

An Assessment of Internal Control Over Inventory (In Case of Zebider Brewery)

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Abbreviation

FIFO	first -in -first -out
LIFO	last -in -first -out
DRP	Distribution Requirement Planning
MRP	Manufacturing Requirement Planning
SOD	Segregation of Ditties

Abstract

The research study conducts on an assessment of internal control over inventory in case of zebider brewery. The objective of this study is to assess how the organization protects inventory from loss, theft and fraud errors, to assess the kind of inventory control systems of the organization, to assess the inventory coast that the organization estimates.to examine duties and responsibilities in different departments about inventory control, to identify the major problems of the organization direct and indirect that affects internal control. The methodology that used in this study is descriptive research design. In addition to this for data collection used both primary and secondary data throng different methods. The key finding of this study is the overall objective of this study is to address the inventory control practice of zebider brewer factory and to find out the problems related with internal control over inventory.

Key words: Accounting, Manufacturing, Management, Finance, Internal Control.

Chapter One

1.1 Background of the Study

Internal control over inventory was intended to help a company verify that it has sufficient resources to produce and sell goods to meet demand, avoid maintaining excess products, and eliminate costs associated with purchasing, producing, and holding excess. Internal controls can be thought of as checks and balances to prevent errors and losses in various areas of a business as well as in various organizations. Good inventory controls prevent losses and misstatements while helping in managing inventory levels (Riggs & Ingram, 2018).

Inventory was an accounting term that refers to goods that are in various stages of being made ready for sale, including: finished goods (that are available to be sold), Work-in-progress (meaning in the process of being made. Internal control is not one event or circumstance, but a series of actions that overflow an entity's activities. These actions occur throughout an entity's operations on an ongoing basis. They are pervasive and inherent in the way management runs the organization (Steinbart, 2003).

Internal control was therefore different from the perspective of some observers who view it as something added on to an entity's activities, or as a necessary burden. A company's investment in inventory is usually a large one, and it may be comprised of many merchandise items that can be readily stolen and resold. If the inventory contains mostly raw materials, keeping track of it is essential for ensuring that the production processes using it will not run short of materials. This means that you need to implement an array of controls, either to prevent theft or to ensure that the manufacturing operation does not run short of inputs. We will describe below a number of the key controls to consider for your inventory investment (Steven Bragg, 2018)

The internal control system was intertwined with an entity's activities and was most effective when it is built into the entity's infrastructure and is an integral part of the essence of the organization. Internal control should be built-in rather than built on. By building in internal control, it becomes part of an integration with the basic management processes of planning, executing and monitoring (Austrian Court of Audit, 2005).

For this studied, an effective internal control system refers to the effective control measures establish by an organization to safeguard their assets ensure the reliability of records both financial and non-financial as well as compliance with relevant policies and procedures that will ensure the achievement of organizational objective. It was the responsibility of the management of an organization to ensure that an effective internal control system is put in place that will ensure the achievement of organizational establish

objectives. This was because the establishment and supervision of effective internal control systems are the responsibility of management, not auditors (Changchit, 2001).

Each department was responsible for safeguarding the organization's assets, whether those assets are in the form of cash, merchandise, or supplies. A system of internal control was needed to ensure that appropriate management of these assets occurs. Organizations should ensure that their internal control system was well established to assist internal audits towards the objective achievement of the organization. Similarly, the quality of an organization internal control system has a significant impact on the accuracy of management guidance, that discloses ineffective internal controls system have a larger tendency of experiencing management errors in their operation than those firms that report effective internal controls system (Feng, Li & McVay, 2009).

The success of an organization depends on the efficient and effective utilization of the given resource. Management's role in any organization involves acquisition, deposition, and control of resources that are necessary for the attainment of organizational objectives. The resources typically include labor, capital equipment, and materials or inventories. Among the aforementioned resources, inventory is considered as significant items in every organization. For the organization such as within Zebider beer factory, the term inventories are used to reduce the risk of asset loss and help ensure that plan information is complete and accurate, financial statements are reliable, and the plan's operations are conducted following the provisions of applicable laws and regulations. Inventory is the raw material for Zebider beer factory work-in-process to prevent or reduce fraud and theft within their organizations by audit review which can uncover whether the organization money is being misappropriated by management or employees (Closs, 1989).

Inventory represented one of the most important assets that most businesses possess because the turnover of inventory represented one of the primary sources of revenue generation and subsequent earnings for the company's shareholders/owners. Internal control was an integral process that is affected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the services are gained from the end of this study includes executing orderly, ethical, economical, and effective operation. In addition to this is also helpful as fulfilling accountability obligations of the employee that works inside the beer factory. Although complaining about applicable laws and regulations that are outlined by the beer factory. The main thing that is gained from this study was safeguarding resources against loss, misuses and damage. Generally, inventory needed much attention by managers at all levels because effective inventories management and internal control are crucial to the performance of any organization. Organizations should provide a sound system of internal control that should assist in the achievement of the objective. Similarly, the internal control system also serves as a process that guides an organization towards achieving its established objectives (Jokipii 2010).

1.2 Statement of the problem

One of the best protect business failure, as well as an important driver of business performance, is having an effective internal control system, which manages risk and enables the creation and preservation of value. Successful organizations know how to take advantage of opportunities and counter threats, in many instances through effective application of controls, and therefore improve their performance. Internal control is an integral part of an organization's governance system and ability to manage risk, which is understood, affect, and actively monitor by the governing body, management, and other personnel to take advantage of the opportunities and to counter the threats to achieving the organization's objectives(Amudo, 2008).

Internal control over inventory was essential to all organizations to engage in press bear factory to achieve their intend objective and to ensure the existence of the beer factory in the organization for a long period. To ensure such objectives, an organization shall have good inventory controlling system, written policies, rules, procedures, and principles that help the organization easily manage the inventory and protect it from inventory control problems such as overstocking, expiring, loss, theft, embezzlement, and fraud which will lead the organization into bankruptcy.

If you do not have documental evidence of internal control you cannot prove internal controls exist. An effective internal control structure for inventory includes a company's plan of organization and all the procedures and actions it takes to protect its assets against theft and waste. Inventory is one of the major concerns of a small business. Having what your customers need when they need it matters. Maintaining control of your inventory can be a challenge, however, as even in the most efficient of operations items tend to get lost or stolen. Assets in inventory are an important part of financial reporting as well. Internal controls are essential procedures for managing inventory and accounting for revenue and expenses (Reader, 2019)

Internal control was often perceived and treated as a compliance requirement, rather than as an enabler of improve organizational performance. Effective internal control can help organizations improve their performance by enabling them to take on additional opportunities and challenges in a more control way. Therefore, there needs to be a better understanding of how organizational performance relates to effective risk management and the role and effectiveness of internal control (Salih M. A, 1983).

Good inventory controls prevented losses and miss statements while helping in managing inventory levels. Since inventory is quite expensive, any measure to protect this investment should be consider .poor internal controlling system over inventory and lack of inventory policies and procedures for this organization will adversely affect the efficiency and effectiveness of activities for the Zebider beer factory. Such kinds of problems result in making the organizations completely lost their assets and

become out of the production and stopped its function. Therefore, this study assesses the internal controlling system over inventory in the case of the Zebider beer factory. In general to increase the economy of the Zebider beer factory recommend using internal control over inventory assistance.

1.3 Research questions

This studied was intended to answer the following question: -

- ✓ How the Zebider beer factory protects inventory from loss, theft and fraud errors?
- ✓ What kinds of inventory system uses the organization?
- ✓ How does the Zebider beer factory estimate its inventory cost?
- ✓ What are the duties and responsibilities in different departments about inventory control?
- ✓ What are the factors that affect direct and indirect of internal control of the Zebidar beer factory?

1.4 The objective of the study

1.4.1 General objective of the study

The general objective of the study was to assess the internal control over inventory in the Zebider beer factory & find out problems related to internal control over inventory.

1.4.2 Specific Objectives

The specific objectives of the studied was:

- ✓ To assess how the organization protects inventory from loss, theft and fraud errors
- ✓ To assess the kind of inventory control systems of the organization
- ✓ To assess the inventory coast that the organization estimates.
- ✓ To examine duties and responsibilities in different departments about inventory control
- ✓ To identify the major problems of the organization direct and indirect that affects internal control.

1.5 Significance of the Study

This studied gives the significance for the organization as well as for future researches. For other researchers who will do researches that are corresponding to this study, this study may be used as input and the starting point for future researchers. This research is replicable the validate results that gains from this study can be replicating study for the future. This study helps the management of the Zebider beer factory organization to identify the various possible risk of failure or mistakes made by employees concerning internal control over inventory also enable the managers' awareness of the importance of internal control since this studied was given a service for the Zebider beer factory this are, result of the study has given insight into the organization to revisit its internal controlling system, to understand the risks that take place in the organization, produce and sell beer to meet demand as well as it increases the

growth of the economy by producing a high level of beer, to compete with other beer factory organizations, to prevent and detect fraud.

Through the use of segregation of duties is fundamental element of internal control. The principle of SOD is to share responsibilities in a key process such that no one individual should perform two of the three functions, to provide valuable information to employees who had been engaged in inventory control, and the study can be also used as one reference material for peoples who will undertake further research in this area.

1.6 Scope of the Study

This study was enforced to limit the study area of assessing internal control over the inventory of the Zebiderbeer factory. Because other branches are only receiving the order from the customer and the beer factory process is done by the manager office. The research will be particularly focus on manager office of the organization that is a finance manager where internal inventory control is their activity. This study would be given due attention to inventory control systems, mechanisms, and related problems of the organization. Collect the data for both primary and secondary contains only from 2009-2011.because of recent data and relevant data.

1.7. Limitation of the Study

In conducting the study, some constraints age faced. The constraints are. Lack of time to go every day and collect the data in detail. Some staff members are not willing to give the right answer. The class schedule is not suitable for the researcher to go in depth.

1.8 Organization of the study

This studied was included five-chapter. In the first chapter about the introduction of the study, in the second chapter reviews literature, the third chapter deal with research methodology.in the chapter four data analysis, interpretation and, summaries, and in chapter five it includes conclusion and recommendation.

Chapter Two

2 Literature Reviews

2.1. Concept and definition of internal control

Internal controls are the mechanisms, rules, and procedures implemented by a company to ensure the integrity of financial and accounting information, promote accountability and prevent fraud. Besides complying with laws and regulations, and preventing employees from stealing assets or committing fraud, internal controls can help improve operational efficiency by improving the accuracy and timeliness of financial reporting. Internal control is the plan of organization and the methods a business uses to safeguard assets, provide accurate and reliable information, promote and improve operational efficiency and encourage adherence to prescribed managerial policies (Kenton 2019).

The internal control structure consists of the policies and procedures establish to provide a reasonable level of assurance that the organization's specific objectives will be achieved. The system provides only reasonable assurance because of prohibitively expensive. Internal control can be described as any action taken by an organization to help enhance the likelihood that the objectives of the organization will be achieved. The definition of internal control has evolved as different internal control models have been developed. This article will describe these models, present the definitions of internal control they provide, and indicate the components of internal control. Various parties responsible for and affected by internal control will also be discussed (Steinbart, 2003).

2.1.1 Functions of Internal Control

A system of internal control is necessary to help employees and other partners understand the attitude and objectives of the organization as a whole. Internal controls provide reasonable assurance to customers and other parties that transactions are recorded properly and promptly. For instance, many consumers have a favorite store because the business is known for providing quality service promptly. In other words, consumers choose to patronize businesses that have go Examples of defective controls are duplicate checking of calculations and preparing bank reconciliations and monthly trial balances, and Corrective

controls remedy problems discovered with detective controls. These include procedures taken to the system so that future problems are minimized or eliminated (Steinbart, 2003).the system so that future problems are minimized or eliminated (Steinbart, 2003).

2.1.2. Elements of Internal Control

Five elements of internal controls are the Control environment the foundation of internal controls is the tone of your business at the management level. Integrity and ethical values, management philosophy and operating style, and assignment of authority and responsibility fall under the control environment umbrella, Risk assessment is the evaluation of your business flow and exposure to risk. Several risks are present for all organizations daily. It's essential to identify and analyze these risks to prevent an adverse event from occurring. You should perform risk assessments continuously; Control activities are the policies and procedures of your business. Activities include top-level reviews and segregation of duties. Establish new procedures and set up a perception of control so that the flow of responsibilities and transactions is diversified among staff – as much as possible, Information and communication This are the exchange of information within your business. Clear lines of communication shouldn't just flow from management to employees, but from employees to management so that each member of the team can successfully carry out their responsibilities, Monitoring is the process of assessing your internal control performance. The board should evaluate management and supervisory activities, the budget and all other financial documents. Recruit board members who are independent of the organization and have the financial expertise to do so. (beene garter2016).

2.1.3. Objectives of Internal Control System

Some objective of internal control system are to ensure that the business transactions take place as per the general and specific authorization of the management, to make sure that there is a sequential and systematic recording of every transaction, with the accurate amount in their respective accounts and in the accounting period in which they take place. It confirms that the financial statement fulfills the relevant statutory requirements, to provide security to the company's assets from unauthorized use.

For this purpose, physical security systems are used to provide protection such as security guards, anti-theft devices, surveillance cameras, to compare the assets in the record with that of the existing ones at regular intervals and report to those charged with governance in case any difference is found, to evaluate the system of accounting for complete authorization of the transactions ,to review the working of the organization and the loopholes in the operations and take the necessary steps for its correction ,to ensure there is the optimum utilization of the firm's resources, i.e. men, material, machine, and money, and to find out whether the financial statements are in alignment with the accounting concepts and principles(Gupta, 1996).

2.1.4 Scope of Internal Control System

The system of internal control includes the plan of organization and various other methods and

procedures. The plan of the organization refers to the organizational structure and the methods of assigning authorities and responsibilities. A proper plan of organization is important for the effective operation of the entire internal control system.

Other methods and procedures designed to achieve internal control objectives include quality control, work standards, budgetary control, police appraisals, reconciliations, physical verification of assets, etc. Internal audit is also a component of the internal control system which seeks to determine whether other internal controls are well-designed and properly operated (Gupta, 1996).

2.1.5 Type of Internal Control System

An internal control system has a wide coverage that extends beyond those matters which relate directly to the functions of the accounting system. From this angle, internal controls can be classified into two broad categories - accounting controls and administrative controls (Carmichael and Willingham, 1987).

Accounting Controls

Accounting controls are the controls related to the accounting system. Examples include taking a physical inventory at year-end and reconciling subsidiary ledgers with controlling accounts. Procedures to safeguard assets also fall into the category of accounting controls. They are concerned with achieving this objectives transaction are executed under the management's general or specific authorization, i.e. Following the laid down policies and procedures ,transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets ,access to assets is permitted only by management's authorization ,and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken concerning any differences. Accounting controls have a direct bearing on the reliability of financial information. Administrative controls, on the other hand, have only an indirect effect on the financial information. In an independent financial audit, therefore, the auditor is primarily concerned with reviewing accounting control rather than administrative controls.

Administrative Control

Administrative control includes but is not limited to, the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility for achieving the objectives of the organization and is the starting point for establishing accounting

control of the transaction. It reviews administrative controls only to the extent that they have a bearing on the reliability of financial information.

2.1.6. Internal Control Systems Challenges

Despite the fact that many internal controls are a simple matter of common sense, the regular use of checklists to review the control processes can be a valuable tool in the control process and help identify errors. Not all requirements are justified, and standards system should be redefined to eliminate redundancy and ambiguity (Popescu & Dascalu, 2012).

Rossi asserts that unless the weaknesses in the internal control system are corrected, managers will perceive that the system is performing as originally intended yet it may be open to weaknesses that lead to losses. Five primary contributors to internal control illusions are organizational size changes, technology improvements, process changes, failure of physical safeguards, and employee failure to perform (Rossi, 2012). Organizations are at all times expected to maintain sufficient control over their inventory, and in such cases adopt proper measures that are effective and consistent in their operations. It will serve as guide to all staff and thereby help them improve on their performances, as the sole aim of every business is profit, (Enemuo & Uwazuruike, 2012) The advantages of internal control are numerous, the greatest of which is creation of a more efficiently run organization, ensures company's resources are utilized only for their intended purposes, greatly minimizing the risk of resource misuse. Internal control also prevents any irregularities by detecting them quickly and thus resolving any issues that arise in a timely manner. In addition, having strong internal controls in place can prevent a company's employees from being accused of any irregularities or misappropriations. However, if internal controls are badly planned or executed, employee frustration or apathy may result. In addition, an internal control system that is too rigidly designed to allow for adaptation to a particular organization may be difficult to sustain (Brent, 2010)

At wool and others, in their study of illusions of internal control noted that internal controls are often allowed to deteriorate over time or simply become ineffective because of organizational changes. Such a situation generates the perception of internal control protection that, in fact, is an illusion. These illusions can create trouble for an organization that must rely on the internal controls system to protect assets, ensure the integrity of financial information, and prevent and detect fraud. Because of wide adoption of internal control system, new challenges are arising related with the potential of internal audit to assure an adequate assets protection and to detect, prevent and deter fraud in comparison with the solution provided by other traditional prevention tools (Rossi, 2012).

In evaluating the value of internal audits noted that internal control is imperative to assure that the company will operate properly but in the same time the quality of internal control and its ability to reach its objectives are close related with the quality of internal control system. It is critical therefore

that viability of internal control system must be assessed, tested and monitored permanently in order to identify and change the obsolete components with new and genuine internal control procedures that are delivering the expected results (Coram et al 2006).

2.2. Definition of inventory

Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale. Inventory represents one of the most important assets of a business because the turnover of inventory represents one of the primary sources of revenue generation and subsequent earnings for the company's shareholders. (Will Kenton, 2019)

Inventory is defined as Inventory is a detailed list of movable goods. Inventory is a physical stock of items that a business or production enterprise keeps in hand for the efficient running of affairs or its production. Inventory is the number of goods, raw materials or other resources that are idle at any given time (Sharma, 1999).

2.2.1. Need for Inventory

Inventory is a necessary evil that every organization would have to maintain for various purposes. Optimum inventory management is the goal of every inventory planner. Over inventory or under inventory both cause financial impact and health of the business as well as effective business opportunities. the following are the need for inventory for organization, meet variation in production demand, cater to cyclical and seasonal demand, economies of scale in procurement, take advantage of price increase and quantity discounts, reduce transit cost and transit times, and long lead and high demand items need to be held in inventory

Inventory is a major asset in many merchandising and manufacturing firms and must carefully monitor and controlled. Business needs more inventory to meet demand. The following are the main reasons why a firm carries inventories (Sharma, 1999). To gain economic value in purchasing beyond current requirement. level out production cycle by producing inventory, carry a reserve in order to prevent stock out or lost sales, maintain stock while replacement stocks are in transit, protect against variation in demand and, Inventories are vital part of business.

Good inventory internal controls incorporate to, written departmental inventory management policy and procedures. staff must be trained on departmental policy and procedures, adequate separation of duties between those responsible for the physical inventory (ordering, receiving, distributing/selling) and those responsible for the inventory accounting records (approving payments, charging departments/customers, maintaining the perpetual inventory balance in the finance system and reconciling the finance system),an internal inventory system that records all inventory activity, including acquisitions, sales, returns and adjustments, adjusting the finance system inventory value for

all inventory activity, including acquisitions, sales, returns, and adjustments, securing the inventory in such a manner so that inventory may not be removed or otherwise affected without a record being made of the event, and conducting a periodic count and costing of the inventory. This must be done at least annually at the end of the fiscal year. More frequent counts should be made depending upon the size and vulnerability to misappropriation of the inventory. Compare the count and costing to the inventory record system and to the finance system. All differences should be investigated and explained. (Mohamed, 2003).

2.2.2 Types of Inventory

Inventory can be classified into different varieties depending on the nature of the company (Bhat, 1999).

I). Based on the nature of material

Based on the nature of materials inventories can be classified as production inventory, maintenance, repair, and operating inventories and in-process inventories. Each of them defined as:

Production Inventories: Raw materials, parts, and component which become part of the firm's finished product in the production process.

Maintenance, repair and operating inventories Maintenance, repair, and operating supplies which are consumed in the production process, but which does not become part of finished product such items as lubricants, grease cotton waste and spare parts for machine repairs.

In-Process Inventories: Also known as "work-in-process" or work-in-progress or semi-finished goods inventories – these are parts or sub-assemblies found at various stages in the production process.

Finished Goods Inventories: Completed products kept in stores ready for shipment.

ii). Classified by how it is created

Classify it by how it is created are four types of inventory for an item; cycle, safety, anticipation, and pipeline. They cannot be identified physically; that is, an inventory manager can't look at a pile of widgets and identify which ones are cycle inventory and which ones are pipeline inventory. However, conceptually, each of the four types comes into being in an entirely different way. Once you understand these differences, you can prescribe different ways to reduce inventory (Krajewski, 2003).

Cycle inventories -the portion of total inventory that varies directly with lot size. Lot sizing is the determination of how frequently and in what quantity to order inventory.

Safety stock inventory - is a surplus inventory that a company holds to protect against uncertainties in demand, lead time, and supply.

Anticipation inventory - used to absorb uneven rates of demand or supply, which business often face, is referred to as anticipation inventory.

Pipeline inventor- moving from point to point in the materials flow system, materials move from suppliers to a plant, from one operation to the next in the plant, from the plant to a distribution center to a retailer.

2.2.3 Inventory costing

If the items in inventory are homogenous in nature (identical, except for insignificant differences). It is not necessary for the seller may follow the more conventional practice of using a cost flow assumption. Three flow assumption is widespread use:

First-In, First-Out: With first-in, first-out, the oldest cost (i.e., the first in) is matched against revenue and assigned to cost of goods sold. Conversely, the most recent purchases are assigned to units in ending inventory. For Mueller's nails, the FIFO calculations would look like this.

Last-In, First-Out: Last-in, first-out is just the reverse of FIFO; recent costs are assigned to goods sold while the oldest costs remain in inventory

Average Cost: This assumption value all merchandise unit sold and unit remaining in inventory at the average for unit cost. In effect, the average cost method assumes that the units are withdrawn from inventory in random order.

2.2.4 Types of inventory

Costs in operating an inventory system, managers should consider only those costs that vary directly with the operating in deciding when and how much to reorder Costs independent of operating doctrine are irrelevant. There are four types of inventory costs (Adam and Ebert, 2001),

Procurement Costs are the costs of placing a purchase order, or the setup costs if the item is manufactured at the facility. these costs vary directly with each purchase order placed, carrying (holding) costs are the costs of maintaining the inventory warehouse and protecting the inventoried items, Stock out costs associated with demand when stocks have been depleted, take the form of lost sales or backorder costs, when sales are lost because of stock outs, the firm loses both the profit margin on unmade sales and its customers' good will, Cost of Item the cost or value of the item is usually its purchase price. The amount paid to the supplier for the item.

2.2.5 Inventory Method and cash flow

The cash payment relating to inventory occurs when the supplier is paid. In the statement of cash flow, these outlays are included among the cash payments for operating activity. For manufacturing businesses, these payments represent the company's largest use of cash.

2.2.6 Inventory Categories

Inventories consist of goods owned by a business and held either for use in the manufacturing of products or products waiting for the sale. We typically think of inventories as raw materials, work in process,

finished goods, or merchandise held by the retailer, but depending on the nature of a company's business inventory may consist of virtually any tangible good or raw material. An inventory might consist of component pieces of equipment, bulk commodities such as wheat heating season, or unused storage space, machinery and equipment, for example, are considered operational assets by the company that buys them, but before the sale, they are part of the inventory of the manufacturer who made them. Even a building, during its construction period, is an inventory item for the builder. (Dyckman and Davis, 2003)

2.2.7 Nature of Inventory

Intermediate accounting stated that inventory consists of good held for consumer partially completed goods, materials, and supplies to be used in production. Inventory items are acquired and sold continuously by mechanizing enterprise or acquired place in production, convert to finished product and sold by manufacturing enterprises. The sale of merchandize or finished product is primary source of revenue for must non-service business enterprise. In a retail or merchandizing operation, inventories consist principles of products purchased for resale in their existing form. Aretais enterprise also may have an inventory of supply. Such as wrapping paper, cartons and stationeries.

A manufacturing enterprise has several types of inventory: material part, factory supply, good in process sand finished goods. Material and parts are basic commodities or others products obtained directly from natural resources or acquired from others which will be incorporated physically into the finished product. Factor supplies are similar to material, but the relation to the end product is directly for example in manufacture of shirts, closes is inventories as materials whereas the clearing supplies and the oil to lubricants the machinery are classified as factory supply. Good in process, consists of partially completed products and includes the cast of direct materials, direct labor and factory overhead. Finished goods are item that are completed and ready for sale and include the same cast elements as those good in process (Moushich 1999).

2.2.8 Inventory Management

Inventory management is an important concern for managers in all types of business. For companies that operate on relatively low profit margins, poor inventory management can seriously undermine the business. The challenge is not to pare inventories to the bone to reduce costs or to have plenty around to satisfy all demands, but to have the right amount to achieve the competitive priorities for the business most efficiently (Krajewski, 2003).

Control of inventories is an important aspect of operations management since inventory is working capital. Inventory management includes the following aspects Inventory management is the supervision of non-capitalized assets (inventory) and stock items. A key function of inventory management is to keep a detailed record of each new or returned product as it enters or leaves a warehouse or point of sale. Inventory management is a complex process, particularly for larger organizations, but the basics are

essentially the same regardless of the organization's size or type. In inventory management, goods are delivered into the receiving area of a warehouse in the form of raw materials or components and are put into stock areas or shelves (Murthy, 2003).

Compared to larger organizations with more physical space, in smaller companies, the goods may go directly to the stock area instead of a receiving location, and if the business is a wholesale distributor, the goods may be finished products rather than raw materials or components. The goods are then pulled from the stock areas and moved to production facilities where they are made into finished goods. The finished goods may be returned to stock areas where they are held prior to shipment, or they may be shipped directly to customers. Inventory management uses a variety of data to keep track of the goods as they move through the process, including lot numbers, serial numbers, cost of goods, the number of goods and the dates when they move through the process.

2.2.9 Requirements for Effective Inventory Management

Management has two basic functions concerning inventory. One is to establish how much and when to order. To be effective, management must have this standing, system to keep track of

the inventory on hand and on order, a reliable forecast of demand, including forecast error, knowledge of lead times and variability, estimates of holding, ordering, and shortage costs, and the classification system for inventory (Stevenson, 1999).

2.2.10 Inventory Planning

Inventory planning methods use a common information base to coordinate inventory requirements across multiple locations or stages. In the value-added chain planning activities may occur at the plant warehouse level to coordinate inventorial location of delivery to multiple distribution centers. Planning is also used to coordinate inventory requirements across multiple channel partners such as manufacture of retailers. There are two inventory planning methods namely fair share allocation and distribution requirements planning.

Fair share allocation: Fair share allocation is a simplified inventory management planning method that provides each distribution facility with an equitable or fair share of available inventory from a common source such as a plant warehouse.

Distribution requirements planning (DRP) - DRP is a more sophisticated planning approach that considers multiple distribution stage and the characteristics of each stage. DRP is the logical extension of manufacturing requirements planning (MRP), although there is one fundamental difference between the two techniques. MRP is determined by a production schedule that is defined and controlled by the organization (Bowersox and Closs, 1996).

2.2.11 Types of Inventory System

Main Inventory Control System Types are (According to Mosich, 2016) a perpetual inventory system is a method of inventory management that records real-time transactions of received or sold stock through the use of technology – generally considered a more efficient method than a periodic inventory system

A periodic inventory system or the periodic inventory method is an accounting method in which you determine the amount of inventory at the end of each accounting period or in specified periods. A periodic inventory system only updates the ending inventory balance in the general ledger when a physical inventory count is conducted. Since physical inventory counts are time-consuming, few companies do them more than once a quarter or year. In the meantime, the inventory account in the accounting system continues to show the cost of the inventory that was recorded as of the last physical inventory count.

2.2.12 Function of Inventory

The main function of inventory is to provide operations with an ongoing supply of materials. To achieve this function effectively, your business should strive to find a sweet spot between too much and too little, without ever running out of stock. This successful balance will improve cash flow and profitability, and keep your company running smoothly. Inventory is there to provide your business with exactly the right amount of resources: not so few that you run out of materials, and not so many that you accumulate more than you can use. It also provides to have what you need when you need it, without accumulating more than you can use. Inventory levels will most effectively fulfill their purpose if you develop successful systems for managing and replacing the supply. Inventory management is responsible for overseeing the products available in the inventory and their outward and inward flow.

2.3. Empirical Review

Lebelew (2014) investigated assessment internal control over inventory in bole printing enterprise in Ethiopia. The general objective of the study is to assess the internal control over inventory practices in Bole Printing Enterprise & find out problems related with internal control over inventory. Descriptive study was used to employee with an assumption that helped to generate adequate information about the major challenge in the internal control over inventory. For data collection used both primary data through questioner and Interview .and also used secondary data. The major finding is to find the possible solutions for problems related to the internal control over inventory in case of bole printing enterprises. The result of the research some sections of the enterprise Inventory recording system is manual and controlling system is no networked and computerized. This creates problem of efficiency among the worker of the enterprise and delay of production process and then result delay delivery system of products to customers.

Redwan (2016) was investigated assessment of internal control over fixed assets in the kality metal processing factory in Ethiopia. The general objective of the study was to assess the practice and overall

performance of the internal control system over fixed assets in the Kality Metal Processing Factory. Researcher used descriptive method of research to obtain information and to draw conclusion. The research used both primary and secondary data. The recommended are in areas of internal distribution, movement of goods in and out was not adequately monitored. It is important, therefore, that the factory should emphasize more by holding those responsible to fully inspect at all times every product coming and being issued. Internal controls at the procurement stage acts as a gatekeeper in inventory management and must be given adequate consideration and recognition in the design and implementation of internal control systems.

Josephine (2012) investigated an assessment of internal control system on the image of the hospitality industries in royal mac-dice hotel and capital view hotels. The general objective is to assess an assessment of internal control system on the image of the hospitality industries in royal mac-dic hotel and capital view hotel. The major finding was to tend to address the problem of improper accounting and auditing principles that usually hinder the progress of the organization in terms of keeping business records. He was used descriptive research for research design methods. The sources of data for the research was primary and secondary sources. It is recommended that the management of the hotel should identify ways and means of establishing appropriate internal control procedures with the aim of improving on the system as the findings here revealed that majority of respondents rated the general operations of internal control in the organization as weak. He concluded as it behooves management of Mac Dic Plaza and Capital View Hotel are to institute plans and establish a well-structured internal controls system that would stand the test of time and also improve on the accounting procedures as well as the overall management of their hotels.

Kibru (2010) investigated an assessment on internal control over cash in the case of bank of Abyssinia. The general objective of this study was to assess the internal control of cash in Abyssinia Bank selected branches. The major finding was this research tries to assess the existing internal control over cash in the bank and help to strengthen the controlling system over cash through assessment of problem areas and suggestion of solutions. He was used the descriptive research for research design method. The sources of data for the research was primary and secondary sources. He was stated in the conclusion part the problem of treasury management in internal control of cash gap is not effective. As much as possible the function should send to the head office as the cash limit is above its pick point in every branch of Bank of Abyssinia, otherwise the bank may not get insurance coverage.

2.4 Conclusion and Knowledge Gap

There might be other prior studies that will be corresponding to this study. But, the researchers of this research proposal have accessed the research that was done by researchers in 2016. The Kality Metal Processing Factory is one of such organizations that must have an effective fixed assets control and management system. Otherwise, the organization may not be able to discharge its national role

properly. It is thus with this intention that the researcher decided to conduct the study on the performance of the enterprise's internal control system over its fixed assets. When we come to my research not only study the performance but also the general solution of internal control over inventory systems for the organisations. Due to time, labour and financial constraints, the study was confined to the assessment of the internal control system of the KMPF only on its fixed assets. Hence, it fails to cover internal control systems on other assets of the factory. But in my research study I am going to study the other assets but not only the fixed assets for Zebider organizations.

This studied fills the gap the time of data collections our research uses more recent data but the pervious researchers used old data. Since the collect data would be available as well as most effective. The previse research study contacted the finance division from small sampling size but in our study, we will be increasing the sampling size in order to get more data. Since the recent study was asses only the organization that have good inventory but not assess the problems that occur in the organization internal control over inventory. However, in our study asses the problems of the internal control over the inventory of Zebidar beer factory. In addition to this the recent study use the old data so this may be leads to irrelevant information's but in our study use the new recent data so that it contains the relevant information'

Chapter Three

3 Research Methodology

This chapter was containing the method that the research would use in conducting and the way how the research study reaches to the conclusion.

3.1 Research design

In order to carry out well organized study research method is important. The research method applied in this studied was descriptive research design because the main purpose of the research was to study on internal control over inventory in case of Zebider beer factory. A descriptive study would be used to employee with an assumption that help to generate adequate information about the major challenge in the internal control over inventory. The research methodology had been uses for this study as describe in the following sections which help the researchers to gather all information and necessary data regarding to our research study.

3.2 Research Approach

In order to achieve the objectives of the study, the research was undertaken research approach using both qualitative and quantitative data. In doing so, the study would be intended to describe, and interpret the existing facts about internal control over inventory.

3.3 Target Population

The target population for the study was administration, production, store, and sale and, maintenance which the total number of employee's is 52 in this number of employees 35 is male and others would be females.

3.4. Source of data

3.4.1. Primary Sources

The primary source of the data was collected from closed questionnaire and closed interview with organization manger and, other staff members of employees that works inside the beer factory.

3.4.2. Secondary source

Secondary source of the data was gathered from internal and external written documents of the Zebider beer factory. Such as financial statement, production manual, inventory manuals and so on.

3.5. Data Collection Technique

The researcher was used questionnaire and interview with a random sampling method because this technique is easy to evaluate lots samples and does not take much time. Since by using questionnaire it collected so money data at the same time.by combining the data that gathered from thus two techniques and then takes the relevant data.

3.6. Sample Size and Technique

The total population for this research was 60 these largest populations consist of 16 from the administration, 15 from production, 10from store, and 7 from the sale and, 12 from maintenance. The sample technic used is simple random sampling. The sample size was calculated by

$N/1+(N)(e)^2$ where N is total population, E is error

Then substitute the value $60/1+(60)(0.05)^2$ therefore the sample size is 52

3.7. Method of data analysis and Presentation

The researcher was used the necessary qualitative and quantitative methods to analyze the data collected from a primary and secondary source. Based on the analysis this research would be presenting some conclusions and recommendations. This studied used a descriptive analysis technique and analyze the data collect. The data was collected from primary as well as secondary sources was organizing, tabulate, and summarized. The summarized data is interpreted in percentages, tables, and figures.

Chapter Four

4. Data Presentation, Analysis and Interpretations

4.1. Background Information of the Respondents

The study tries to assess the internal control system over inventory in Zebidar brewer factory. The assessment focuses based on important principles of inventory management. The Technique that is used is random Sampling. The population size of the study is 60 from this most of the respondents are from this the sample size is 52. but most of the respondents are from finance department.

Table 4. 1: Sex distribution of the respondents

Item	Alternatives	Responses	
		Number	Percentage
	Male	35	67.3
	Female	17	32.6
	Total	52	100

Source: Field survey, 2020

As shown in table 4.1. Above 67.3 % of the respondents are male and about 32.6% of the respondents are female. This indicates the majority of the respondents are males.

Table 4. 2 Distribution of respondents by level of education.

Item	Alternatives	Responses	
		Numbers	Percentage
Level of education	Below diploma	2	3.84
	Diploma	5	9.6
	Bachelor degree	35	67.3
	Master degree	10	19.23
	Total	52	100

Source: Field survey, 2020

As shown in the above table (4.2), 3.84%, 9.6%, 67.3 %, 19.23%, of the respondents are the following level of education which is below diploma, diploma, Bachelor degree, master respectively. This shows that the majority of the respondents is Bachelor degree and master in their educational status.

Table 4. 3 Filed of the study

Item	Alternatives	Responses	
		Numbers	Percentage
Field of study	Economics	10	19.2
	Accounting	30	57.69
	Law	2	3.8
	Management	8	15.3
	IT	2	3.8
	Total	52	100

Source: Field survey, 2020.

As shown from the above Table (4.3) field of study for respondent are 19.2%,57.69%,3.8%,15.3%,3.8%, economics, accounting, law, management, IT respectively. This indicates that most of the respondents are accounting.

Table 4. 4 Work experience

Item	Alternatives	Responses	
		Numbers	Percentage
Work experience	Belo one year	6	11.5
	2-5 year	30	57.69
	6-9 year	6	11.5
	Above 10 year	10	19.2
	Total	52	100

Source: Field survey, 2020.

As shown in the above Table-4 the study revealed that 11.5 % of the respondents have below one year work experience, 57.69% of them have 2-5 years' experience, 11.5% of the respondents have 6-9 years' experience and 19.2of the respondent's with10 years and above experience. From this most of the respondents have 2-5 years' experience.

Table 4. 5 Position in the company

Item	Alternatives	Responses	
		Numbers	Percentage
Company positions	Purchasing	10	19.23
	Production	2	3.84
	Store	25	48.07
	Marketing	10	19.23
	Inventory control	5	9.6
	Total	52	100

Source: Field survey, 2020.

As shown in the above table 4.5 the company positions of the respondents are given as 19.23% Purchasing, 3.84% Productions, 48.07 % store, 19.23% marketing, and 9.6% inventory control. From this most of the respondents are work in store position of the company

Table 4. 6 Employment of the respondent's

Item	Alternative	Responses	
		Number	Percentage
Employment	Permanent	52	100
	Temporary		
	Total	52	100

Source: Field survey, 2020.

As shown from the above table all of the respondents are the permanent employee inside the company

4.2 Inventory Recording and Counting Methods

Table 4. 7 Type of inventory

Item	Alternatives	Responses	
		Numbers	Percentage
Type of inventory	Production	2	3.84
	Raw material	5	9.6
	Work in process	35	67.3
	Finished good	10	19.23
	Total	52	100

Source: Field survey, 2020.

As shown from the above tables the type of inventory used in the company are 67.3% work in process, 19.23% finished good, 3.84% production, and 9.6 raw material. From this the company use the work in process in most case

Table 4. 8 Type of inventory recording system

Item	Alternatives	Responses	
		Numbers	Percentage
inventory recording system	Computerized	30	57.69
	Manual	12	23.07
	Both	10	19.23
	Total	52	100

Source: Field survey, 2020.

According to table-4.8 above 57.69% responded they used computerized system, 23.07% manual and 19.23.33% both computerized and manual. From this the company use computerized recording system

Table 4. 9type of inventory counting system

Item	Alternative	Responses	
		Number	Percentage
inventory	Perpetual	20	38.46

counting system	Periodic	25	48.07
	Both	7	13.46
	Total	52	100

Source: Field survey, 2020.

According to table 4.9 above the company use 38.46% Perpetual, 48.07% Periodic, and 13.46 % use both of them. But from this the in most case the company use periodic inventory counting systems. Periodic inventory system calls for counting, measuring, or weighing goods at the end of the period to determine the quantities on hand.

Table 4. 10inventory valuation

Item	Alternative	Responses	
		Number	Percentage
Inventory valuation	First in, first out	35	67.3
	Last in, first out	2	3.8
	Weighted average	15	28.8
	Total	52	100

Source: Field survey, 2020.

From the above table 4.10 the factory uses 67.3% first in first out. 3.8% last in, first out, and 28.8% weighted average for inventory valuation. From this the factory in most case use first in first out inventory valuations First in, first out Treats the first goods purchased or manufactures as the first unit coasted out on sale or issuance. Goods sold (or issued issued) are valued at the oldest unit costs, and goods remaining in inventory are valued at the most recent unit cost amount FIFO can be used with either a periodic or a perpetual inventory system.

Table 4. 11Internal controls over expired items

Item	Alternative	Responses	
		Number	Percentage
inventory counting system	Yes	47	90.38
	No	5	9.61
	Total	52	100

Source: Field survey, 2020.

The above table or presentation shows that 90.38% of the respondent agreed that having internal control enable and avoid inventory expiration. On the other hand, 9.6% of the respondent disagreed on the above assumption, indicating that there is not internal control mechanism to avoid the expired items. The above analysis indicates that there is appropriate internal controlling mechanism over the expired items of inventory.

4.3 Segregation of Duties and Responsibilities in Internal Control over Inventory

Segregation of duties is a primary internal control method intended to prevent, or decrease the risk, errors or irregularities; identify problems; and ensure that corrective action is taken. Responsibilities should be assigned, so an individual or department cannot handle a transaction completely from beginning to end. When duties are divided in this manner, the work of the employee serves to verify that of another and any errors, which occur, tend to be detected promptly.

Table 4. 12 Segregation of duties and responsibilities

Item	Alternative	Responses	
		Number	Percentage
Segregation of duties and responsibilities	Yes	100	100
	No		
	Total	52	100

Source: Field survey, 2020.

The above table shows that 100% of the respondents confirmed that there are segregation of duties and responsibilities for activities. This indicated that segregation of duties and responsibilities has its own positive contribution on the overall inventory control system of the brewer factory.

Table 4. 13 Inventory records and report in the company

Item	Alternative	Responses	
		Number	Percentage
Inventory records and report in the factory	Yes	45	86.53
	No	7	13.46
	Total	52	100

Source: Field survey, 2020

The above table shows that 86.67% of the respondents agreed on the existence of adequate inventory records and reporting system in the company, 13.46% of the respondents disagreed. The 13.46% respondents disagree because there is the absence of well accommodated monthly and annual reports, lack of proper schedule and plan as well as uncomfortable working place for the employees so that they can adequately record the inventory and prepared report

Table 4. 14 material store place

Item	Alternative	Responses	
		Number	Percentage
material store place	Yes	52	100
	No		
	Total	52	100

Source: Field survey, 2020

The above table shows that 100 % of the respondents agreed on the existence a particular place for storing the material and protect carefully.

Table 4. 15environment promote the internal control

Item	Alternatives	Responses	
		Numbers	Percentage

Type of inventory	Strongly agree	12	23.07
	Agree	40	76.9
	Disagree		
	Strongly disagree		
	Total	52	100

Source: Field survey, 2020

The above table 4.15 shows that 76.9 % of the respondents agreed on the environments are promote the internal control in the organizations.

Table 4. 16 awareness on employees of internal control over inventory

Item	Alternative	Responses	
		Number	Percentage
awareness	Excellent	10	19.5
	Very good	30	57.9
	Good	5	9.6
	Fair	7	13.46
	Total	52	100

Source: Field survey, 2020

The above table 4.16 shows that 57.9 % of the respondents agreed on the awareness of the employee in the internal control over inventory is very good.

4.5 Kind of Internal Control over Inventory of the Company

The majority of the respondents confirms the type of internal control over inventory use in the factory are the following.

Finished goods: number of manufactured products in stock that are available for customers to purchase. The brewer that produced by the factory are released into the customers in sufficient way.

Segregation of duties: (also .known as separation of duties) is a key concept of internal controls that aims to prevent fraud and errors: The main concept underlying segregation of duties (SOD) is that no employee or group of employees should be in a position to commit and conceal fraudulent activity or errors in the normal course of their duties.

Proper authorization-> transactions and activities helps ensure that all company activities adhere to established guide lines unless responsible managers authorize another course of action. For example, a

fixed price list may serve as an official authorization of price for a large sales staff.

4.6 Methods of Estimate Inventory Cost

The methods that used to estimate the cost are Average cost- This assumption value all merchandise unit sold and unit remaining in inventory at the average for unit cost. (In effect, the average cost method assumes that the units are with draw from inventory in random order. In addition to this zebidar uses process costing method to value its product and cost, freight and insurance for valuation of inputs.

Chapter Five

5 Summary, Conclusion and Recommendation

5.1. Summary

The overall objective of this study is to address the inventory control practice of Zebidar brewer factory and to find out the problems related with internal control over inventory. The sampling method used to study this research is random sampling technique to select the population and use primary and secondary data obtained through questioners, interview and other documents of the brewer factory. The method used in the analysis was descriptive analysis method like percentage, tables. The research analysis can be summarized as follows.

From the 60 population size the researchers selected 52 sample sizes and out of this, but most of respondents give their response from finance department.

The inventories of the factory are raw materials, work in process, and finished goods. Three stores were used to store raw material, spare parts, general store and finished product. All of the respondent's response segregation of duties and responsibilities has for its activities. 86.13% of the respondents be lived that adequate inventory records and reports are properly done and the rest 13.46% disagreed on the above procedure. The factory uses the first in, first out costing method. The factory uses periodic inventory system. All of the respondent's responded that obsolete and damage items were reported to the responsible

person. Most of the respondents stated the existence of problem related to inventory Management and control system; those are internal transaction, container transaction, intercompany transaction, management problem, there is no job specification, and employment problem.

From the major findings presented above the following conclusions were drawn. The factory uses the first in first out costing method. Because the product that first produced in the company sells first. This shows that there need evaluation and change the system of the factory regarding material received and order practices. Some sections of the factory Inventory recording system is manual and computerized. But in most case the company uses computerized system. The factory uses periodic inventory system. But periodic inventory system cannot make factory enable to know the balance of cost of goods sold and inventory account exist all the time

5.2. Conclusion

The general objective of the study is to assess internal control over inventory and suggest possible solutions for problems related to the internal control over inventory. In order to enhance the effectiveness of the internal control system, the researchers present the conclusions reached and the possible recommendations in the subsequent paragraphs.

Internal control over inventory is essential to all organizations in order to achieve the predetermined goal and to assure the existence of the brewer in the factory for the long period of time or for infinite period. If the organizations have written policies, rules, procedures, and principles the management process of inventories is become too simple and easy to manage. Otherwise, the following basic purpose of internal control over inventory will be misused, protecting of resources against waste, ensuring the reliability of accounting data, evaluating employees, and the like.

It is difficult without inventory internal control rules and procedures to handle the activities efficiently and effectively by the employees of the organization. Because there will have personal decision in the company with their perception.

The researchers are concerned on internal control over inventory, because inventories are important assets to most businesses and typically, they represent the largest current asset of manufacturing and retail firms. Inventory accounting methods and management practices are bases for profit-enhancing tools. Better inventory controlling system can increase profitability; poorly conceived systems can drain profit and put a business at a competitive disadvantage. Even though, the inventory controlling system of zebider brewer factory it seems good, the recording system of inventory controlling is computerized for most sections.

From the major findings presented above the following conclusions were drawn. The brewer factory uses the first in, first out costing method. Some sections of the factory Inventory recording system is manual and computerized. The factory uses periodic inventory system. But periodic inventory system cannot make factory enable to know the balance of cost of products sold and inventory account exist all the time.

5.3. Recommendation

Based on the findings discussed in the conclusion part of this chapter the researcher provides the following recommendation to point out certain resolution for the internal control over inventory of zebider brewer factory to achieve better results. It is known that internal control over inventory is a very significant portion not only of current asset, but also of total assets. Although many inventory items may appear to be relatively insignificant in the aggregate. They can have considerable value, so safeguarding inventories is as important as protecting cash, so inventories need to have high internal controlling system. Hence, the researchers suggest the following for better and successful undertaking of internal control over inventories. Improving recording system (Computerizing) in order to enhance performance, reduce redundancy documentation and to avoid management cost related with it. In addition, computerized system improves production process and delivery of products on time to customers.

The factory better to use periodic inventory system rather than perpetual inventory system, because for counting, measuring, and weighting goods at the end of the period to determine quantities on hand

The factory should build well designed store, this includes layout, strong media (bins, shelves, and open space), and proper utilization of storage space for better receiving and issuing procedures.

The brewer should change its fixed purchasing system of inventory because .it leads to delayed delivery, shortage of materials, loss of customers and distortion of production process.

Providing efficient and effective services motivates the willingly committed and capable customer to be loyal to the organization. Hence, the brewer factory should be customer oriented. Finally, the inventory management and control division of the brewer factory is required to build enough storage space and the purchasing activity should be fast, besides, the factory need to use computerized rather than manual system`

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Appendix

WOLKITE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

Questionnaires for Managers and employee for zebider brewer factory

This study is entitled role and challenge of internal control over inventory in the case Zebider brewer. The researchers are currently undergraduate student in Accounting at Wolkite University. The purpose of this questionnaire is to gather data for the proposed study, and hence you are kindly requested to assist the successful completion of the study by providing the necessary information. Your participation is entirely voluntary and the questionnaire is completely anonymous. I confirm you that the information you share will stay confidential and only used for the aforementioned academic purpose. So, your genuine, frank and timely responses it for the success of the study. I want to thank you in advance for your kind cooperation and dedication of your precious time to fill this questionnaire.

Please Note:

1. No need of writing your name.
2. Indicate your answer with a check mark (√) on the appropriate block/cell for all questions.
- 3 Write your answer for questions which does not have choice on the space provided.

Part I - Profile of the respondent

1. Gender Male Female
2. Education Level:
- | | | | |
|------------------------|--------------------------|-----------------|--------------------------|
| Below | <input type="checkbox"/> | Bachelor degree | <input type="checkbox"/> |
| Diploma | <input type="checkbox"/> | Master Degree | <input type="checkbox"/> |
| Other (please specify) | <hr/> | | |

3. Field of study:

Economics

Accounting

Law

IT

Management

other

4. Your work experience (In year)

Below one year

6-9years

2-5 years

above 10years

Other (please specify) _____

5 Your position in the company

Purchasing

Store

Production

Marketing

6. Employment

Permanent

Temporary

Part II- Inventory recording & counting methods

7. What Type of Inventory does your Zebider Brewery have?

A Production Inventory

B Raw material Inventory

C Work in Process Inventory

D Finished goods

Other (please specify) _____

8. What kind of inventory recording system does the enterprise use?

Computerize

manual

Both

9 What type of inventory counting system does the company use?

Periodic Inventory System

Perpetual Inventory System

Other specifies _____

10 Which of the following inventory valuation is used by the Enterprise?

First in first out

Weighted Average

Last in first out

other specifies _____

Please specify why you use the selected valuation

11. Is there internal control about the avoidance of expired items in inventory?

Yes

No

Part III- Segregation of duties & Responsibilities

12 Is there segregation of duties and responsibilities for its activities, like recording, storing and authorization of inventory transactions?

Yes

No

If your answer is No, why?

13. Does the company accurately & completely record the inventor movement?

Yes

No

If the answer is yes what type of Procedures and principles does it follow?

14Do you think the material stored in a particular place and protected carefully

Yes, No,

We don't know

15 Do you agree that the environment in which the internal control promote?
Independence in your organization?

Strongly Agree

Disagree

Agree

Strongly Disagree

16 How do you evaluate the awareness of employees on awareness of internal control over
inventory?

Excellent

Very good

Good

poor

Fair

Interview with Administration, From Production, From Store

- i. What kind of internal control over inventory the company have?
 - ii. What are the method that the Zebider beer factory estimate its inventory cost?
- 