

## Management of Inventory

Inventory is the physical stock of items that a business firm or manufacturing concern keeps in hand for efficient running of Business and production activities during the particular period of time. Each business unit has to maintain a considerable volume of inventory in response to the conditions in which the business operates. It is generally available in the form of raw materials ,semi-finished goods, finished goods, consumable stores, component part, tools and packaging material .The availability of inventory in any business firm is must but what should be the size and volume of this inventory, it needs to be decided by the financial manager of any business concerns and this decision is known as the inventory management. This size should not be very less and it should not be very high but it should be at the optimum level or desired level which goes to help us in maintaining the profitability and liquidity of the business firm .Thus, inventory management is that part of the Working Capital Management where the involvement of the working capital should be at such level which minimises the cost and maximizes the benefit in any business firm during the period. This is going to be possible with the help of three important components such as valuation, control and analysis:

(1) valuation :All receipts and issues of materials are the important aspects of continuous flow of production .A systematic procedure should be adopted for movement of materials from one place to another place.Materials received and stored are issued on the basis of store requisition, bills of material, stock in balance, proper authorisation and pricing of materials issued etc.It is clear that ascertainment of accurate material cost ,fixing of material issue ,and effective cost control are the primary objective in order to fulfill the needs of the management. Thus, under valuation ,we consider the cost of materials purchased, procedure of issuing materials and the different methods of pricing of materials issued such as actual price, market price, average price, standard price etc. By keeping in view the existing situation ,we follow the procedure and pricing materials for the production.

(2)Control: Inventory control refers to the regulation of stock and flow of materials and stores in an effective and economical manner to meet the needs of the manufacturing and trading concern .In order to achieve this ,we follow the Different techniques of control such as maximum level, minimum level, average level, danger level, safety level, reorder level, economic order quantity etc.

(3)Analysis: Each and every material and other components of inventory is not equally important. Some are more important and some are less. some are easily available but some are very difficult. Hence, monitoring and control on such inventory needs to be done in different manner in order to minimise the cost and maximize the benefits. Thus, analysis refers critical examination and comparative evaluation of all such inventory as available in the store. There are only three categories of this inventory, one is very important, second is average and third is less important and accordingly we go for analysis where techniques are ABC analysis ,VED analysis ,SDE analysis FSN analysis .Thus, classification of inventory seems to be more justified for inventory management.