Chapter 24
stock handling and inventory control

Section 24.1
Stock Handling

Section 24.2
Inventory Control
REFLECT  What do stores do to prepare their merchandise for sale?
OBJECTIVES

• **Describe** the receiving process.

• **Explain** stock handling techniques used in receiving deliveries.
All businesses must have a stock handling process in place to receive deliveries of materials or products. This process affects maintenance of inventory levels.
VOCABULARY

• receiving record
• blind check method
• direct check method
• spot check method
• quality check method
• source marking
• preretailing marking method
Stock Handling

Key Steps in the Stock Handling Process

Stock Handling Process

Receiving Merchandise
Stock Handling

Key Steps in the Stock Handling Process

- Stock Handling Process
- Receiving Merchandise
- Checking Merchandise
- Marking Merchandise
- Transferring Merchandise
Stock Handling

Section 24.1

Receiving Merchandise

The store manager is aware that a shipment is coming.

Merchandise is received by a receiving clerk.

The size of the receiving facility depends on the size of the business.

Information on the receiving record is entered either manually or electronically.

**receiving record**

Information recorded by businesses about the goods they receive.
Method of Checking Merchandise

**blind check method**

A method of checking whereby the receiver writes the description of the merchandise, counts the quantities received, and lists them on a blank form or dummy invoice. The list is then compared to the actual invoice after the blind check is made.
Stock Handling

Methods of Checking Merchandise

- **Blind Check Method**
- **Direct Check Method**

**direct check method**
A method of checking in which the merchandise is checked directly against the actual invoice or purchase order.
Spot check method

A random checking method of one carton in a shipment for quantity, and one item in the carton is inspected for quality; if the item is as stated on invoice, remaining cartons are assumed to be in the same condition.
**Stock Handling**

**Methods of Checking Merchandise**

- **Blind Check Method**
- **Direct Check Method**
- **Spot Check Method**
- **Quality Check Method**

**Quality check method**

A checking method that inspects workmanship and general characteristics of the received merchandise.
Stock Handling

Graphic Organizer

Checking Methods and Facts About Each Method

Checking Methods

[Diagram with four boxes branching off from a central box labeled "Checking Methods"]
Stock Handling

Graphic Organizer

Checking Methods and Facts About Each Method

- **Blind**: Write description, count quantities, list on dummy invoice
- **Direct**: Check directly against invoice
- **Spot**: Random quantity and quality check of part of shipment
- **Quality**: Inspect workmanship, general characteristics
Reasons for Returning Merchandise
Stock Handling

Section 24.1

Reasons for Returning Merchandise

- Items not ordered
- Order cancelled
- Wrong items delivered
- Shipment arrived late
- Too many or too few items sent
- Items damaged
source marking
Method used by sellers or manufacturers to mark the price before delivering the merchandise to the retailer.

preretailing marking method
A method of marking in which the pricing information is marked in advance on the purchase order, then entered into the buyer’s computer system, and prices are available for marking as soon as merchandise is received.
Stock Handling

The Different Methods of Marking Merchandise and the Benefits of Each Method

<table>
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<th>Marking Methods</th>
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The Different Methods of Marking Merchandise and the Benefits of Each Method

- **Universal Product Code (UPC)**
  - Allows tracking of merchandise
  - Enables buyer to monitor sales

- **Source marking**
  - Merchandise is marked before delivery to retailer
  - Merchandise can be moved directly from delivery to sales floor

- **Preretailing marking**
  - Pricing information marked in advance
  - Information entered into buyer’s computer system

- **Price tickets**
  - Helpful when customer needs to return an item
Stock Handling

Types of Stock Transfers

- Transfers Between Departments
- Transfers Between Stores
- Transfers From a Store to a Distribution Center
1. **Explain** why a receiving record is important.

A receiving record describes the goods received by a business. It is important because it serves as a permanent record of delivery.
2. **List** the four methods used for checking merchandise.

   Blind check, direct check, spot check, and quality check are used for checking merchandise.
3. **Explain** how UPC codes assist in marking merchandise.

   UPC barcodes allow the store to track sales and inventory levels. They also allow customers to spend less time at checkout when purchasing items.
CONNECT Think about a time you went to a store, and an item you wanted was not available. How did you react?
OBJECTIVES

• **Describe** the process for providing effective inventory management.

• **Explain** the types of inventory control systems.

• **Relate** customer service to distribution.

• **Analyze** sales information to determine inventory turnover.

• **Discuss** technology and inventory management.
THE MAIN IDEA

Inventory owned by a business represents a capital investment until the products are sold. Effective inventory management and accurate inventory systems increase profits.
# Inventory Control

## Vocabulary

- inventory
- inventory management
- just-in-time (JIT) inventory system
- perpetual inventory system
- physical inventory system
- cycle counts
- stockkeeping unit (SKU)

- dollar control
- unit control
- inventory turnover
- basic stock list
- model stock list
- never-out list
- real-time inventory system
Notes on Inventory Systems

Inventory Systems

Perpetual Inventory

Physical Inventory
Inventory Control

Notes on Inventory Systems

Inventory Systems

- Perpetual Inventory
  - Manual Systems
  - Computer-Based Systems
- Physical Inventory
  - Physical Inventory
  - Cycle Count
  - Visual Control
Inventory Management

The inventory managed by a business depends on the type of business.

**inventory**
Amount of merchandise on hand at any particular time, including raw materials, parts from suppliers, manufactured subassemblies, work-in-process, packing materials, or finished goods.
Inventory Management

**What Can Inventory Management Prevent?**

- Storing the wrong merchandise
- Too high inventories
- Too low inventories
- Misuse of storage space
- Increased personnel costs
- Increased interest and insurance expenses

**inventory management**

The process of buying and storing materials and products while controlling costs for ordering, shipping, handling, and storage.
Inventory Management

**Just-In-Time Inventory (JIT)**
A system that controls and coordinates the flow of parts and materials into assembly and manufacturing plants so that suppliers deliver parts and raw materials just before they are needed for use.

**Electronic Data Interchanges (EDI)**

**Quick Response Delivery (QRD)**
### Inventory Management

Retail Businesses Are Expected to Do the Following:

<table>
<thead>
<tr>
<th>Requirement</th>
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<tr>
<td>Maintain the right quantities of merchandise without running out of stock.</td>
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<td>Keep a wide product assortment.</td>
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<td>Purchase merchandise at large volumes.</td>
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<td>Pay attention to what customers are buying and what they are not buying.</td>
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<td>Keep a current inventory on hand.</td>
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List Types of Goods that Each of these Types of Businesses Would Keep in their Inventory

<table>
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<tr>
<th>Manufacturing</th>
<th>Wholesaling</th>
<th>Retailing</th>
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### Inventory Management

#### List Types of Goods that Each of these Types of Businesses Would Keep in their Inventory

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<td>- raw materials</td>
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<td>- parts purchased from suppliers</td>
<td>- packaging materials</td>
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<td>- work-in-process</td>
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Inventory Systems

**Perpetual Inventory Systems**

**Manual Systems**

**Computer-Based Systems**

**perpetual inventory system**

An inventory system that tracks the number of items in inventory on a constant basis; tracks sales and other transactions as they occur.
Inventory Control

Inventory Systems

**Physical Inventory Systems**

- **Physical Inventory Method**
- **Cycle Count Method**
  - Stockkeeping unit (SKU)
- **Visual Control Method**

**Physical inventory system**
An inventory system in which stock is visually inspected or actually counted to determine the quantity on hand.

**Cycle count**
An inventory system involving a small portion of the inventory each day that is counted by stockkeeping units so that the entire inventory is accounted for on a regular basis.

**Stockkeeping unit (SKU)**
A unit or group of related items.
Describe the Three Inventory Counting Methods

- Physical Inventory
- Visual Control
- Cycle Count
Inventory Systems

Describe the Three Inventory Counting Methods

- **Physical Inventory**: Count merchandise, record results.
- **Cycle Count**: Part of inventory counted daily.
- **Visual Control**: Use stock cards to monitor inventory.
Stock Control

Monitoring Systems

**Dollar Control**

*dollar control*

Represents the planning and monitoring of the total inventory investment made by a business during a stated period of time.
**Unit Control**

A stock control method that measures the amounts of merchandise a business handles during a stated period of time.
inventory turnover

The number of times the average inventory has been sold and replaced in a given period of time.
Stock Control

Monitoring Systems

- **Dollar Control**
- **Unit Control**
- **Inventory Turnover Calculations**
- **Stock Lists**
  - Basic Stock List
  - Model Stock List
  - Never-Out List

**basic stock list**
A stock list used for staple items that should always be in stock.

**model stock list**
A stock list that is used for fashionable merchandise.

**never-out list**
A stock list used for best-selling products that make up a large percentage of sales volume.
Stock Control

Different Types of Stock Lists and Details About Each

- Stock Lists
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Inventory Control

Stock Control

Different Types of Stock Lists and Details About Each

- **Stock Lists**
  - Basic Stock List: used for staple items that should always be in stock
  - Model Stock List: used for fashionable merchandise
  - Never-out Stock List: used for best-selling products
The Impact of Technology

Real-Time Inventory Systems

- Standardized Shipping Container Marking (SCM)
- Radio Frequency Identification (RFID)
- Warehouse Management Systems (WMS)
- Universal Product Codes (UPCs)
- Quick Response Delivery (QRD)
- Electronic Data Interchange (EDI)

**real-time inventory system**
A system that uses Internet technology that connects applications, data, and users in real time.
1. **Describe** the difference between a perpetual and a physical inventory.

A perpetual inventory system tracks the number of items in inventory on a constant basis. Under a physical inventory system, stock is visually inspected or actually counted to determine the quantity on hand.
2. **List** the three different inventory counting methods.

   Counting methods include physical inventory, cycle counts, and visual control.
3. **Explain** how to calculate stock turnover rates.

When a store wants to look at the number of items carried in relation to the number of items sold, it uses this formula: Cost of goods sold ÷ average inventory on hand (at cost). When a store wants to calculate its inventory turnover rates in units, it uses this formula: Number of units ÷ average inventory on hand in units.
End of Chapter 24
stock handling and inventory control

Section 24.1
Stock Handling

Section 24.2
Inventory Control