INVENTORY CONTROL

- Inventory is defined as a stock or store of goods. These goods are maintained on hand at or near a business's location so that the firm may meet demand and fulfil its reason for existence.
- Inventory is simply a stock of physical assets having economic value, which can be either in the form of material, money or labour. Inventory is also known as an idle resource as long as it is not utilized.
- Inventory may be regarded as those goods which are procured, stored and used for day to day functioning of the organization. This can be in the form of physical resource such as raw materials, semi-finished goods used in the production process, finished products ready for delivery to consumers; human resources such as unutilized labour, or financial resource such as working capital etc.
- Centuries ago, inventories were viewed as measures of the wealth and power of a country or of an individual. A businessman's or a country's wealth and power were assessed in terms of quintals of wheat, heads of cattle, grammes of gold etc. stored in its store houses. The management of such inventories was an easy affair.
- In the recent past, inventories viewed as a measure of business failure. Businessmen, therefore, have started to put larger emphasis oh the liquidity of assets as inventories, until fast turnover has become a goal to be pursued for its own sake.
- Now-a-days, inventories are viewed as a large potential risk rather than as a measure of wealth due to the fast developments and changes in product life. The present concept of inventories has necessitated the use of scientific techniques in the management of inventories- known as inventory control.
- Inventory control is the technique of maintaining stock-items at desired levels. In other words, inventory control is the means by which material of the correct quality and quantity is made available as and when it is required with due regard to economy.
- The word inventory simply means the goods and services that businesses hold in stock. There are, however, several different categories or types of inventory.

- The first is called raw material and components inventory. This usually consists of the essential items needed to create or make a finished product, such as gears for a bicycle, microchips for a computer, or screens and tubes for a television set.
- The second type of inventory is called WIP, or work in progress inventory. This refers to items that are partially completed, but are not the entire finished product. They are on their way to becoming whole items but are not quite there yet.
- The third and most common form of inventory is called finished goods. These are the final products that are ready to be purchased by customers and consumers. Finished goods can range from cakes to furniture to vehicles. Most people think of the finished goods as being part of an inventory stock, but the parts that create them are held accountable in inventory as well.
- There's many different ways that companies handle their inventory. Overall it depends on what kind of business it is. For example, a food manufacturer who makes canned fruit may take into account every single piece of that can in its inventory. The materials used to make the can, the labels, the fruit, and the sugary filling could all be part of the overall analysis of inventory.
- Keeping track of inventory can be a complex process. The term for watching inventory is called logistics. Logistics is a detailed process by which all inventory is tracked and logged. Several different people are involved in logistics. This can include everything from the owner of the company to the transportation company that delivers the goods to the manufacturing plant.
- Why companies keep such a close eye on their inventory. The answer is really simple: the bottom line. Without inventory control, millions of dollars could be lost each year just because there was no accountability for everything involved in making a product.
- Inventory management deals with ordering and stock keeping of goods for sale, production or distribution.
- Inventories are idle goods waiting for use or sale. Inventories are kept in many environments, for instance, in the mining-industry of minerals, in factories of raw materials, parts, work in progress and finished products, and in warehouses, depots and wholesale dealers of goods for distribution, and at shops and by retailers of goods for sale.

- The main reasons why inventories are held are that it is uneconomical to produce, to handle or to transport units one by one and that consumers often do not accept a delay in the delivery of goods or only want to buy goods that are on display or available in a shop, supermarket or department store. Inventory theory aims to develop models and algorithms as an aid to inventory management.
- Inventory is a part and parcel of every facet of business life. Without it, no business activity can be performed, whether, it being a service organization like hospitals, and banks etc. or manufacturing or trading organizations.

Thus; inventories play an essential and pervasive role-in any organization because they make it possible:

- To get right amount of stock at exact time of need to ensure continuous and smooth production:
- To avoid the physical impossibility and economical impracticability of getting right amount of stock at exact time of need.
- To order larger quantities of goods, materials or components from the suppliers at advantageous prices.
- To provide reasonable customer service through supplying most of the requirements from stock without delay.
- To maintain more stable operating or work force levels. - To take advantage of shipping economies.
- To plan overall operation strategy through decoupling of successive stages in the chain of acquiring goods, preparing products, shipping to branch warehouses and finally serving customers.
- To facilitate economic production runs.
- To facilitate the intermittent production of several products on the same facility.
- To provide means against hedging against future price and delivery uncertainties.
- To make effective use of available capital and/or storage space.