canal or river.

Production Store:

Production also requires a large number of materials, generally called "consumables", - eye-shields, cutting oils, abrasives, gloves, aprons, jigs, small tools etc. A store stocking such items is called a Production Store.

Tools Store:

All kinds of tools files, measuring instruments, saws, small tools like hammers, pliers, etc. or sell them as scrap. Steel scrap is usually kept separately, preferably in the open. Some metal scrap like copper can be very costly and should, therefore, be kept safely in covered stores.

General store

various kinds of miscellaneous items like pains brushes cleaning materials wood and spirit are kept here.

Salvage Store:

Here materials rejected on the factory floor are stored either with a view to salvage them or to sell them as scrap. Steel scrap is usually kept separately, preferably in the open. Some metal scrap like copper can be very costly and should, therefore, be kept safely in covered stores.

Packing store:

Packing materials are kept here and these include wood for making crates, cardboard cartons or bottles, as in a pharmaceutical company, or empty cylinders.

II. Physical store

Central store:

There can be a central store serving three or four factories or several shops in a large factory or it can be a central warehouse containing finished goods. The word ‘central’ only denotes that it serves various units each of which may have separate sub-stores or departmental stores. Central stores also exist in multi-plant situations.

Sub-store:

A sub-store is located at the place of usage. It can be even within the shop floor

Departmental Store:

This serves a particular department of a factory. For example, in a textile mill there can be several departments like spinning, weaving, bleaching, printing, etc. each of which can be served by a separate store. The reason behind this is that each requires separate kinds of materials.

Group Stores:

In some companies it can happen that several factories belonging to the same group are

all in one compound. For example the J. K. Group of Industries has several factories belonging to the same owner, which has been set up in one big industrial estate.

Site store:

This is usually at a project site containing building or construction materials like cement, steel, tools, etc.

3. Define stores management. What are the objectives of a store?

The term “store management” refers to the efficient management of materials. It ensures that all the various activities involved during the process of storekeeping are carried out economically and efficiently.

According to Maynard, “Store management is to receive materials, to protect them while in storage from damage and unauthorized removal, to issue the materials in the right quantities, at the right time to the right place and to provide these services promptly and at minimum cost”.

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4. What is the relationship between stores and other departments?

Stores, apart from Finance function, are one that comes in contact with all the major functions of any organization or business. One of the major roles of Stores , in any business, is Inventory Control. This vital function of Stores, in itself, affects many functions of business by decoupling many activities and functions.

Stores serves all departments of an organization, but the highest degree of relations are between Purchase who feeds the stores, and Production whom the Stores supplies various materials.

Stores and Purchase:

The two functions of materials management, Stores and Purchase, are complementary to each other.

Apart from the close relationship that exists on a day-to-day basis in the purchase of various items of stores there are other important activities which can best be done by close cooperation between stores and purchase. These are :

- Identification i.e. coding of material
- Variety reduction
- Inventory control value analysis
- Salvaging operations etc.
- Stores sends indents to purchase based on inventory levels determined in accordance with usage and delivery lead times
- Correct specification writing, code numbers, mention of units (e.g. pounds instead of kilos) etc., are all vital in this regard
- Determination of 'lot sizes' for purchase which should suit production requirements, transport, handling and storage space
- Purchase informs stores of orders placed and stores in turn informs purchase of receipts, rejections, shortages, breakages, theft and loss, if any
- Stores should inform purchase of changing production trends, slow or non-moving stock, obsolete or surplus stock, scrap, etc.

Stores and Production:

The production or the user department happens to be the main customer of stores. In production meetings, if stores is represented, coordination can be excellent. Any change in a production schedule needs to be communicated to stores to enable prompt corrective action. After all it is Stores that has to cater to the needs of the user departments

Stores and Sales:

The strong relationship between stores and sales exists in the marketing scenario where Sales is the chief customer of the finished goods store.

The sales department wants to ensure stocks at all times and this might be a costly philosophy in terms of inventory holdings. Close cooperation and an integrated approach can increase profitability.

Stores and Accounts:

Usually the accounts department does all the stores accounting ensuring a day-to-day working relationship.

Stores and personnel:

Selection of the right person for stores work and an adequate training in storage, preservation and accounting techniques is vital.

5. Explain the process of supply chain management.

Supply chain management is a process used by companies to ensure that their supply chain is efficient and cost-effective. A supply chain is the collection of steps that a company takes to transform raw materials into a final product. The five basic components of supply chain management are discussed below –

Plan

The initial stage of the supply chain process is the planning stage. We need to develop a plan or strategy in order to address how the products and services will satisfy the demands and necessities of the customers. In this stage, the planning should mainly focus on designing a

strategy that yields maximum profit.

Develop (Source)

After planning, the next step involves developing or sourcing. In this stage, we mainly concentrate on building a strong relationship with suppliers of the raw materials required for production. This involves not only identifying dependable suppliers but also determining different planning methods for shipping, delivery, and payment of the product.

Make

The third step in the supply chain management process is the manufacturing or making of products that were demanded by the customer. In this stage, the products are designed, produced, tested, packaged, and synchronized for delivery.

Here, the task of the supply chain manager is to schedule all the activities required for manufacturing, testing, packaging and preparation for delivery. This stage is considered as the most metric-intensive unit of the supply chain, where firms can gauge the quality levels, production output and worker productivity.

Deliver

The fourth stage is the delivery stage. Here the products are delivered to the customer at the destined location by the supplier. This stage is basically the logistics phase, where customer orders are accepted and delivery of the goods is planned.

Return

The last and final stage of supply chain management is referred as the return. In the stage, defective or damaged goods are returned to the supplier by the customer. Here, the companies need to deal with customer queries and respond to their complaints etc.

This stage often tends to be a problematic section of the supply chain for many companies. The planners of supply chain need to discover a responsive and flexible network for accepting damaged, defective and extra products back from their customers and facilitating the return process for customers who have issues with delivered products.

6. Explain the types of codification in stores.

After classifying and grouping the various items in an organization's stores, it is useful to codify them.

Codification is the process of assigning a number or symbol to each store item, along with a name, in order to make it easy and convenient to identify.

Systems of Codification

The common code systems, among the many used for stores (materials) are given below:

1. Alphabetic system,
2. Simple numeric or sequence system,
3. Combination system,
4. Block system,
5. Decimal system,
6. Numerical system,
7. Mnemonic system and
8. Six letter – nine letter codes.

1. Alphabetic System

Letters are chosen to represent particular classification. Alphabet code has 26 letters. Each position in the code has 26 possible letters, where relatively few classification are involved, assignment of letter designates is sometimes arbitrarily made.

2. Simple Numeric or Sequence System

Numbers are assigned for classification. The obvious disadvantage of this simple numerical sequence is that there are no memory aids incorporated in the system. A good deal of time is wasted in aching for code numbers in materials code books.

3. Combination System

Some firms find it advantageous to combine a mnemonic and numerical or decimal system.

4. Block System

Blocks of numbers are reserved for specified classifications such as 1700-1799 for the raw materials and 1800-1899 for manufacturing parts, etc. The advantage by doing so is that wherever numbers are not assigned, subsequent expansion can be accommodated.

5. Decimal System

Numbers are assigned in such a manner that each digit represents a sub-group or sub-account of the previous digit. The principal advantage of a decimal system is its capacity to accommodate a new item. The disadvantage is that it becomes cumbersome when a basic unit has many minor assemblies which in turn consists of numerous sub-assemblies.

6. Numeric System

The first or basic numbers indicate specific classes with subsequent digits used to describe sub-classifications.

7. Mnemonic System

It is an alphabetic system designed with an objective of easy memorization.

8. Six Letter or Nine Letter Codes

This system is widely adopted and is of immense use.

Shorts

1. What is logistics? Explain.

Logistics

Logistics refers to the overall process of managing how resources are acquired, stored and transported to their Final Destination. In simple terms the goal of logistics management is to have the right amount of a resource or in at the right time, getting it to the appropriate location in proper condition and delivering it to the correct internal or external customer.

Types of logistics

logistics are three types

1. Inbound logistics
2. Outbound Logistics

3. Reverse Logistics

1. Inbound logistics

inbound logistics is concerned with activities related to the incoming flow of resources needed to make a product or a service.

2. Outbound Logistics

outbound logistics refers to activities in delivering the right product at the right time to customers at a minimum cost. Customer satisfaction is the primary objective of outbound Logistics.

3. Reverse Logistics

reverse logistics is the process of moving products from your end user back to the origin to recover value or for proper disposal.

2. What is store layout? Explain the types of store layout.

Store layout

store layout is design of stores floor space and the placement of items within that store. Store layout helps influence customers behaviour which means when done right, it's a key strategy to stores prosperity.

Types of store layout

store layout is mainly for types .they are

1. Straight floor plan
2. Diagonal floor plan
3. Angular floor plan
4. Geometric floor plan
5. Mixed floor plan

1. Straight floor plan

The straight floor plan is an excellent store layout for most any type of retail store. It makes use of the walls and fixture to create small spaces within the retail store. it is one of the most economical store design.

2. Diagonal floor plan

The diagonal floor plan is a good store layout for self-service types of retail stores. It offers excellent visibility for Cashiers and customers. Invites movement and traffic flow to the retail store.

3. Angular floor plan

The angular floor plan is best used for high end speciality Store. Curves and angles off fixtures and walls makes for a more expensive store design.

4. Geometric floor plan

The geometric floor plan is a suitable store design for clothing and apparel shops. It uses racks And Fixtures to create an interesting and out of the ordinary type of store design without a high cost.

5. Mixed floor plan

The mixed floor plan incorporates plans to create the most functional store design.

3) Write about store atmosphere.

Store atmosphere includes the physical characteristics of a retail store used to create an image to attract customers. It's also known as atmospherics for short. It is a direct contribute to the customer experience. Components of the store atmosphere consists the store exterior, its interior, its layout and the visual display.

1. Store exterior

Store exterior which creates that first impression is an important factor in shopping

and attracting new customers while retaining the existing ones.

2. Store interior

Stores exterior is responsible for attracting the customers by both actual and potential customers to induce them to enter the store. Interior much more crucial than the exterior as it welcomes the customer. The major aspect of the stores interior are the storage space store security and displays.

3. Store layout

Store layout is the design in which stores area is set up. Store layout well-thought provide the best exposure possible. They are designed to create an attractive image for consumer.

4. Visual display

Advertising is significant but visual displays takes the customer into the store. Retail displays are of various types. Displays are used to expose the product, embrace its appearance to provide security, storage and to remind the customer about planned purchases.

4) What is classification and codification of materials? Explain

Classification and codification of materials is steps in maintaining stores in a systematic way. Materials are classified in such way storing issuing and identifying of materials become easy.

Classification of materials

Classification is a systematic division grouping or categorisation of materials or items based on some common characteristics. Classification of materials can be performed on different basis (eg nature, manufacturing process, value and purpose) a broad classification of materials is shown below.

1. Raw materials
2. Consumable stores
3. Machinery and plant
4. Factory and office equipment
5. Chemicals
6. Furniture and fixtures
7. Scrap materials
8. Packaging materials
9. General Stores
10. Inflammable stores

Codification of materials

After classified and grouping the various items in an organisation stores it is useful to codify them.

Codification is the process of assigning a number or symbol to each store item, along with name in order to make it easy and convenient to identify.

The common code systems, among the many used for stores (materials) are given below:

1. Alphabetic system,
2. Simple numeric or sequence system,
3. Combination system,
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8. Six letter – nine letter codes.

5. State the advantages of classification of materials.

Classification is a systematic division grouping or categorization of materials or items based on some common characteristics.

Advantages of Classification of Materials

Classifying the items that a business holds in its stores leads to many advantages. These include:

- 1. Helpful in Grouping of Stores Items:** Classification helps to group different items in the store. Items that fall under a particular category can be stored in one location, ensuring optimal use of storage space.
- 2. Easy Location:** Proper classification of stores items helps in the easy identification of the various items. Storekeepers can easily find materials whenever they are required in the production departments.
- 3. Proper Accounting:** Record-keeping processes are easier when items are properly classified. Furthermore, simplified record-keeping ensures accuracy in posting receipts and issues in the stores records.
- 4. Proper Care:** By classifying items based on value, storekeepers can ascertain their relative importance. Accordingly, a suitable degree of supervision and control can be exercised that is proportional to the value of each item.
- 5. Avoidance of Duplication:** Proper classification helps to avoid the possibility of duplicate stock items and materials.
- 6. Standardization:** Classification helps to standardize various items in the stores. Standardization involves variety reduction using fixed sizes and types, leading to uniform standards for similar items.

6. Write about the numerical, alphabetical and colour codification.

1. Alphabetic System

Letters are chosen to represent particular classification. Alphabet code has 26 letters. Each position in the code has 26 possible letters, where relatively few classification are involved, assignment of letter designates is sometimes arbitrarily made.

Eg; BT-Bolt

NT-Nut

PN-Pin

SM-Steel Mild

2. Simple Numeric or Sequence System

Numbers are assigned for classification. The obvious disadvantage of this simple numerical sequence is that there are no memory aids incorporated in the system. A good deal of time is wasted in aching for code numbers in materials code books.

CodeDescription

0 Raw Materials

1 Bought out items

- 2 Gauges
- 3 Tools
- 4 Scrap
- 5 Machinery Items
- 6 Finished Products

3. Colour Codification

As the name indicates, under this method, colour markings are used to denote code numbers. This method can be applied to codify metals, cables, small component parts, drums of oil, and various other items. If the colours used are not too complicated, this method affords a ready means of identification on sight. For example, in the case of metal, colour codes can be used as follows:

Green for Iron

Blue for Steel

Red for Copper

Black for Aluminium

White for Zinc

This method is simple but lacks flexibility. That is to say, when the number of store items increases, it is not possible to expand the number of colours.

UNIT-II – MATERIAL CONTROL

1.A. What is material control? What are the objectives of material control?

Meaning:

Material control is the main component of the process of material management. Control over materials is of utmost importance for smooth and uninterrupted functioning of an organisation.

Definition

“Material control is a systematic control over purchasing, storing and consumption of materials, so as to maintain a regular and timely supply of materials, at the same time, avoiding overstocking.”

Objectives of Materials Control:

The following are the main objectives of materials control:

(a) To enable uninterrupted production:

The main object of material control is to ensure smooth and unrestricted production.

Production stoppages and production delays cause substantial loss to a concern.

(b) To ensure requisite quality of materials:

The quality of finished products depends mainly on the quality of raw materials used. If quality of the raw materials is not up to desired standards, the end product will not be of desired quality which affects the sale of the product in the market resulting in loss of profits as well as goodwill of the concern. It is of vital importance to exercise strict control and supervision over the purchases, storage and handling of materials.

(c) To minimize wastage:

The loss of material may occur on account of rust, dust, dirt or moisture, bad and careless handling of materials, poor packing and many other reasons. The causes responsible for such losses must be brought to light and utmost efforts should be made to minimize the wastage of raw materials. This is possible only by introducing an efficient materials control system.

(d) To fix responsibility:

A proper system of materials control also aims at fixing responsibility of operating units and individuals connected with the purchase, storage and handling of materials.

(e) To provide information:

Another objective of materials control is to provide accurate information regarding material cost and inventory whenever needed by management.

2. Explain the different methods of issue of materials.

Issue of materials

Materials are kept in stores so that the storekeeper may issue them whenever the production department requires these. A storekeeper cannot issue materials unless a properly authorized material requisition is presented to him.

Materials Issue Methods

To find out the cost of materials issued from stores several methods are used. The choice of method should be based on the nature of the material and the type of business.

1. (FIFO) First in First out: The FIFO flow concept is a logical one for a business to follow since selling off the oldest goods first reduces the risk of inventory obsolescence. Under this method, the earliest goods purchased are the first ones removed from the inventory account.

2. Last In First Out (LIFO) Method: LIFO is another Material Issues method that is most commonly applied to an organization's inventory valuation procedures. Under LIFO, the

valuation is structured around the concept that the last unit of inventory received (the newest inventory) is the first unit of inventory used.

3. Average Cost Method: The average cost method is another material issues method, based on that all of the materials in the store are so mixed up that an issue cannot be made from any particular lot of purchases and, therefore, it is proper if the materials are issued at the average cost of materials in store.

Average Cost may be of two types:

1. **Simple Average Price:** A simple average price is calculated by dividing the total of unit purchase prices of different lots in stock on the date of issue by the number of prices used in the calculation and the number of different lots is ignored.
 2. **Weighted Average Price:** A price which is calculated by dividing the total cost of materials in the stock from which the materials to be priced could be drawn by the total quantity of materials in that stock. The weighted average price takes into account the price and quantity of the materials in the store.
- 4. Inflated Price Method:** Some materials are subjected to natural wastage. Examples are (1) material lost due to loading and unloading, and (2) timber lost due to seasoning. In such cases, the materials are issued at an inflated price (a price higher than the actual cost) to recover the cost of natural wastage of materials from the production.
- 5. Specific Price or Identification Method:** It is one of the material issues methods that can be applied in situations where different purchases can be physically separated. Under this method, each item sold and each item remaining in the inventory is identified.
- 6. Base Stock Method:** The base stock method is a valuation technique for the inventory asset, where the minimum amount of inventory needed to maintain operations is recorded at its acquisition cost, while the LIFO method is applied to all additional inventory. This approach is not acceptable under generally accepted accounting principles.
- 7. Highest In First Out (HIFO) Method:** This method is based on the assumption that the closing stock of materials should always remain at the minimum value; so the issues are priced at the highest value of the available consignments in the store. The method is not popular as it always undervalues the stock which amounts to creating a secret reserve.

3. Distinguish between stock card and stores ledger.

Bin card

Bin implies a container or space to keep materials, and with each bin, a card is placed, that comprises of details of material received, issued and returned. Moreover, it contains details relating to the number of items, their description and relevant notes (if any). Bin card is used to quantitatively record the items received, issued and remained in the stores. As and when the transaction takes place, the entry is made in the bin card, after which the materials are taken to/given from stores.

Stores Ledger

Stores ledger may be defined as a record maintained by the cost accounting department of the enterprise. It is an assemblage of cards or sheets, which are maintained to

keep a record of quantity and cost of material received, transferred and remained in stock. It comprises of an account for each item in the stock room that keeps the record of:

- Quantity
- Type
- Rate
- Amount

Differences between stock card and stores ledger

BASIS FOR COMPARISON	BIN CARD	STORES LEDGER
Meaning	Bin Card implies a quantity record of the receipts, issue and balance of materials in stores.	Stores ledger alludes to a subsidiary ledger that keeps track of each and every transaction relating to materials in the stores.
What is it?	It is a recording document.	It is an accounting record.
Responsibility	Storekeeper	Cost accounting department
Location	Kept inside the stock room.	Kept outside the stock room.
Details	Contains quantitative details only.	Contains both quantitative and monetary details.
Interdepartmental transfer	Are not shown in bin card.	Indicated in stores ledger.
Entries	Entries are posted when transaction takes place.	Entries are posted after transaction took place.
Recording	Transactions are recorded individually.	Summarized transactions are recorded.

4. What are the documents required for issue of materials?

The normal process of purchasing, storing, control and issue of materials consists of the following documents

1. *Bill of Materials:*

Bill of Materials is a comprehensive list of materials, with specifications, material codes and quantity of each material required for a particular job, process or production unit. It

will also include the details of substitute materials. It is prepared by the engineering or planning department for submission of quotation and after the receipt of work order.

2. Purchase Requisition:

Purchase Requisition as “an internal instruction to a buying office to purchase goods or services. It states their quantity and description and elicits a purchase order”. The manager in-charge of Purchase Department should obtain requisition from the Stores in-charge, departmental head or similar person requiring goods before placing orders on suppliers.

3. Purchase Order:

If the Purchase Requisition received by the Purchasing Department is in order then it will call for tenders or quotations from the suppliers of materials. It will send enquiries to prospective suppliers giving details of requirement and requesting details of available materials, prices, terms and delivery etc.

4. Material Inspection Note:

When materials are delivered, a supplier’s carrier will usually provide a document called ‘delivery note’. After receiving the materials the Inspection Department thoroughly inspects whether the quality of material is in accordance with the purchase order and the quality of material received and it prepares a note called ‘material inspection note’, copies of which are sent to the supplier and stores department.

5. Goods Received Note (GRN):

Once the inspection is completed, GRN is prepared by the stores department, and copies of GRN is sent to the purchasing department, costing department, accounts department and production department, which initiated purchase requisition.

6. Stores Requisition Note:

It is also called ‘materials requisition note’. When Production or other departments requires material from the stores it raises a requisition, which is an order on the stores for the material required for execution of the work order. This note is signed by the department in-charge of the concerned department. It is documents which authorize the issue of a specified quantity of materials.

7. Material Transfer Note:

If materials are transferred from one department or job to another within the organization, then material transfer note should be raised. It is a record of the transfer of materials between stores, cost centers or cost units showing all data for making necessary accounting entries.

8. Material Return Note:

If materials received from the stores are not of suitable quality or if there is surplus material remaining with the department, they are returned to stores with a note called ‘material return note’ evidencing return of material from department to stores.

9. Bin Card:

A ‘bin card’ indicates the level of each particular item of stock at any point of time. It is attached to the concerned bin, rack or place where the raw material is stored. It records all the receipts of a particular item of materials and its issues

10. Stores Ledger:

Stores department will maintain a record called ‘stores ledger’ in which a separate folio is kept for each individual item of stock. It records not only the quantity details of stock movements but also record the rates and values of stock movements.

5. Explain the procedure of material inspection.

Inspection of Materials

Due to the growth of precision capabilities in measurement techniques and manufacturing processes, new products have been developed, along with quality improvement routines for old products.

As a result, it has become necessary to thoroughly inspect any materials purchased either at the supplier's warehouse (or godown) or at the time goods are received by the receiving department.

The main aim of the inspection is to prevent the production of non-standard items. As such, an **inspection of materials** is of the utmost importance; both quality and quantity must be checked and inspected systematically.

Procedure of Material Inspection

1. Pre-inspection Steps

Materials inspection is also commonly called an inbound or receiving inspection and there are some steps performed before the actual inspection.

Your receiving department will have its own process that will include things like verifying and recording the quantity received the referencing purchase order number, and whether or not the material order is complete.

2. Photos.

It's a very good idea to capture photos or videos upon receipt of materials. An easy way to do this is to use a tool such as Maintains that enables you to capture photos, tag them, and store them within each inspection form.

3. Review Project Specifications

This is a critical step, and it needs to be performed before you start your physical inspection. You need to know the set specifications of your project in order to know if the materials you received fall within tolerances

4. Physical Condition of Material

Create a sampling process where you randomly pull materials and check their physical condition. How this is handled will clearly depend on the material, and it doesn't necessarily mean you have to eyeball every single piece that was delivered.

Apply a set criterion, which if it isn't met, means the shipment isn't fit for production.

5. Make & Manufacturer

This is a fairly simple step. Confirm that what you received is from the confirmed manufacturer or trademark holder.

6. Confirm Certifications

If the materials you are receiving should meet specified standards or certifications for example, UL or CSA—make sure they are appropriately marked.

7. Storage Requirements

Assuming your materials have passed inspection, check for any special storage requirements. If so, materials should be marked or tagged appropriately. It may even be wise to include a final photo requirement to show the materials in the place where they need to be if a shipment of refrigerated produce arrives cold, but sits in receiving for 24 hours before being stored properly, this defeats the purpose of the whole inspection.

6. How can you organize materials efficiently?

Issue of Materials

Issues from stores must be efficiently organised so that the requirements of the production/operations department can be met.

1. Issue on request:

This is the most orthodox way of issue wherein the indenting department normally sends a man and collects the materials from stores.

2. Issue per schedule:

In a batch production unit sometime, the requisition for issue of stores is sent well ahead indicating when, i.e., the time and date it is required. The stores department will collect all the materials and keep them ready.

Then it will intimate the indenting department about this. Depending on the prevailing practice of the industry either they are collected from stores or delivered at the shop floor. This is desirable in order to prevent any loss of man-hour caused by sudden absenteeism of a worker in the production department.

3. Imprest issues:

In this system a list of certain items especially for tools and components and in specified quantities is approved. The list is then held in a sub-store or tool kit near the shop floor.

4. Replacement issue:

In most engineering industries a large number of workshop machines are used. So there will be considerable requirements of tools and gauges. When a fresh issue has to be made the machine shop operator may be asked to return the old ones to the stores and obtain new one for replacement.

5. Loan issues:

The issue of stores on loan should, as far as possible, be discouraged. Situations often arise where some amount of spares; electrical fitting, etc. are required on emergency basis due to some breakdowns. In such cases the materials are to be issued on a loan basis.

6. Stock records:

In a store-house where thousands of transactions take place some amount of records are to be maintained. This makes it possible for the storekeeper to make an entry of all transactions.

SHORTS

1. Explain the basic requirement of material issue.

Issue of Materials -Basic Requirement:

Since large sums of money remain blocked in materials, it is essential for the custodian of materials to ensure that the issue of materials are made only under proper authorisation.

In fact, authorisation of stores is very vital.

Moreover, for efficient operation, the following points to be considered:

(a) Authorisation of issues

(b) Identification of requirements

(c) Timing of issues.

(a) Authorisation of Issues:

Since materials represents money, for the issue of materials there must be some authorisation by responsible officers nominated by the management. Such authorisation should be given

clearly in the form of a directive circular. In many industries, the designation of the person authorised to draw materials along with their specimen signature are sent to the stores for verification. It is the primary responsibility of the storekeeper to verify all such documents for proper authorisation before the materials are issued.

(b) Identification of Requirement:

Largely due to ignorance, in several cases the correct description of the items is not given by the user department. Often the code number given may not tally with the description of the goods, and vice versa. Details about materials requirements such as part number, code number, etc. ensure that it is supplied without delay and unnecessary correspondence.

(c) Timing of Issue:

The stores manager should ensure that the indenting departments are fully aware of the timing of issues. However, there may be sudden rush during the peak hours. This may put undue pressure on the stores department and may lead to sudden stoppage of production, in case of undue delay.

2. Write about just in time purchases?

Just-in-Time (JIT)

Just-in-time, or JIT, is an inventory management method in which goods are received from suppliers only as they are needed. The main objective of this method is to reduce inventory holding costs and increase inventory turnover.

Importance of just-in-time

Here are some of the important effects of a just-in-time inventory management system:

1. Reduces inventory waste

A just-in-time strategy eliminates overproduction, which happens when the supply of an item in the market exceeds the demand and leads to an accumulation of unsalable inventories. In a just-in-time system you order only what you need, so there's no risk of accumulating unusable inventory.

2. Decreases warehouse holding cost

Warehousing is expensive, and excess inventory can double your holding costs. In a just-in-time system, the warehouse holding costs are kept to a minimum. Because you order only when your customer places an order, your item is already sold before it reaches you, so there is no need to store your items for long.

3. Gives the manufacturer more control

In a JIT model, the manufacturer has complete control over the manufacturing process, which works on a demand-pull basis. They can respond to customers' needs by quickly increasing the production for an in-demand product and reducing the production for slow-moving items. This makes the JIT model flexible and able to cater to ever-changing market needs.

4. Local Sourcing

Since just-in-time requires you to start manufacturing only when an order is placed, you need to source your raw materials locally as it will be delivered to your unit much earlier. Also, local sourcing reduces the transportation time and cost which is involved.

5. Smaller investments

In a JIT model, only essential stocks are obtained and therefore less working capital is needed for finance procurement. Therefore, because of the less amount of stock held in the inventory, the organization's return on investment would be high.

3. Write about FIFO, LIFO and Average cost method.

1. (FIFO) First in First out:

The FIFO flow concept is a logical one for a business to follow since selling off the oldest goods first reduces the risk of inventory obsolescence. Under this method, the earliest goods purchased are the first ones removed from the inventory account.

2. Last In First Out (LIFO) Method:

LIFO is another Material Issues method that is most commonly applied to an organization's inventory valuation procedures. Under LIFO, the valuation is structured around the concept that the last unit of inventory received (the newest inventory) is the first unit of inventory used. Depending on the unit cost and timing of inventory transactions, the LIFO method can generate several tax benefits due to profitability impacts on the income statement.

3. Average Cost Method:

The average cost method is another material issues method, based on that all of the materials in the store are so mixed up that an issue cannot be made from any particular lot of purchases and, therefore, it is proper if the materials are issued at the average cost of materials in store.

Average Cost may be of two types:

- 1. Simple Average Price:** A simple average price is calculated by dividing the total of unit purchase prices of different lots in stock on the date of issue by the number of prices used in the calculation and the number of different lots is ignored. This method may lead to over-recovery or under-recovery of the cost of materials from production because the quantity purchased in each lot is ignored.
- 2. Weighted Average Price:** A price which is calculated by dividing the total cost of materials in the stock from which the materials to be priced could be drawn by the total quantity of materials in that stock. The weighted average price takes into account the price and quantity of the materials in the store.

4. What are the types of Store manuals?

Types of Manuals:

Manual may be classified under various heads.

Some of the types are given as follows:

1. Policy Manual:

This manual contains policy decisions, resolutions and guidelines given by the management. It gives the scope and limitations within which various policies should operate. The persons concerned with the implementation of policies get proper guidelines and try to ensure the implementation of every bit of it.

2. Organization Manual:

This manual gives a detailed account of the organization. The authority and responsibility of every person is given in detail. It avoids confusion and conflicts among various persons. The extent of authority and the relationship of executives is explained in this manual.

3. Rules and Regulations Manual:

It contains various rules and regulations followed in the company. The day-today working of the enterprise is greatly facilitated. The employees get information about working conditions, admissible holidays, procedure for getting leaves sanctioned, the facility and procedure for availing medical facilities, the use of canteen, library, etc.

4. Departmental Manual:

Separate manuals are prepared for different departments. A departmental manual gives full details about the working of a department. It will show organization of the department, relationship among various persons in the department including their authority and responsibility, rules and procedures followed for undertaking various tasks, inter-departmental relationship, etc. Departmental manual helps in the smooth working of a department.

5. Explain the Functions of a Store-Keeper.

The Store keeper is a responsible person and should be placed in a high position in the management hierarchy since he has to control the stores from every point of view. He is expected to help the cost department for its effective functioning.

- (i) To receive the materials from receiving department.
- (ii) To maintain proper records of stores.
- (iii) To make arrangement for proper storage of materials and finished goods.
- (iv) To issue materials to production departments against proper and authorised requisition.
- (v) To keep an eye on different stock levels and issue purchase requisition to the purchase department in time.
- (vi) To report on waste, scrap and obsolete stock.
- (vii) To prevent unauthorized persons from entering the stores.
- (viii) Periodic comparison of physical stocks and book figures and to reconcile the discrepancies, if any.
- (ix) To keep stores clean, tidy.
- (x) To make suitable arrangement for maintenance and preservation of the materials during storage.
- (xi) To take back surplus materials returned from departments or shops.

The above functions of the Store-keeper demonstrate that store-keeping is an important factor and can make a substantial contribution to the efficient operations of a business unit.

6. What are the advantages of FIFO method?

FIFO method is based on the assumption that materials which are purchased first are issued first. It uses the price of the first batch of materials purchased for all issues until all units from this batch have been issued. After the first batch is fully issued, the prices of the next batch received becomes the issue price.

Advantages of FIFO Method

The following are the advantages of FIFO Method.

- 1.** It is based on a realistic assumption that materials are issued in the order of the receipts.
- 2.** Materials are issued at actual cost and thus no unrealistic profit or arises from the operation of this method.
- 3.** This method is easy to understand and simple to operate.
- 4.** The value of closing stock will reflect current market.
- 5.** If purchases are few and if the prices of materials remain stable price, the method will be simple to operate.
- 6.** This method is useful when prices are falling.
- 7.** It is a logical method because it taken into consideration the normal procedure of utilizing first those materials which are received first.

UNIT-III
STOCK CONTROL

1. What are the stock control techniques?

Stock control

Stock control, otherwise known as inventory control, is used to show how much stock you have at any one time, and how you keep track of it. It applies to every item you use to produce a product or service, from raw materials to finished goods. It covers stock at every stage of the production process, from purchase and delivery to using and re-ordering the stock.

Techniques of material control

Following are the main techniques of materials control:

1. ABC Analysis:

The concept of ABC Analysis was coined by Pareto, an Indian philosopher in the nineteenth century. It is a value based system of material control. In this technique materials are analysed according to their value so that costly and more valuable materials are given greater attention and care.

All items of materials are classified according to their value—high, medium and low values, which are known as A, B and C items respectively. ABC technique is some time called as “Always better control” method.

2. Determination of Stock Levels:

In order to guard against under-stocking and over-stocking, most of the large companies adopt a scientific approach of fixing stock levels.

These levels are:

- (i) Maximum level
- (ii) Minimum level
- (iii) Re-order/ ordering level
- (iv) Danger level, etc.

These levels are not permanent and must be changed to suit changing circumstances. Thus, change will take place if consumption of materials is increased or decreased or if in the light of a review of capital available, it is decided that the overall inventory must be increased or decreased.

3. Economic Order Quantity (E.O.Q.) Analysis:

Economic order Quantity is also termed as Re-order Quantity. Economic Order Quantity is that size of the order which gives maximum economy in purchasing any material and ultimately contributes towards maintaining the material at the optimum level and at minimum cost.

While fixing economic order quantity, two types of costs should be taken into consideration:

- 1. Ordering Cost
- 2. Carrying Cost

4. Perpetual Inventory System:

This is a system of stock control in which continuous record of receipt and issue of materials is maintained by the stores department. It shows the physical movement of stocks and their current balance. A perpetual inventory system is usually supported by a programme of continuous stock-taking. In other words, perpetual inventory system means the system of records, whereas continuous stock-taking means the physical checking of actual stock with the records.

5. Periodic/Annual Inventory Control System:

Under this system, stock-taking is undertaken at the end of the accounting year. As the stock taking involves verifying the physical quantities of stores in hand, some firms temporarily suspend plant operations when this is done. This is because it is rarely

feasible to take stocks when production is going on. Thus, the annual stock-taking should be organised well in advance to minimise production holds up.

6. VED Analysis:

VED-vital, essential, desirable, analysis is used primarily for control of spare parts. The spare parts can be divided into three categories-vital, essential and desirable, keeping in view the criticality to production. The spares, the stocks out of which even for a short time will stop production for quite some time and where the cost of stock out is very high, are known as vital spares.

2. What is ABC analysis? Explain.

ABC Analysis:

The concept of ABC Analysis was coined by Pareto, an Indian philosopher in the nineteenth century. It is a value based system of material control. In this technique materials are analysed according to their value so that costly and more valuable materials are given greater attention and care.

All items of materials are classified according to their value—high, medium and low values, which are known as A, B and C items respectively. ABC technique is some time called as “Always better control” method.

‘A’ Items:

These are high value items which may consist of only a small percentage of the total items handled. On account of their high cost, these materials should be under the tightest control and the responsibility of the most experienced personnel.

‘B’ Items:

These are medium value materials which should be under the normal control procedures.

‘C’ Items:

These are low value materials which may represent a very large number of items. These materials should be under the simple and economic methods of control.

The point of classifying stock into A, B and C categories is to ensure that material management focuses on ‘A’ item where tightest control should be installed. B items may be given less attention and C items least attention.

The ABC technique is a selective control which aims at concentrating efforts on those materials where attention is needed most. This is so because it is unwise to give equal attention to all items in stock. The items are listed and ranked in the order of their descending importance showing quantity and value of each item.

This is illustrated below with arbitrary percentage figure:

Category	% of Total Value	% of Total Quantity	Type of Control
A	70—75%	5—10%	Strict control
B	15—20%	20—25%	Moderate control
C	5—10%	70—75%	Loose control
Total			

In the above table it is shown that 5%—10% of the total items account for as much as 70%—75% of the total value. These are A category items which need very strict

control because of their high cost significance. The second type of items represent 20%—25% of the total quantity but account for 15%—20% of the total value. These are B items which need routine type of control.

Finally, the items representing 70%—75% of total quantity but account only for 5%—10% of total value. These C items are kept under simple physical control. The rules regarding purchasing, storing and issuing of various categories of items should be formed according to value and importance of materials.

3. Explain the procedure of stock taking.

Stock taking

A stock take is the process of checking your inventory – how much you have in stock, as well as the condition of goods – and recording the results in a report.

A stock take helps with your stock control. For example, if you sell food, you'll need to know when items are due to reach their sell by date so you can refresh the shelves when necessary.

Procedure of stock taking

1. Choose how often to do stock taking

There's no getting around the fact that a stock take is time consuming and laborious. You need to dedicate time to the process, which should help you limit distractions and errors. You'll need to work out how regularly you're going to do stock taking:

- **periodically** – you might want to do stock taking every month, quarter or half-year, over a day or two
- **annually** – this might be a bigger undertaking than a periodic stock take, but an annual stock take could make sense for your business – for example, if you have inexpensive, non-perishable goods
- **continuously** – this is where you plan for continuous stock taking depending on the types of items you have in stock, for example you might check some items **monthly**, others **weekly**, and some **daily** – and then update your stock taking records continuously

2. Print your stock take sheets

Your stock sheets form the basis of your stock take. You use them to record your new count, against what should be there. The stock sheets should use the most up to date records you have.

These should be embedded in your existing stock control system. Many software packages let you print stock sheets in a couple of clicks.

But be sure to use the stock sheets in the right order:

- count what's on the shelves or in the warehouse first
- then note that down against what your system says should be there

Otherwise, using the sheets as the basis of your count can lead to errors.

3. Organise your stock before the stock take

Make sure you set aside any stock that's already been sold, but is yet to be delivered or picked up by a customer. As part of this, you should also pause all purchases and sales, because it's very likely that you'll get in a muddle if you have shifting stock while you're trying to do your count. After this, you should start categorizing your existing stock. Make sure your stock taking area is clear and clean to minimise the risk of errors.

4. Organise staff

If you have staff helping out with your stock take, make sure that they're properly organised. Once you've categorized your stock, you could appoint a separate staff member to each category. Remember to appoint more staff to larger categories. You should

also minimise any distractions – ask employees to switch their phones off and avoid using the radio, for example.

5. Stock control doesn't involve guessing

Accurate stock taking requires methodical counting – no guessing. Mark items as you go in order to avoid duplicate counting. Again, you can simplify the process significantly by using logical categories for stock, and by making sure that any sold items have already been removed from the areas being counted.

6. Validate your stock take

Once your count is finished, you need to validate your stock take. Compare the results of the count to the stock records you printed out earlier. Any inconsistencies should be noted and accounted for – for example, you need a procedure in place for dealing with damaged items.

7. Update your stock records

Finally, you need to update your stock records with the results of your latest count. If you're using a software solution to track stock, this should be a simple process. If you're still using paper-based systems, you could consider moving to a digital alternative.

4. What is meant by provision of safety stock? Explain the reasons to keep safety stock.

Safety stock

Safety stock is an extra quantity of a product which is stored in the warehouse to prevent an out-of-stock situation. It serves as insurance against fluctuations in demand.

There are several reasons businesses should have safety stock on hand, and it can quickly prove its value when the unexpected strikes. Below are many of the biggest reasons to have this extra inventory.

Reasons to Keep Safety Stock

1. Offset Demand Uncertainty

Fluctuations in demand are among the primary reasons to maintain safety stock. Many factors can influence spikes in demand, including seasonal impacts, sudden shifts in customer trends, panic buying or a competitor's departure. Safety stock gives companies enough breathing room to replenish stock while meeting this increased demand.

2. Avoid Stockouts

Safety stock can help companies reduce the risk of completely running out of a certain product and prevent operations from coming to a halt while the business locates, purchases and delivers this inventory. That process can take days, or even weeks, making safety stock an invaluable bridge that keeps the business running while resolving the stockout.

3. Minimize the Effects of Supply Disruptions

Unexpected disruptions on the supplier side, such as raw material shortages, production issues, legislative or political measures and operational shutdowns, can have a major impact on your inventory levels.

4. Limit Rushed Shipping

A lack of inventory can result in lost revenues, but that isn't the only cost that businesses incur. Increased administrative and warehouse payroll costs are also likely, as is the risk of suppliers charging a premium for rushed delivery. These costs may not be a big problem if the stockout results from higher demand expected to continue. However, for stockouts caused by disruptions or other issues, the cost may not be recouped quickly, if at all.

5. Ensure Customer Satisfaction

Safety stock is one of the best ways to sustain customer satisfaction and loyalty. If customers can rely on a company to always have what they need in stock, they will not only keep coming back but likely provide valuable word-of-mouth advertising as well. That pays off in a big way over the long term and helps your business grow.

6. Maintain Market Share

Being unable to meet demand and losing customers often also means losing market share. Mitigating the risk of stockouts is a significant part of sustaining customer satisfaction and reducing the risk of losing ground to competitors.

7. Increase Efficiency

Safety stock allows for more efficient operations, even during supply disruptions. Suppliers aren't rushed, warehouse staff isn't over-worked, delivery drivers stay on schedule and there are steady, trustworthy inventory numbers for reporting and forecasting purposes.

8. Improved Supplier and Retailer Relationships

Stockout situations often result in urgent reorders, but most suppliers don't like to be rushed because it can disrupt their operations and customers. Keeping safety stock on hand reduces the need to put in rush orders and provides suppliers with a steady workload. Likewise, companies that work with retailers can maintain good relationships by keeping the items they sell in stock.

5. What is Stock taking? Explain the methods of stock taking.

Stock taking

A stock take is the process of checking your inventory – how much you have in stock, as well as the condition of goods – and recording the results in a report.

A stock take helps with your stock control. For example, if you sell food, you'll need to know when items are due to reach their sell by date so you can refresh the shelves when necessary.

1. Periodic Stocktaking

Periodic stocktaking is an inventory method. It will happen on a set periodic basis which in many cases is the accounting period. The periodic method of stocktaking will help you keep up to date with records of your stock and costs of goods sold, effortlessly.

2. Spot Checks/Line Check

A spot check stocktake will often be scheduled, but will sometimes be random. It is a manual check on stock in the premises, or cash in the till. Spot check stocktakes enable you to ensure that there are no discrepancies between what your software and reports think you have and what you actually have. A random spot check stocktake is a good idea if you think theft may be occurring within your business.

3. Continuous, Perpetual Stocktaking

As the name suggests, continuous perpetual stocktaking is done numerous times throughout the year. This could be different areas of the business at different times, or the whole business premises at set times throughout the year.

4. Stock Out Validation

A stock out validation stocktake will happen when stock levels have become dangerously low. There should never be need for a stock out validation stocktake if good stocktaking processes are managed throughout the year on a regular basis.

5. Annual Stocktaking

Some businesses choose to have an annual stocktake during the last month of the financial year. While an annual stocktake is a good idea, we would recommend monthly or weekly stocktakes alongside this. This means if issues or errors arise they can be dealt with at the time, so you are more prepared for the annual stocktake.

6. How can stock deterioration be prevented?

Deterioration of Stock

Stocks in cold storage may deteriorate due to many factors and one main factor is accidental damage to the machinery. When this happens, the whole stock will be affected and this will result in huge losses. Stock deterioration is usually caused by a rise or fall in temperature and/or the accidental escape of refrigerated gas or liquid in the refrigerating chamber due to accidental damage to the machinery.

Tips for Reducing the Risk of Damaged Stock

1. Make a plan and stay informed.

Put together a solid plan to reduce stock damage. Interact regularly with [warehouse staff](#), and collect as much information as possible about how items are getting damaged. Using damaged stock report forms will be hugely helpful here. Any kind of information and data you can gather will go a long way toward getting a clearer picture of the main issues at play.

2. Hold regular warehouse staff meetings and training sessions.

Warehouse management should involve regular meetings and training sessions with workers, providing them with clear guidelines for handling stock in the most efficient and safest way possible. Remind them of the procedures for properly and safely loading, stacking, and securing freight, and warn them of the dangers of unsecured cargo. Printed instructions handed out and displayed in visible areas around the warehouse can serve as helpful reminders.

3. Weather proof your warehouse.

It's important to protect your warehouse from the elements, as a lot of stock ends up damaged due to climate and weather conditions inside warehouses. Heat can melt plastic, for example, and humidity can make packages soggy and unstable. And when moisture gets into the stock itself, it can ruin product, leading to significant losses. Adapt your warehouse to the weather and climate for optimal stock protection.

4. Take your time, and use the correct machinery and tools for each task.

Finding the quickest way around certain jobs may be tempting, but stock is often damaged when jobs are rushed, whether due to hasty, rough handling, or rushed tasks. Forklift operators and warehouse staff should always adhere to the correct pallet handling procedures and use the appropriate machinery for the job at hand.

5. Rearrange the warehouse for maximum productivity.

Maybe you really like the way your warehouse is laid out, or perhaps you're just resistant to change, but if you're still ending up with a good amount of damaged stock on your hands, it may be time to consider reorganizing. Keep items stocked by weight and shape. If possible, keep heavier items near the front of the warehouse, on lower shelves, so items won't need to be handled and moved around as much as lighter items, which can be stored in the back of the warehouse on higher shelves. Consider your stock carefully, and see what options work best for you.

6. Use stretch wrap and safety straps on warehouse stock.

Stretch wrap is a great way to make sure everything stays on the pallet during transportation, and safety straps help keep the pallets secure on the shelves, avoiding worker injuries.

7. Invest in warehouse racking protectors.

For durable, safe racks and loaded pallets that stay in place, use smart racking solutions such as step beams, support bars, wire decking for racks, aisle shields, and column and rack protectors. The investments required for these items will pay off in the long run.

8. Use warehouse shelf containers.

Research the best type of containers for organizing your warehouse and protecting your stock. To keep stock intact, bulk items and smaller items can be stored in the warehouse in metal storage containers, bins, and boxes. You can even make use of space-saving collapsible containers that fold down easily when not in use.

9. Keep a well-lit warehouse.

Trying to safely place a pallet in a tight space with a forklift is hard enough on its own. But without the appropriate lighting, you're asking for trouble, putting workers at risk and increasing the chances of time-wasting accidents.

10. Hang clearly visible signs in your warehouse.

It might take newer staff a little while to get to know their way around the warehouse. Clear, informative signs and visual aids are imperative for avoiding accidents and unnecessary forklift maneuvering.

SHORTS

1. What are the approaches to stock control?

stock control Approach

EOQ Approach:

According to EOQ approach, optimal investment in inventory is one where total costs of inventory comprising carrying and acquisition costs will be minimum. This is also known as economic order quantity. The approach begins with the analysis of behavioural relationship between carrying cost and acquisition cost and total cost at different levels of ordering inventories.

ABC Approach:

A firm may use different types of inventories. Some items may be very costly and/or slow moving whereas others are inexpensive. For effective inventory management it is desirable to exercise rigorous control over those items whose value is the highest and/or slowest moving and pay little attention to relatively less costly items. This approach of selective control is popularly known as ABC approach or “Always Better Control’ approach.

Just-in-Time (JIT) Approach:

JIT System, also known as Zero Inventory System, was originally developed by Taichi Okno of Japan at the Toyota Motor Company. It emphasises that a firm should maintain minimum level of inventory and rely on suppliers for providing parts and components “Just-in-Time” to meet its assembly requirements.

VED Analysis:

Under this approach, inventory items are divided into three categories in the descending order of their criticality. This ‘V’ item includes vital items which need more attention because stock out of such items will result in halt-age of production. These items must be stored adequately so as to ensure uninterrupted functioning of the plant.

FNSD Analysis:

FNSD analysis seeks to categorize the inventories into four groups in descending order of their usage. A portion of the inventory items is fast moving ‘F’ which is consumed in a short span of time. Some parts of the inventory items move normally (N) and are used for over a period of a year or so. Some items are slow moving (S) stock of which would last for more than one year. Some materials may be dead stock (D) in the sense that no further demand of such materials is foreseen.

2. What are the advantages of ABC Analysis?

The concept of ABC Analysis was coined by Pareto, an Indian philosopher in the nineteenth century. It is a value based system of material control. In this technique materials are analysed according to their value so that costly and more valuable materials are given greater attention and care.

An organization can benefit by adapting the ABC analysis in inventory management. Here are some of them:

1. End of life management:

Every product goes through four phases during its lifespan: launch, growth, maturity and decline. Once the product reaches the maturity stage it is bound to decline sooner or later. Customer demand plays a vital role in end of life management. With the concept of ABC analysis, inventory planners can forecast the demand for products beforehand and manage the stock levels accordingly.

2. Inventory optimization:

Optimizing inventory is a popular benefit of ABC analysis as it allows inventory planners to organize high priority items aligning to customer requirement. Depending on the demand fluctuations the inventory is stocked to cater to high demand items and also carrying low stock for undesirable items.

3. Strategic Pricing:

ABC analysis of inventory helps in setting the prices very strategically for products which bring more value to the company. The company will have to monitor those products which are highly desirable to customers and have an escalating demand. Based on that data, the company can increase the price of these items by a few extra dollars which

will make a huge impact on the profit.

4. **Resource Allocation:**

Resource allocation with ABC analysis is a continuous process requiring periodic tracking of class A items. Since these items are of utmost value, the stock level must always align with the customer demand. In case a class A item is no longer desired by the customers or has fairly lower demand, the item needs to be moved to a lower classification B or C.

5. **Customer Service Levels:**

Not all products can be treated the same or achieve same customer service levels. The service levels for different products depend on multiple factors like the item cost, quantity sold and margin on the product. There is no point crowding your warehouse with low margin products which are sold once in a while. ABC analysis allows planners to set service levels based on the product classification, which improves the overall supply chain performance carrying less safety stock.

3. **What is obsolete inventory? Explain the causes of obsolete inventory.**

Obsolete inventory

Obsolete inventory, also called “excess” or “dead” inventory, is stock a business doesn’t believe it can use or sell due to a lack of demand. Inventory usually becomes obsolete after a certain amount of time passes and it reaches the end of its life cycle.

Causes of obsolete inventory

There are a number of common issues that cause inventory to become obsolete. Businesses should take a close look at their operations to see if any of these are issues and if so, address them before they lose money:

Inaccurate forecasting

Poor forecasting is one of the biggest drivers of obsolete inventory. If a company forecasts certain SKUs will be top sellers for the first two quarters, it will naturally place large orders with the suppliers for those items. But if demand fails to live up to those expectations, the business is left with a lot of extra inventory. Over time, that inventory will lose its value.

Inadequate Inventory Management System

An inventory management system that shows inaccurate numbers or lacks the reporting capabilities to give a comprehensive view of current stock will only exacerbate the obsolete inventory problem.

Poor Product Quality or Design

Sometimes it’s not hard to see why products flop. Perhaps an item breaks easily or doesn’t work as advertised, due to either a design oversight or a mistake in the manufacturing process. Customers may return these items a problem in itself and leave negative reviews.

Sloppy Purchasing

Purchasing should be data-driven and closely tied to forecasting and demand planning. When it’s not, and the purchasing team is buying based on anecdotal knowledge or other unreliable factors, it leads to problems.

Inaccurate Lead Times

Lead times make buyers' jobs more difficult. They need to understand how long after they place an order they will actually receive products, which could vary among vendors. Extended lead times, especially if they're longer than expected, can be especially problematic because demand for a product could drop in the months that pass before an organization receives the goods.

UNIT-IV

STORES OPERATIONS

1. What are the types of stores operations?

The most common types of retail store operations cover the day-to-day functions and responsibilities throughout your store. Depending on the size of your stores or franchise, you may have some of these, all of these, or additional types not listed.

Visual merchandising (design and atmosphere)

Visual merchandising covers the aesthetic aspects of each of your stores. The designers in this part of your team get the chance to make great first impressions on new customers entering your stores.

The visual design and atmosphere encompass everything that your store has control over, inside and outside. These operations include:

- Individual store layouts
- Store departments and product organization
- Signage and displays
- Product merchandising
- Music playing over the in-store speakers
- Control of lighting throughout the store

Customer service

Customer service operations oversee interactions with shoppers in your store, and customer service is a part of many roles – it's not just relevant for those who sell the merchandise. Large retail stores may have greeters, sales representatives in each department, cashiers, dedicated customer service reps for returns and exchanges, and janitorial staff to keep everything clean inside and out.

Cash handling

Cash handling operations are responsible for the incoming payments from customers. A mix of cashiers, supervisors, and managers is part of your store's cash handling operations to limit returns and fraud. In most cases, cashiers handle the incoming cash from sales, while supervisors handle customer refunds and exchanges.

Store safety

Store safety operations ensure that your retail store is safe for customers and employees alike. Employees responsible for store safety will regularly inspect store inventory, merchandising setups, and displays to make any changes necessary to prevent injuries.

Loss prevention

Loss prevention is an important part of retail operations because it erodes profits. The National Retail Federation released staggering data on retail shrink losses due to employee theft and shoplifting. Loss-prevention employees do more than monitor suspicious movements made by shoppers. They have to investigate internal theft and implement strategies to prevent as much loss as possible.

Product inventory

Product inventory operations manage the merchandise coming into the store. Warehouse receivers will accept shipments from vendors, scan the items into inventory, and prepare it to go out onto the retail floor.

Administration

Large retail operations administration handles the behind-the-scenes office work at a retail store. They will be in regular contact with the owner or home office to coordinate marketing and sales efforts across multiple locations. The buying office and marketing department are usually part of this team as well.

Store management

Store managers and assistant managers handle the day-to-day tasks that keep the store running efficiently. They handle serious customer service issues and are responsible for hiring and training new employees. They also handle reconciling the cash registers at the end of the day and any bank deposits that need to be made the following day.

2. What are the advantages and disadvantages of centralized storage?

Meaning of centralized stores

A centralized store is that store which receives materials for and issues them to all departments, divisions and production floors of the company. Such a store is only one in the company which receives materials for and issues to all who need them. The materials required for all the departments and branches are stored and issued by only one store.

Merits Or Advantages Of Centralized Stores

The main advantages of centralized stores can be expressed as follows:

1. Economical

In centralized store, materials are kept only in one warehouse. More goods can be stored in single location that minimizes inventory costs, administrative costs and handling costs. So, it is economical than decentralized stores.

2. Better Control And Supervision

Because of single location and less storage space, it is easier for the storekeeper to inspect, supervise and control inventory properly.

3. Wastage Minimization

Because of proper supervision and tight control misuse and wastage can be minimized. Wastage minimization leads to decrease in the cost of production which helps to increase profitability of the business.

4. Safety

Centralized store ensures safety of goods because of better layout, better supervision and better store audit.

5. Fewer Employees

These stores can be managed by fewer specialized employees.

6. Suitable For Small Firms

Centralized store is suitable for small and medium sized companies with less production units and departments.

Demerits Or Disadvantages Of Centralized Stores

The main drawbacks or disadvantages of centralized stores can be expressed as follows:

1. High Transportation Cost

Materials are supplied to different departments, branches and production units from single store. Therefore, it requires extra transportation and handling costs.

2. Chance Of Delay

Sometimes production centers cannot receive required materials on time because of delay in supply. In this situation production process may be interrupted.

3. Risk Of Loss

In centralized stores, large volume of stock are kept in single location. It increases the risk of loss by flood, earthquake, fire etc. There also exists a risk of obsolescence.

4. Unsuitable

These type of stores are not suitable for big manufacturing companies with several production units, branches and departments.

3. Explain the importance of centralized storage in stores management.

Central store:

There can be a central store serving three or four factories or several shops in a large factory or it can be a central warehouse containing finished goods. The word 'central' only denotes that it serves various units each of which may have separate sub-stores or departmental stores. Central stores also exist in multi-plant situations.

Importance of a Centralized Store :

1. Centralized Store can offer a wider range of goods is provided for all users than is possible in smaller stores.
 2. Inventory can be minimum as material is ordered based on requirement of all other attached parties and material can be shunted to and from one store to other one attached to the Central Stores. This is especially so in the case of tools fixtures, equipment and spares.
 3. Better control is possible.
 4. Economies in storage is possible. Goods in bulk will occupy less space.
 5. Bigger storehouses enables better and more modern handling methods (mechanical or automatic).
 6. Delivery at a single point decreases cost of delivery.
 7. Receipt and inspection of goods can be more efficiently organised.
 8. Opportunities of standardization are improved.
 9. Stock turnover is increased and the probability of deterioration during storage is correspondingly decreased.
10. Less personnel will be required for managing. Unnecessary duplication of records takes place in decentralized Stores. For example, one may have ten different Kardex cards for one material stocked in ten places. Similarly, accounting work is multiplied.

4. What are the important factors that influence on store house location?

Layout and Flow of Building

The optimal design of any warehouse is determined by the type of operations that would be conducted inside it. Remember that the old buildings are not very useful in carrying out the material flow for any business. Certain factors such as ceiling height, as well as column spacing, can restrict the type of equipment that can be accommodated in the given space.

Availability of Skilled Workforce

Purchasing a building at a remote location will surely be pocket-friendly. However, finding a skilled workforce at such a place can be a challenge. If you plan on moving your trained or trainable workforce from a different location to the warehouse, it can be a pricey affair. Therefore, it is recommended to have your warehouse in the area that will have an adequate supply of mixed skill sets of labor to facilitate the operations adequately.

Zoning and Desired Customer Base

How intense operations are you planning to conduct in the warehouse? What are the future trends of this intensity? In case your activity demands light assembly, you can choose the location of your warehouse that has less intensive usage. However, you must also consider other factors like emissions, noise levels, and the availability of outdoor storage. These requirements will also influence the districts that you can target for your future operations.

Proximity to Major Linkages

What are the most predominant means of transport used by you? Do you prefer land, rail, water, or air transportation to move your goods? So, whatever your needs are, it is essential to have your site easily accessible to such a means of transport. Besides this, proximity to your customers is another factor that you must consider. For example, if you sell actively in Bangalore, you can store your products in the Shiprocket Fulfillment facility as the warehouse is in close proximity to the highway. You can deliver products faster and reach your destination without any hassles of being situated away from the city!

Material Handling Capabilities

Another factor that you should consider when choosing a location for the warehouse is the availability of the handling equipment and staging facilities. In case the primary model is a truck, make sure whether the facility has the depressed docks. Ask yourself if there is a need for docks to be internal. It is certain that a highly intense distribution will often require cross-docks. Furthermore, are there enough storage facilities available? These will help you understand if the material handling capabilities can be handled by your warehouse or not.

Size of the Warehouse

Size, of course, is an obvious criterion. Your warehouse facility must be capable of accommodating your inventory and fit in the size of your company's requirements. For all startups and new companies, it is essential to ensure that there is enough room around the facility for expansion. This will help save time and money when your business is riding high on the ladder of success.

Regulations

Before you buy any warehouse facility it is important for you to inquire about all the regulations and policies that are prevalent in that location. There may be certain locations that do not allow the storage of certain types of goods. If you deal in those goods, it is best to avoid them so as to avoid any future hassle.

Final Thoughts

Before you buy any warehouse facility, it is crucial for you to inquire about all the rules and policies that prevail in that location. There may be particular locations that do not allow the storage of certain types of goods. If you deal with those goods, it is best to avoid them to reduce the chances of any future hassles.

5. Discuss the health and safety directives on stores operations.

As a store owner, you know it's important to ensure that your retail space is safe for both customers to shop and employees to work. There are a variety of factors to keep in mind when evaluating the safety of your store.

Fire Hazards

Fire hazards may be abundant in your retail store. Factors such as exposed wire from lighting or computers, open flames in a store display, improper chemical storage in a back room or combustible materials left near a heat source are major fire hazards that could harm both employees and customers.

Ergonomics

According to OSHA, ergonomics is the science of matching your workplace requirements to your employees' capabilities. Mismatching job requirements to capabilities

can result in employee injury or illness. For example, if you hire a petite person to lift very heavy boxes for hours on end, you may risk injury to your employee due to poor ergonomics.

Air Quality

Retail stores often may be located inside other buildings such as malls, with no windows to open in case the store needs to be aired out. Without proper ventilation, the air in a retail store may begin to collect mold, fungus, bacteria or specific vapors from products used. If a mechanical air system is already in place, check to see that it is functioning properly and hire a professional to fix it in case it stops working.

Visual Inspection of Premises

Visually inspect your store's premises consistently to ensure that no hazards are apparent. These hazards may include uneven flooring, spills that could cause a customer or employee to slip and fall and misplaced boxes or other items on the floor that may cause someone to trip and hurt themselves.

Natural Disasters

Where your retail store is located can determine what safety measures you may need to take in case a natural disaster occurs. For example, if you are in a region where earthquakes are common, you may take special precautions by not stacking inventory high above your customers' heads where it can fall with earth movement.

Crime

Whether you've experienced shoplifting or other types of crime in your store, or if similar crimes have happened at nearby retail stores, the safety of your customers and employees may be in peril if a crime can occur on your premises.

Lighting

Low lighting may create the ambiance you are looking for in your retail store, but it can lead to more accidents or crime. Poor lighting may make it easier for shoplifters to steal goods without being clearly seen. Customers or employees also may have problems seeing objects on the floor and could trip and fall as a result. Always keep good lighting on throughout your store's front end and in stock rooms.

Employee Training

A variety of emergencies in your store could require a first aid-trained employee to handle. For example, if an employee cuts himself unpacking inventory, he may need to properly know how to clean and bandage the wound to avoid infection.

6. What are the types of storage equipment?

Storage and Handling Equipment

Storage equipment is usually limited to non-automated examples, which are grouped in with engineered systems. Storage equipment is used to hold or buffer materials

during “downtimes or times when they are not being transported. These periods could refer to temporary pauses during long-term transportation or long-term storage designed to allow the buildup of stock.

Types of storage equipment:

Racks

Racks, such as pallet racks, drive-through or drive-in racks, push-back racks, and sliding racks, are a basic but important method of storage, saving floor space while keeping their contents accessible.

Stacking frames

Stacking frames are stackable like blocks, as their name implies. They allow crushable pallets of inventory, such as containers of liquid, to be stacked to save space without damage.

Shelves, bins, and drawers.

Shelves, another basic storage method, are less open than racks. Used with bins and drawers, they’re more able to keep smaller and more difficult to manage materials and products stored and organized. Shelving types can include boltless, cantilever, revolving, and tie-down.

Mezzanines,

Mezzanines is a type of indoor platform, help to create more floor space in a warehouse or other storage building for offices or more storage. Typical types include modular, movable, rack supported, building supported, and free-standing versions.

Work assist tooling

Work assist tooling enables safe and efficient product handling across numerous industries in applications that require the movement of products, enhancing the efficiency of assembly and manufacturing operations.

Pallet inverters

Pallet inverters are similar to upended inverters and help heavy items and fully loaded pallets be rotated or repositioned with ease.

Shorts

1. Explain the types of retail store location.

Having a good location for retail is one of the crucial impacts in the case of the [marketing strategy](#) of retail because many of the associated long-term decisions and commitments depend on the location of the retail. Having a good location is one of c primary element in attracting prospects and customers.

Types of Retail Store location

The primary three types of retail locations that can be considered depending on the nature of the business.

1) Solitary sites

These are single small outlets of shops which are separated from different writers, and they are positioned near other retailers on the roads on the way to shopping centers. Many of the food and non-food retailers use this type of solitary sites.

The primary advantage of having a solitary site is that it is away from the competition and provides the services to the customers, which help the customer to zero down on the [product](#) offered by that particular retailer.

2) Unplanned shopping areas

These are the locations of retail stores which have evolved over a long period of time and have multiple outlets in nearby proximities. These are further divided into:

Central business district such as the downtown areas in major cities

Secondary business districts on main or high Street

District neighborhood

Location switch on the street or on the motorway which is also known as strip locations.

The advantages of having unplanned shopping areas are that there is very high pedestrian traffic during working hours and also because of my residential areas. This ensures a constant pull of customers.

The disadvantage of having unplanned shopping area is that there is a threat of shoplifting because of which high security is required. Also, it may cause inconvenience to other customers, and there are high chances of traffic blocking because of the unavailability of parking facilities.

3) Planned shopping areas

The retail locations which are well planned according to the architecture and provide multiple out that are under the same roof are called as planned shopping areas. They have huge land spaces and the collection of major retail brands. Malls, Speciality, and [Lifestyle](#) centers are classified under planned shopping areas.

High visibility to customers and harmful of customers is a major advantage of planned shopping areas. But the disadvantages are that why security is required, and the cost of occupancy is also high.

2. What are the steps to be taken to find the good store location?

A good retail location as a competitive advantage which cannot be copied by the competition. One location can occupy one retail store, and time also plays a crucial role along with the location.

The following are a few of the steps which can be applied by almost all the retailers in order to find the right retail location.

1) Market analysis:

The company has to analyze the market in terms of their product and industry along with the nature of competition and the presence of competition. The company also has to consider how old are there in the market and how many some other businesses are there in the current location. The company also has to analyze how convenient is the location in terms of supply chain management and warehousing in order to make the products available on a daily basis.

2) Demographics of the market:

The **demographics** of locality is essential to be considered in order to choose the retail location. The age group of the customer, profession, Lifestyle, profession, religion income groups, etc.

3) Market potential evaluation:

The paying capacity of the population plays an important role in the evaluation of the potential of the market, along with the impact of the competition and the product estimation and **demand**. The retailer should also have the knowledge of regulations and laws of the country in which the store is being operated.

4) Identification of alternatives:

Most of the times it so happens that the retailers in hurry of starting the business finalize a location which costs them a fortune within fact a similar location with similar business potential would've been available somewhere very close which was neglected or overlooked. In such cases, the retailer should not carry on finalizing the retail location and should also go out for alternatives and evaluate that location with similar parameters as stated above.

5) Allocation of marketing budget:

A retail store should have a marketing budget depending on the cost of the location, which is in the third to build the brick and mortar place. The store which is occupying a prime location and has a good inflow of customers has indeed cost a fortune for the retailer.

3. How to measure store efficiency?

Storage efficiency is the ability to store and manage data that consumes the least amount of space with little to no impact on performance; resulting in a lower total operational cost. Efficiency addresses the real-world demands of managing costs, reducing complexity and limiting risk.

1. Number of Customers (Customer Traffic)

A number of customers are the most straightforward metric for your retail business. Even a child gets that the place that's crowding with customers must be doing good. Customers are the sole source of money for your retail business. As Karl Marx had it, human work adds real value to land and capital. For a retailer, the more potential customers you get into your shop, the more money they'll likely leave behind.

2. Affectivity (Retail Conversion Rate)

There is some difference between retail visitors and retail customers. Some visitor doesn't buy anything. It's rather unlikely in a big shopping mall, but very common in

specialty stores or luxury boutiques. In e-commerce, we're talking about customer conversion ratio. This shows how many visitors a retailer turns into a buyer. It's easy to calculate if you already know your retail customer traffic. Just take the number of retail transactions and divide in with the number of people who visited your store.

3. Average Sale (Average purchase value)

It is measured by dividing the total sales value (\$) by the number of transactions. Keep in mind the same customer could initiate multiple transactions; AOV determines sales per order, not sales per customer.

Average sales order value = Total sales value / Number of transactions

This is far the most powerful and the most effective measure of the productivity of the sales system.

4. Items per purchase (Size of an average shopping cart)

In the retail business, especially brick-and-mortar outlet, a sold item more roughly estimates for added revenue. It also brings along handling costs like inventory carrying costs, transaction time and salary of sales associates, needs for retail space. When the sales volumes are higher, it starts making much more sense. If your retail business keeps up good averages per purchase, but the number of items is rising, it means people are buying cheaper products in bulk.

4. What is COHH? What are the substances of COHH?

COSHH

COSHH stands for 'Control of Substances Hazardous to Health'. COSHH is a set of regulations put in place to protect workers from ill health when working with specific substances and materials. Breach of COSHH regulations by an employer or employee is a crime, punishable by an unlimited fine.

COSHH was introduced to control the exposure of a business' employees to hazardous substances.

Common hazardous substances in the workplace include:

- acids
- caustic substances
- disinfectants
- glues
- heavy metals, including mercury, lead, cadmium and aluminium
- paint
- pesticides
- petroleum products
- solvents.

Possible side effects of exposure to hazardous substances

Health effects depend on the type of hazardous substance and the level of exposure (concentration and duration). A hazardous substance can be inhaled, splashed onto the skin or eyes, or swallowed. Some of the possible health effects can include:

- poisoning
- nausea and vomiting
- headache
- skin rashes, such as dermatitis
- chemical burns
- birth defects
- disorders of the lung, kidney or liver
- Nervous system disorders.

5. Explain the COSHH Employer responsibilities.

COSHH employer responsibilities

Employers have a number of key responsibilities regarding COSHH laws. These include:

1. **Exposure** - Employers must prevent or control exposure to hazardous substances. This can include the provision of appropriate personal protective equipment (PPE) where necessary
2. **Control measures** - Implement control measures around hazardous substances and ensure these are maintained and kept up to date, in full working order and clean where appropriate
3. **Instruction** - Provide employees with information, instruction and training around **working with hazardous substances**
4. **Procedures** - Having procedures in place to deal with accidents and emergencies relating to hazardous substances
5. **Surveillance** - Ensure employees exposed to hazardous substances are under adequate surveillance
6. **Risk assessments** - Carry out **COSHH risk assessments**.
7. **Limits** - Ensure the use of hazardous substances doesn't exceed the Workplace Exposure Limit (WEL).
8. **Supervision** - Check employees are carrying out tasks as they are supposed to.

6. What is manual handling? Explain.

Manual handling is defined by current regulations as the transport or support of a load by hand or bodily force. This includes lifting, putting down, pushing, pulling, carrying, transporting.

Employers or employees that seriously breach manual handling regulations potentially face large fines and/or a custodial sentence.

Manual handling legislation

The Manual Handling Operations Regulations (MHOR) legislation was first introduced in 1992 as part of a series of EC Directives which were adopted into UK legislation and updated in 2002. The regulations state that an employer must:

- **Avoid** the need for hazardous manual handling, so far as is reasonably practicable
- **Assess** the risk of injury from any manual handling task that cannot be avoided
- **Reduce** the risk of injury from manual handling, so far as is reasonably practicable.

Basic principles of safe moving and handling

There are several factors that can potentially present hazards when carrying out manual handling activities. These are a combination of the load, the task, the environment and the individual. There are some simple steps you can take before and during moving a load.

1. **Plan the lift** and carefully consider whether additional lifting aids are needed. A manual handling risk assessment may also be required at this stage.
2. **Reduce the distance** of the lift where possible
3. **Map out your route** and remove any obstructions that may cause an obstruction
4. **Wear suitable clothing** that doesn't threaten to obstruct the lift
5. **Ensure you have a good grip** on the load, whether lifting, pushing or pulling
6. Ensure the person handling the load has completed **adequate training**

UNIT-V

STORE MANNUALS

1. What are the types of manuals?

One of the most widely-spread types of technical documentation is manual. Nowadays, practically everything that surrounds us has a manual. Whether we use a mobile phone or buy a kitchen gadget. Manuals help customers, and technical specialists use and maintain products and devices.

- **Service manual** — helps technicians and other trained people service, maintain, and repair equipment. It usually contains information on the problems and breakages that may occur and guidelines on how to fix them.
- **User manual** — assists people to use a particular system or device. It provides instructions for both skilled and unskilled users for setup, operation, and maintenance of a product. It may have precautions and problem guidelines.
- **Operation manual** — provides guidance for the staff to perform their functions correctly and efficiently. It describes what and how should be done, which is especially important for the quality of goods and services. Moreover, it contributes to the safety of products and services.
- **Training manual** — contains instructions to improve the quality of performed tasks and processes. It is aimed at teaching and upgrading the skills of employees. It can be used as a reference document in the workplace or by a trainer to revise the material.
- **Policy manual** — contains policy guidelines, rules, resolutions, and procedures of a company. It helps the management run the business and make decisions; it regulates the course of development of a company.
- **Organizational manual** — describes positions in the company, their responsibilities, duties, functions, relations. In other words, it defines job descriptions and functions of all employees in a company, which enables it to perform all the functions in an effective way.
- **Administrative practice manual** — gives standard methods and procedures for the personnel to fulfill the functions and cooperate effectively. It may contain instructions for different departments or guidelines for corporate correspondence. Sometimes, it may contain instructions on how to improve the knowledge and skills of the employee.

2. What is procedure manual? How to write a procedure manual?

A procedure manual, also known as a policy and procedure manual, is a resource for employees that establish guidelines and protocols for all the major principles, actions and decisions of a department or organization. It can outline the procedures and expectations for things like dress codes, hiring practices and even payroll.

Step 1: Add Title

This is the heading of the document. Make it short and ensure that users at any reading level can understand.

Step 2: Write the description

An introduction that orients users to the scope of the policy.

Step 3: Explain the purpose of the policy

The purpose explains why the policy exists. This includes concerns such as legal, regulatory needs, and conflicts the policy aims to avoid.

Step 4: Add statements regarding conditions

This is the most important and lengthiest part. The statements specify the main audience for the policy conditions, restrictions for applying the policy, expectations, and exclusions.

Step 5: Mention scope of policy and procedure manual

This concerns which roles or departments the policy pertains to and identifies anyone who is exempt from the policy.

Step 6: Specify responsibilities

Shows what role, department, or group must maintain the policy. Alternatively, for some policies governed by regulations, these sections list roles responsible for implementing the policy.

Step 7: Include procedure details

This is an explanation of how to complete the necessary tasks and policies by providing the reader with procedural steps and “how-to” information.

Step 8: Mention any references

Presents related policies, regulatory documents, procedures, forms, and guidelines for reference. Reference any other policies or documents that support the interpretation of this policy.

Step 9: Include help page

A table that points users to training programs, paperwork, other company documentation, telephone numbers, and sources to help carry out procedures.

3. What are the benefits of procedure manual?

A procedure manual, also known as a policy and procedure manual, is a resource for employees that establish guidelines and protocols for all the major principles, actions and decisions of a department or organization. It can outline the procedures and expectations for things like dress codes, hiring practices and even payroll.

Benefits of having procedure manuals

Having a procedure manual offers a wide range of advantages for your employees and organization, such as it:

- **Sets clear expectations:** A procedure manual provides a designated place for an organization's values, mission, standards and goals. It clearly defines expectations for employees regarding their performance and behaviour, and it's easily accessible, so employees can reference back to it when they have a question.
- **Improves overall productivity:** Since a well-developed procedure manual can be an authoritative resource for employees that provides answers to common questions, it can actually help employees follow business guidelines and expedite the decision-making process.

- **Enhances internal communication:** Procedure manuals establish an organization's basic business operations, including modes of communication. As a result, this can reduce the likelihood of misinformation or gaps in the communication process.
- **Reduces employee training time:** A policy and procedure manual can be a wonderful tool when training new employees or retraining current staff members. Since you already developed the materials, descriptive and thorough procedure manuals can simplify the on boarding process by reducing the effort and time it takes to train employees.
- **Ensures company compliance:** When an organization consistently reviews and updates its procedure manual, it can help the company satisfy compliance requirements with the government. For example, when a company clearly outlines workplace safety and health policies, it enables employees to meet legal obligations and maintain a safe work environment.

4. Explain the advantages of manuals.

Advantages of Manuals:

Manuals have the following advantages:

1. Written Information:

A manual provides written record of every important policy, decision and procedure. There will be no confusion about authority and responsibility. There will not be any scope for misunderstanding about anything.

2. Helpful in Day-to-Day Working:

A manual contains details of rules, procedures and regulations which help employees to understand the working of the enterprise. The employees will easily follow the routine after reading the manual and it will smoothen the day-to-day working.

3. Avoiding Conflicts:

Organization clears authority relationship among various persons and it helps in avoiding jurisdictional conflicts. In the absence of this manual there is every likelihood of confusion over some work. There may also be a duplication of work.

4. Helpful to New Employees:

The new employees are able to understand the working of the enterprise. They will quickly start following various rules and procedures. They also learn the responsibilities of their jobs and their relationship with other jobs.

5. Quick Decisions:

When all directions and instructions are available in writing then decision taking becomes quick. The persons required to take decisions are clear about their powers and decision taking becomes easy under such situations.

5. Explain the advantages of manuals.

Drawbacks of Manuals:

The manuals suffer from the following drawbacks:

1. Expensive:

The compilation of manuals requires much costs. The manual being expensive, small-scale concerns cannot even afford them.

2. Time Consuming:

Preparation of various manuals is a time-consuming process. Moreover, these require a constant review which again takes too much time.

3. Rigidity:

When written guides, instructions and procedures are available then there is hardly any scope for variation. One has to follow standard prescribed procedures in completing a task. There is no scope for discretion and initiative.

4. Embarrassing:

Some relationships are such which people will not like to put in black and white. It becomes embarrassing in revealing such relationships.

6. Explain the procedure for preparation of manual.

Preparation of Manual

The preparation of a manual are entrusted with an individual executive in a small size organization. A committee is formed in a large size organization to prepare and/or revise the office manual. This committee consists of heads of various departments.

Steps involved in preparation Manual

1. Assigning an Individual or Formation of a Committee: An individual is enough to prepare an office manual in small size organization. A committee has to be formed to prepare an office manual in the case of large size organization. So, this formality is carried on according to the size of the organization.

2. Preparing the list of Subjects Covered: The responsible executive(s) prepare the list of subjects to be covered in the preparation of office manual. List of subjects vary according to the type of manual preparation. The subjects and topics to be covered should be classified and arranged into logical headings and sub-headings.

3. Receiving Ideas and Suggestions: Ideas and suggestions have to be received from the office manager, managers of functional departments and supervisors as per the subjects covered. A time schedule is to be fixed for receiving ideas and suggestions.

4. Verification of Ideas and Suggestions: Received ideas and suggestions have to be tabled and verified of the same. Irrelevant and impracticable ideas and suggestions have to be rejected with due care. The responsible executive(s) can contact functional manager(s) if there is any non-receipt of relevant information from the concerned department.

5. Classification and Arrangement of Information: The collected information and data have to be classified and arranged under each subject and write them up subject wise. The information and data included should be accurate and complete in all aspects.

6. Prepare a Draft Manual: A draft manual is prepared by considering the relevance of the concerned manual. A limited number of copies of such draft manual is typed or cyclostyled for circulation. A copy of draft manual is circulated among the office manager, functional manager, union representatives and top management executives for their criticism. Such criticism is used for the betterment of the preparation of office manual.

7. Revision of the Draft manual: Suggestions and criticism have been incorporated in improving the manual by adding new points or deleting some points. The style and standard of language can be improved by the process of revision of the draft manual. As far as possible short sentences and words can be used. The language should be simple and lucid.

8. Submission for approval of Top Management: The revised manual has been placed before the top management for approval. Approval of top management is necessary before the mechanical production of the manual.

9. Mechanical production of the manual: Arrangement for the mechanical production of the manual should be made after the draft is approved by the top management. The type of mechanical production of manual is depending upon the number of copies required. Details regarding size, paper cover and binding should be considered before the actual production of manual. The manual should preferably be in a booklet form.

10. Distribution of office manual: Copies of office manual are distributed among the employees of an organization on need basis. A few copies are maintained as spare copies which will be used for the future reference and further revision of the manual.

SHORTS

1. Explain the elements of a procedure manual.

A procedure manual, also known as a policy and procedure manual, is a resource for employees that establish guidelines and protocols for all the major principles, actions and decisions of a department or organization. It can outline the procedures and expectations for things like dress codes, hiring practices and even payroll.

Elements of a procedure manual

Procedure manuals can vary based on the industry and organization, but they typically review several key elements, such as:

- Organization culture
- Employment procedures
- Employee benefits
- Work-from-home policies
- Communication policies
- Workplace guidelines
- Payment procedures
- Employee code of conduct
- Protocols for technology usage

2. Explain the tips for an effective procedure manual.

A procedure manual, also known as a policy and procedure manual, is a resource for employees that establish guidelines and protocols for all the major principles, actions and decisions of a department or organization.

Tips for crafting an effective procedure manual

Consider these tips before you start working on a procedure manual for your organization:

- **Make a list of your goals and priorities.** Creating a procedure manual takes time, but you can help simplify the process by creating a list of the procedures and policies you want to include and then deciding which you should prioritize. Start with the most important ones, namely any policies that are mandated by federal or state laws. In many cases, these are pre-written policies that you can easily include in your policy and procedure manual.
- **Decide which policies need detailed instructions.** Determining which procedures require a detailed outline can help you schedule your tasks more effectively.

- **Create a logical order.** Make sure that your procedure manual is organized logically by addressing the broader issues first. For example, many organizations include an introduction to the company's values and goals first and then outline the employment eligibility policies and hiring procedures.
- **Update the manual frequently.** A procedure manual is a significant company document that you should constantly revisit and revise. You can add amendments, remove certain details and change policies or procedures altogether.

3. Explain the importance of procedure manual.

Importance of a Policy & Procedure Manual

Every company faces difficulties within the workflow of its business cycle and requires documentation of its structured methodology, a framework of company philosophy, its mission, and vision that ensures visibility – agreed? That is the purpose of a policy and procedure manual.

Furthermore, policy & procedure manuals help with:

1. Setting expectations

A policy and procedure manual helps a business owner in gathering the company's mission, value, and prospects all in one place.

It also set standards of conduct, behavior, and performance of employees. Hence, the policies & procedure manual clearly defines expectations for employees by providing a source of reference for them to check when performing their duties.

2. Enhancing Employee Productivity

A well-developed policies and procedures manual serves as an authoritative source for answers to common questions related to your business or company. Properly documented manuals speed up the process of decision-making for employees and help them follow regulations concerning business guidelines. Eventually, resulting in higher productivity.

3. Improving Communication

A well-detailed policies & procedures manual is a valuable communication tool for efficiently processing all business operations within the organization and for reducing transmission gaps.

4. Reducing Employee Training Time

Another purpose of a policies and procedures manual is to provide a training guide for new employees and re-train current ones. These documents reduce the time and effort put into training these employees, making the on boarding process easier.

5. Ensuring Compliance with the Law

Policies & procedures manuals that are consistently updated and reviewed help a company in meeting its obligations with the law. For instance, a clear work safety and health policy will assist an employer to meet those obligations imposed on the business by law and provide a safe workplace.