



**WOLKITE UNIVERSITY**

**COLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**Assessment of inventory management system in public institutions, case of Wolkite University**

**A research paper submitted to college of business and economics Department of Accounting and Finance for Partial Fulfillment of the Requirement for the Degree (B.sc) In Accounting and Finance.**

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## Acronyms

WKU..... wolkite university

EEU.....Ethiopian electric utility

## *Abstract*

*The purpose of this study was to assess an inventory management system in public institution on the case of Wolkite University. Inventory is a crucial part of an asset in any business firm, organization, large or small industry and public service. Because without inventory items, there is no production or service. Therefore managing the inventory is the essential part of the management part. Generally, effective inventory management is the high success of any company. Therefore, this study concern to assess the inventory management that may be enables that to improve the quality service rendering. The study was employed descriptive research design method. It contained a qualitative and quantities component that enables the researcher to assess the study easily. The study encompasses the main root of the institution inventory management areas. The sampling technique method of the study was purposive targeted population method. The target of the population was 20 staff members. According to the objectives of the study, the key findings of the study revealed that there is a gap on purchasing department with the institution central warehouse that is may be the reason of excess, idle, obsolete inventory items. There is a gap in receiving activity in the central store purchasing department that the dissimilarity of sample purchases and the receiving document lateness. There is lack of computer technology to control and manage inventory system; lack of skilled manpower; the impact of unavailability of inventory items that affect the customer. The researcher recommended for those problems to improve the inventory management system to serve customer with the quality service rendering activities.*

*Key words – inventory, inventory management, and inventory control*

## CHAPTER ONE:

### INTRODUCTION

#### **1.1. Background of the Study**

Inventory is stock materials, which can be stocked as raw materials, work-in-process goods, finished goods and spare parts. Those are considered to be the portion of a business's assets that are ready for sale. Inventory represents one of the most important assets that the businesses possess, because the turnover of inventory represents one of the primary sources of revenue generation and subsequent earnings for any organization. Inventory is also an asset owned by a business that has the express purpose of being sold to a customer or to render services (Ackah & Ghansah, 2016). Every company has their own inventory where each of the company manages the inventory by various ways of managing system. However, the purpose of the inventory is the same. (Mohammad et.al., 2016).Inventories help to maximize customer service by protecting against uncertainty, if we could forecast exactly what customers' want and when, we could plan to meet demand with no uncertainty. In broad terms, customer service is the ability of a company to satisfy the needs of customers. In inventory management, the term is used to describe availability of items when needed and is a measure of inventory management effectiveness. However, demand and the lead-time to get an item are often uncertain; possibly resulting in stock outs and customer dissatisfaction (Chapman, 2010).Inventory management can be interpreted as the avoidance of over investment or under investment in inventories, as an essential step in improving overall operational efficiency. Determination of the right level of investment in inventories, consistent with production operation schedules and prompt services, is the core of inventory management (Sharma, 2006).Inventory management capability directly determines the inventory levels required to achieve desired service levels. More effective inventory management can also result in increased sales revenue. For many organizations, inventory represents their largest single asset, so improved inventory performance can result in efficient service render to customer satisfaction, significant cash flow and profitability improvements. To attain improved performance, inventory managers must make more accurate and timely decisions regarding when and how much to order (Bowersox, 2003).Inventory control can minimizing the idling of men and machines which may arise due to shortage of raw materials, supplies and spare parts by stocking them. It can still avoiding heavy costs occurring due to capital lockup or investment,

Expenses involved in storing and handling as well as ordering inventory. In general inventory management enables to defining policies to guide the inventory control programs, determining the most appropriate organization structure, determining economic order quantity, determination of stock out, determination of safety stock, determining lead time, determination of inventory stats, minimizing of handling and storing cost, effective running of stress (Altekar, 2005) .

## **1.2. Statement of the Problem**

Inventory is one of the main part of the major business's physical assets that is ready to use or will be ready for sale. It can be the raw materials, work in progress, good and finished goods (Ackah & Ghansah, 2016). It is necessary to have physical stock in the system to take care of the anticipated demand because non availability of materials when needed will lead to delays in production or projects or services delivered. However, keeping inventory is not free because there are opportunity costs of "carrying" or "holding" inventory in the organization. Thus, the paradox is that we need inventory, but it is not desirable to have inventory. This paradoxical situation makes inventory management a challenging problem area in materials management (P. Vrat (2014).

Inventory management is the key to any successful business distribution. Inventory management provides everything that everyone needs to know about the receipt and movement of goods, the sale, removal or other disposition of goods, and the precise valuation and status of goods remaining in inventory at any time. And also, effective inventory management allows a distributor to meet or exceed his /her customer's expectations of materials availability with the amount of each item that will maximize the distributor's net profit (Altekar , 2005).

Inventory control management is an important mechanism of achieving organizational performance. Because inventory is a very critical component in every organization, it requires serious managerial consideration since it ties up a lot of firms' capital. However, inventories are essential to satisfy customer demand and to maximize customer service (Chapman, 2010). So, for any organization, managing and controlling inventories is directed to the success of profit making by inventory cost minimization, to insuring cash flow and to rendering quality service to customer.

However, there is a research study done by Girma (2016) on the title of Assessment of Inventory Management and Stock Control Practices in the case of EEU .On his study assesses practices of inventory management and controlling practices, evaluate the inventory and stock control handling tools and evaluating warehouse policy and procedure. The researcher study encompasses only four Addis Ababa region and central warehouses. But on his study Purchasing inventory processes and gap on inventory management may be that will be the main root of the causes of the problem of excesses and obsolete inventory is not included; the impact of unavailability of inventory materials on customer services department not included; holding inventory items, inventory revaluation practice and disposal of inventory items impacts on financial report is not assessed and also the controlling system of inventory items on finance department recording system area not encompassed. In addition other researchers studies related to the title, Demisse (2015), Nganga (2013) and Nzuzza (2015)on their studies, assessed factors affecting the effectiveness of inventory control, on problem area of long purchasing processes system and factors affecting inventory control problem on lack of knowledge and training of employees.

Hence, this research is focused on “Assessment of Inventory Management System in public institutions case Wolkite University "study encompasses problems which other researchers are not assessed. Therefore, more understanding of the gap in inventory management system in a company is the major solution for Wolkite University to improve rendering the quality and efficient service to public.

### **1.3. Basic Research Question**

In light of the problem discussed above the research aims to answer the following research questions:

- \* What is the effectiveness of skill to effectiveness of inventory control?
- \* does the institution theoretical aspect of Inventory management related with the actual practice of inventory management.
- \* What are the institution practices on inventory receiving and handling system?

## **1.4. Objectives of the Study**

The objectives of the study was classified in to general & specific objectives.

### **1.4.1 General Objective**

The general objective of the study is to assess the existing situation of Inventory management in public institution in case of Wolkite University

### **1.4.2 Specific Objective**

In addition to the above general objective, the study aims to:

- \* To examine the effectiveness of staff skill to the effectiveness of inventory control
- \* To compare and contrast the actual practice of WKU inventory management with the theoretical aspect of inventory management.
- \* To assess the institution inventory receiving and handling system

## **1.5. Significance of the Study**

Every research is expected to contribute in some ways to various parties. The study is important to assess inventory management system the case of Wolkite University. Because, the inventory materials have an impact on company services render for its large number of customers. So the study's findings and recommendations are highly important to Wolkite university management for making the right decision to rendering quality customer service by improving their inventory.

Management controlling system. The study is also important to top level management and policy makers of WKU in understanding of the study finding and recommendation to improve their inventory system. In addition to these, the study will serve as information for those who are interested to conduct further study on related topics.

## **1.6. Scope of the study**

Since the main objective of the study is the assessment of inventory management in public institution particularly, Wolkite University the study delimited to examining store department,

production department and purchasing department of the industry in order to investigate the issue in-depth and to make the study manageable.

### **1.7. Organization of the Research Study**

The study is composed of four chapters. The first chapter comprises introductory background of the study, statement of the problem, basic research question, and objective of the study, significance of the study, scope of the study and limitation of the study. While chapter two dwells on the review of related literature. The third chapter deals with research design and methodology, with particular focus on the sources of data, data collection instruments employed the procedure of data collection and the methods of data analysis used. In addition, chapter four discussion and interpretation, chapter five summary, conclude and suggest some recommendations.

## Chapter Two: Literature Review

Literature review means locating literature in variety of sources reading it carefully and thoroughly organizing it information themes along with the line of investigation. This purpose is literature review to establish a familiarity with a body of knowledge and establishes credibility. A review tells a reader that researcher knows the research in an area and knows the major issue and to show the path of prior research and how a current project is linked to it. Therefore, the review shows application of inventory management, which is given the information for use in conducting the textile industry about inventory management and out lays in accordance with accounting principle.

### **2.1. Definition of Inventory Management**

The word inventory has been defined in many ways. Generally, three definitions have been chosen which to be more appropriate to the topic developed in this study.

Inventory are stock of raw materials, work in process and finished good. That appear at numerous points throughout a firm's production and logistic channel (Ballsu 2004, p.326). According to chase Jacobs and Aquilando (2004, p.545) inventory is the stock of any item or resource used in an organization. Whereas Mosich (1988 p.396) inventory is can be defined as the amount of raw materials, finished goods and work in process to be stocked for the smooth running of a plants operation. So a manufacture company will hold stocks as the adequate amount of material resource in a transformation system. Many authors have defined the word management in different ways. Plunket and Ather 1986 defined management as the process of setting and achieving goals through the execution of five basic management functions (Planning, organizing, staffing, directing and controlling that utilize human, Financial and material resource. Therefore, inventory management is the process of tracking product orders keeping adequate amount of products on hand and organizing products in Warehouse and retail location. And also inventory management is the active control program which allows the management of sales, purchases and payments.

## **2.2. Nature of inventories**

An inventory consists of good held for sale to customers, partially completed goods, and material and supplies to be used in production. Inventory items are acquired and sold continuing by a merchandising enterprise or acquired, placed in production, converted to a finished product, and sold by a manufacturing enterprise. The sale of merchandise or finished products is the primary source of revenue for most non service business enterprises (Mosich 1988 p.397).

### **2.2.1. Why inventory hold by Organizations**

Particularly Stevenson (1999 p.77) the reason for hold inventories are discussed in detail in the following paragraphs.

First, inventory helps to project against stock outs, delayed delivers and expected increase in the risk of shortages lays can occurs because of weather conditions, supplies stock outs, delivers of wrong materials, quality problem and soon. The risk of shortage can be reduce by holding safety stock which are stocks in excess of average demand to compensate for variability in demand and lead time.

Second, to decouple operations, historically manufacturing firms have used inventories as buffers between successive operation to maintain continuity of production that would otherwise distributed by events such as breakdown of equipment and accidents that cause apportion at operation to shutdown of temporarily. The problem is resolved, firms have used buffers from supplies and finished goods inventory to buffer sale operation from manufacturing descriptions more recently, company have taken a closer book at buffer inventories recognizing the cost and spaces they require and realizing that finding and eliminating sources of description can greatly decreased the need for decoupling operations.

Third, it also helps to smooth product requirements in a firm may experience seasonal patterns in demand often build up inventories during at seasonal periods to meets very high requirement during certain period.

### **2.2.2. Type of Inventory**

Regarding types of inventory different literatures provide different description of inventory type based on their own task objective. However, for this study the researcher favour the inventory type provided by Stock and Manbert (2001, p 232-235)

Cycle stock is inventory that results from the replenishment process and is required in order to meet demand under condition of certainty that is when the firm can predict demand and reorders times almost perfectly.

Inventories in transit are items that are in route from one location to other. They may be considered parts of cycle stock even though they are not shipped until after they arrive at the destination.

Safety or buffer stock is held in excess of cycle stock because of uncertainty in demand or lead time. The notation is that a portion inventory should be devoted to cover short range variation in demand and lead time.

Seasonal stock is a form of respective stock that involve that accumulation of inventory before a season begins in order to maintain a stable labor force and stable in runs or in the case of agricultural products, inventory accumulated as the result of a growing season that limits availability throughout the years.

Dead stock is inventories that no one want at least immediately. The question is why any organization would incur the costs associated with holding these item rather than simply disposing of them. One reason might be that management expected demand to resume at some point in the future.

### **2.2.3. Requirement for effective inventory management**

Regarding requirements for effective inventory management different literatures describe in different ways based on their own task objective, but for this study the researcher favor particularly Stephenson (1999, p.561-562) describe in his book about requirements for effective inventory management in to four distinct mechanisms that are:-

#### **2.2.4. Inventory count (keep track) the inventory**

This mechanisms to control the inventory, physical count has to be conducted. This count enables to the manager to determine the quantity on hand. Then the manager estimate how much will be demand period prior to the next delivery periods and bases the order quantity on that information.

#### **2.2.5. Demand for cast and lead time information**

Inventories are used to satisfy demand requirement. So, it is essential to have reliable estimate of the amount and timing of demand. Similarly, it is essential to know how long it will take for order to be diverse. In addition, manager need to know the extend to which demand and lead time (the time between submitting and order & receiving it might vary the greater the potential variability the great or the need for additional stock to reduce the risk of shortage between delivers. Thus, there is critical link between forecasting and inventory management.

#### **2.2.6. Cost information holding inventories**

Invites three basic cost holding transaction ordering and shortage costs holding or carrying costs relates to physically having items in shortage costs.

#### **2.2.7. Ordering cost**

Are the cost of ordering and receiving inventory they are the cost that vary with the actual placement on order. These includes determining how much is needed, preparing invoices, shipping costs, inspecting goods up on arrival for quality and quantity and motive goods to temporary storage ordering cost are generally expressed as fixed dollar amount per order regardless of order size shortage costs result when demand exceed the supply of inventory on hand.

#### **2.2.8. Inventory management Techniques**

Different literatures provide different description of inventory management techniques based on their own task objective. However, for this study the researcher favor the inventory management techniques provided by J.Gitman (1997, p.797-802).

#### **2.2.9.Economic order quantity**

One of the major inventory management's problem to be resolved is how much inventory should be added when inventory replaced, if the firm is buying raw material. It has to decide lost

in which it has to be purchased on replacement. If the firm planning a production run the issue is how much production to schedule (how much to make) these problems are called order quantity problems. And the task of the firm is to determine the optimum or economic order quantity (or economic /of size) determining on optimum inventory low involve two types of costs. i.e ordering cost and caring cost.

Economic order quantity is that inventory level that minimize the total ordering and caring cost.

Economic order quantity is that inventory level that minimize the total ordering cost and caring (holding) cost. Ordering cost increase with the number of orders thus the more frequently inventory, on other hand it the firm maintain large inventory levels there will be few orders placed and ordering cost will be relatively small thus ordering costs decrease with increasing size of inventory.

Caring cost vary with inventory size. This behavior is control to that of ordering costs which decline with increase in inventory size, the economic size of inventory would thus depend on tradeoff between caring costs and ordering costs.

Economic order quantity =  $\frac{O}{C}$  where C= Caring cost

C O= ordering cost

Thus, the formula to determine the recording point ~~when~~ safety stock is maintained as follows:

Reorder point = lead x average usage safety stock

### 2.2.10. Stock level

Is one of material cost management techniques. In order to save over stocking or under stocking most of the larger companies adapt scientific approach of fixing stock level. Under stock is when the material in stock is below the required amount over stocking is when excess materials are held in store by the business organization. Therefore, each item of materials should be kept within the appropriate level of materials by fixing stock level. The stock level are re order level, minimum level, maximum level and economic order quantity or re order quantity.

Maximum level is the material at the lowest rate of consumption, which could be expected, if delivery was received in shortest possible time.

The additional of the reorder quantity shows the highest point of material, which would be allowed the formula that determine maximum level is as follows.

Maximum level is as follows:

$$\text{Maximum level} = \text{reorder quantity} + \text{reorder consumption} \times \text{reorder period}$$

Reorder point is the problem how much to order is solves by describing the economic order quantity. Yet the answer should be thought to the record problem when to order. This is the problem of determining the reorder point. The reorder point is that inventory level at which on order should be placed to replenish the inventory. To determine the order point under certainty to be should know lead time, average usage and economic order quantity.

Lead time is the normal takes in replenishing inventory after the order has been placed by certainty that means usage and lead time do not fluctuate under such a situation reorder point is simply that inventory level which will be:-

Reorder point:-  $\text{Lead} \times \text{average usage} + \text{safety stock}$ . It is difficult to reeducate usage and lead time accurately. The demand for materials may fluctuate from day to day or from week to week. Similarly the actual delivery time may be different the delivery problem of stock out. Some minimum or buffer inventory as cushion against un expected increased and delayed on delivery time.

Record level is the level of materials at which purchase requisition is initiated for fresh supplies this level is fixed by reordering when materials fail to the minimum. The formula is:-

$$\text{Minimum level} = \text{reorder consumption} - \text{minimum consumption} \times \text{reorder period}$$

### **2.2.11. Proper storage**

In the internal procedure for purchasing materials are matched by similar procedures for storing and issuing material in order to safeguard the investment. The procedure include storage and insurance materials must be carefully identified stored. Reordered and preserved by the store room clerk. Material requisition is prepared by the factory supervisor and indicates the quantity job number description etc. when the materials are transferred form the store room.

### **2.2.12. Just –in-time inventory control:-**

The just-in-time inventory control is more just on inventory control system, it is a production and management system. Not only is inventory cut down to minimum, but the time and physical distance between the various production operations are also reduced. In addition management is unwilling to trade off costs to develop close relationship with suppliers and promote speedy replenishment of inventory in return for the ability to hold less safety stock (pewon p. 728). The just in time inventory system depends on how well companies manage in suppliers the system puts tremendous pressure on suppliers. They will have to develop adequate system and procedures to satisfactory meet the need of manufactures.

### **2.2.13. Out sourcing**

A few years ago there was a tendency on the part of many companies to manufacture all components in house now more and more companies are adopting the practice out sourcing.

Out sourcing is a system of giving attention to materials according to the degree of their importance. It is not desirable take some degree of control on all the items. The firm should pay maximum attention to those items whose value is highest for this purpose the item will be dried in there categories A,B and C the higher value items are classified as ‘A” items and would be under the highest control ‘C” item represent relatively least value and would be under simple control “B” items fall in between these categories and require reasonable attention of management. The A, B, C analysis can contracts on important items and also known as control by importance and exception.

The following steps are involved in implementing the A, B, C analysis classify the items of inventories determining the expected use in units and the price per unit for each item.

Determine the total value of each item by multiplying the expected units by its units price.

Rank the item in according with the total value giving first rank to the item, with highest total value.

Combine items on the basis of their relative value to form three categories A, B, and C (impandey p. 633)

#### **2.2.14. Inventory turnover**

The inventory turnover ratio indicate the efficiency of the firm in producing and selling its product. It's product calculated by:-

$$\text{Inventory turnover} = \frac{\text{Cost of goods sold}}{\text{Average inventory}}$$

Generally, a high inventory turnover is indicate of good inventory management. If the absolute inventories have to be written off, this will adversely, affect the working capital and liquidity position of the firm. A high inventory turnover may be the result of over low level of inventory replacements are costly for the firm thus to high and too low inventory turnover ratios should be investigated further (impandey, p.123-125).

#### **2.2.15. Inventory control procedures**

One of the most effective of ensuring out investment in inventory under control is to check all item inventory on regular basic once physical check has been carried the result can to be compared with theoretical or book inventories any discrepancies noted and acted on there are two chief method of inventory checking (Willamson, 1998). These are discussed in detail in the following subsection paragraph.

#### **2.2.16. Perpetual inventory**

Is concerned with the recording at they occur of inventory in either quantity or quality and value. The item perpetual inventory usually refers to a system of inventory monitor control rather than an inventory taking procedure with prefectural inventory every item at inventory usually has it own stores ledger card as any transaction affecting on item take place the store ledger card is

up dated whether it be an issue or receipt or goods at any time therefore the balance in inventory at the item is known and can simple be read from the stores ledger card.

### **2.2.17. Periodic inventory**

This is the process of counting valuing, selected item at different items on routing basis. In this way every inventory item has an equal chance of being checked at any time and in the long will be checked at least once run all item in addition to the use of random numbers entering that all item are checked at least once in accounting periods. In this way not only can the physical and the theoretical balance be checked against each other's, but also any discrepancies can be corrected for after all investigation are carried out in to how they occurred any discrepancies that arise must be reported and depict with immediately, the more serious discrepancies may be a matter for a change of policy or policy action. Annual inventory check it is a periodic inventory check and is most usually carried out as part of the annual audit all items is most usually carried out as part of the annual inventory checked carried at one time because the annual inventory checked usually carried out at part at the annual audit there will usually be an external auditors in attendance at inventory check which insure that the results obtained are open to independent security.

Analysis of investment in inventory it is a major responsibility of the finical manager to oversee the movement of inventory is an investment decision. The analysis should therefore, involve an evaluation of the profitability of investment decision. The goal of the inventory policy will maximize the firm value at a point the inventory policy will maximize at which inter mental or marginal return from the investment in inventory equals the incremental or marginal cost of funds used to finance the investment inventory.

The incremental analysis should be used to compute the value of operating profit investment, inventory rate of return and cost of funds. A change in inventory policy is describe if the incremental rate of return exceeds the required rate of return.

## **2.3 Empirical review**

Different studies have been conducted by varies researchers, concerning the practices of inventory management aim to investigating and control both public and private body with the general practices in such companies. More of them have a problem of managing inventory items.

Ackah & Ghansha (2016) by their study, on the title of Assessment of Inventory Management, the researchers assessed the Performance of the Production Sector to find out how the management of inventory within work would be effective and bring a lot of cost savings for the organization to increase organizational profitability. In order to reduce the cost of holding to ensure the continuity of supply at the same time shows, how the management of inventory within operational works would be effective and bring a lot of cost savings to the organization. Therefore increasing organizational profitability since inventory represents the asset account. Despite the growing concern for non-stock procurement policies, inventory continues to play a vital role within organization supply chain (Ackah & Ghansha 2016).

According Girma (2016), studies on title of the assessed the problems of inventory management and stock recorded handling in the warehouse. He stated his finding that the major problems of inventory management are- Lack of attention of store management, lack of assigned qualified employees to the right position on the right time, no planning mechanism to solve problems to improve inventory management and controlling system and lack of work performance evaluation of employees of the warehouse. The warehouse management and employees are working on inventory management and controlling function facing with lack of knowledge or skill to meet the expected performance. The company inventory items kept unsafely, misused of some materials and improper guidelines work manual. The researcher also gave his comment on the company concerning the periodic and perpetual inventory system, company should attention to inventory management, plan and evaluate warehouse employees performance, approve employees who are assigned in warehouse and prepare work related policies and procedures concerning to inventory management and controlling system.

Chan (2015) by her study of she said that, examine the association between inventory management and ineffective internal controls and hypothesize those managers found in firms with inventory-related material weaknesses in internal control are delayed in their inventory management, thus their firms experienced more stock shortages and overages. The company and have a higher possibility and magnitude of inventory impairments. It shown the weak evidence is that inventory turnovers improve when the weaknesses are corrected.

Demisse (2015), Nganga (2013) and Nzuza (2015) on their studies, assessed factors affecting the effectiveness of inventory control, on problem area of long purchasing processes system and

factors affecting inventory control problem on lack of knowledge and training of employees and also the practices of inventory audit is negatively affected inventory . Ogbo and Ukpere(2014) studies on the effective inventory control management , according to their finding an effective inventory control system drives high inventory cost and storage cost that decreases the organization profitability . Improving inventory control system has a benefit of cost reduction improvising sales effectiveness , reduction of waste, transparency and accountability, easy storage and high inventory utilization .In order to achieve all these, organization have to maintain flexible inventory services.

Keitany, Wanyoike & Richu (2014) they are stated their study on their findings shows that inventory control systems and lead time in materials management, an organization can achieve the benefits of effective use of labor, providing system flexibility, increasing productivity, decreasing lead times, reduction in wastes, reduction in production costs, increased product quality are achieved. The ratings showed that inventory control systems played a vital role in organizational performance, and as such, organizations must ensure that inventory controlling system are highly involved in material management activities hence achieving higher organizational performance.

According to Mwangi and Nymbura (2015), understanding of the challenges faced by organization on poor performance of inventory controlling system, has an advantage to the organization successes. The results clearly indicate the necessity to provide support to organization if they are to successfully manage inventory. Accordingly, support to overcome the identified barriers of inventory 39 management need to be recognized. However, most of the businesses are not confident with inventory management as technique of influencing performance of food processing companies.

Naliaka and Namusonge (2015), on their study, they conclude that the firm's computers are linked with those of the suppliers in a real time environment although with varied responses. The firm at a lesser extent has computerized all its inventory management systems. The study concludes that Unga Group Limited has attained much through inventory control systems. Inventory control system has enhanced timely deliveries, to reduce production costs, to increase product quality, to decreased production cycle time, to reduced wastages, to reduce stock levels and to increase profitability as shown by a general mean of 4.12. The ratings showed that

inventory control systems played a vital role in attaining competitive advantage, and as such, organizations must ensure that inventory control system be highly involved in inventory management activities.

## **2.4 Research gap**

There are many researches done on inventory control management in different problem areas but most of them done on firm's areas, maximum amount of inventory is purchased from abroad with very costly price. In addition to these, the company role is different from other services. Those studies described on the above are not assessed the main core areas of gaps of purchasing inventory controlling system, the finance recording controlling system, the impact of unavailability of inventory on customer service department work performance, the disposal of inventory obsolete items, the excess inventory purchase and idle inventory purchases. Therefore, the assessments of inventory management study encompass those areas under Wolkite University.

## CHAPTER 3

### Research methodology

#### **3.1. Research Design**

In order to achieve the main objective of the study a descriptive research design was used to gather as much information as possible to show the assessment of inventory management system in Wolkite University.

#### **3.2. Source of Data Collection**

The researcher was used the primary data sources because obtained enough information in great depth, avoid on interpretation of the answer for the question. And also, avoid refusal to give the right information as well as it is flexible. The primary data source of this study was included the employees and the related departments such as, purchasing department, production department, store department and also the management. Besides, of primary data source.

#### **3.3. Method of data collection**

The data was obtained from primary data source. The researcher was used the primary data collection technique in order to get first-hand information from the respondents. And the primary data can be collected by preparing a questionnaire. The questionnaire types, which the researcher was used, is structured questionnaire.

#### **3.4. Sample size**

Sample size is the number of items to be selected from the universe to constitute a sample. The size of sample should neither be excessively large nor too small. It should be optimum; an optimum sample is one which fulfills the requirements of efficiency, representativeness, reliability and flexibility. Budgetary constraint must invariably be taken into consideration when we decide the sample and the sample size (Kothari, 2004).

Using all population for data collection is difficult for one researcher. As sampling is using small part of large population to make conclusion about the whole population. The researcher selected 20 respondents from different department such as store department, production department and purchase department through establishing judgmental sampling technique.

### 3.5. Methods of Data Analysis

Descriptive statistics was used to analyze the data. Such as percentage, proportion, table were used to analyze the data using the above method. Data processing is an activity, which involves editing, coding and classifying data to make it suitable for further analysis, then the compiled data has processed. After all the relevant data has been collected and processed, then they have been analysis has further transformation of the processed data groups.

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND DISCUSSION

#### 4.1 Introduction

In this chapter, the data collected during the research was analyzed and reported. This study was executed to achieve the stated objectives. This chapter looked at the realized sample in comparison to the planned sample, consequently resulting to the response rate derived for the study. The realized sample became a representation of the study's results and findings as per the administered questionnaires to the selected respondents. The sample respondents were derived from different department of inventory management in Wolkite University. Data collected was presented in the form of frequency distribution tables, bar graphs and pie charts. A total of 20 responses/Questionnaires were received out of a possible 20 Questionnaires.

#### 4.2 Demographic characteristics

##### 4.2.1 Educational status

The respondents education level result indicates that 2(10%) out of 20(100%) respondents have a diploma the remaining 18(90%) out of 20(100%) at degree level.

**Table 4.1 educational status**

Education status	frequency	percentage
------------------	-----------	------------

Diploma	2	10%
Degree	18	90%
Other specify	-	0%
experience	-	0%
total	20	100%

Source; questionnaire 2013

#### 4.2.2 Sex of the respondent

The respondents sex result indicate that 2(10%) are female and the remaining 18(90%) out of 20(100%) are male.

**Table 4.2 sex of respondents**

Sex	Frequency	percentage
Male	18	100%
Female	2	10%
total	20	100%

Source; questionnaire 2013

#### 4.3 experience in working place

As it can be seen from the below information 14(70%)% of the respondents have two up to five years' experience,5(25%) of the respondents have 6 to 10 years' experience. and the rest of 1(5%%) of the respondent have less than one years' experience.

**Table 4.3 experience in working place**

Experience	frequency	Percentage
Less than one year	1	5%
2 to 5 year	14	70%
6 to 10 year	5	25%
11 to 15 year	-	0%
Total	20	100%

Source; questionnaire 2013

#### **4.4 staff skill**

As described in the below table, the respondents were asked to indicate that staff skill affect inventory control. The findings were presented in figure 4.2. From the study findings, majority of the respondents 20(100%) were strongly agree that the staff skills on inventory management affect inventory control.

**Table 4.4 staff skill on inventory management.**

Staff skill on inventory management	frequency	percentage
Strongly agree	20	100%
Somewhat agree	-	0%
Somewhat disagree	-	0%
Strongly disagree	-	0%
Total	20	100%

Source; questionnaire 2013

#### **4.5 send necessary document to warehouse**

According to the below responses, on processes of receiving activity, even if 16(80%) of respondents said that “the necessary receiving document send by purchasing department to warehouse on time,” the others 4(20%) of respondent said that” the document send lately”. This shows that there is a contradiction in between the respondents. In addition to this, on the dissection of interview the conformation described on receiving process is showing as there is no a document dalliance.

**Table 4.5 send necessary document to warehouse.**

The purchasing department sends the necessary document to warehouse for receiving activity	frequency	Percentage
Always they send	16	80%
They send but lately	4	20%
Some time they send	-	0%
Total	20	100%

Source: Questionnaire 2013

#### **4.6 The occurrence of defective inventory materials probability on receiving activities**

The issue of receiving processes the occurrence of getting the defective inventory materials question is 2 (10%) of the respondent responses that “it happens many times”, the others of 18(90%) respondents said that “sometimes we got the defected materials”.

**Table 4.6 defective inventory material probability in receiving activity.**

How many time defective inventory material can be seen in receiving process of your warehouse	frequency	Percentage
Many time	2	10%
Sometime	18	90%
Always	-	0%
Not happen	-	0%
Total	20	100%

Source: questionnaire 2013

#### **4.7 Occurrence of Sample dissimilarity at the time of receiving activities**

As described in the below table questionnaire of the supplier deliver the sample of dissimilarity shown by none of respondent said that “always a problem of dissimilarity is occurring”, 2(10%) of respondents said, “Any problem is not happen”, the majority 18(90%) of respondent said that “sometimes the purchased items have a problem of dissimilarity”.

**Table 4.7 occurrence of sample dissimilarity at the time of receiving activities.**

How your warehouse does have a problem on processes of receiving dissimilarity of purchased Items with sample-received items	frequency	percentage
Some time it happen	18	90%
Always it happen	-	0%
Not happen	2	10%
Others	-	0%
Total	20%	100%

Source; questionnaire 2013.

#### **4.8 Sufficient space to handle inventory items properly**

As presented in the below table the questionnaire of “sufficient space to handle the inventory items in the store”, 3 (15%) of respondents said “for now it is sufficient”, 13(65%) said not sufficient, the others 4(20%) of the respondents said that “have no any spaces”. The interview discussion also indicates that the problem of spacing is the big challenging for warehouse workers activities.

**Table 4.8 sufficient space to handle inventory item properly**

Do you have sufficient spaces to handle the inventory items properly in your warehouse?	frequency	percentage
For now it is sufficient	3	15%
It is not sufficient	13	65%
I have sufficient	4	20%
Others	-	0%
Other	20	100%

Source; questionnaire 2013

**4.9 Problem of obsolete and expired items to keep separately from active stock in order to take action.**

As presented on the below table 4.9 13(65%) of respondent conformed that separately to place the obsolete and expired items lack of sufficient space prevents taking of an action and to handle the items separately. The others of 7(35%) respondent said that, “due to lack of human resource”. they can’t handle separately.

**Table 4.9 problem of obsolete and expire item to keep separately from active stock**

Problem of obsolete and expired items to keep separately from active stock in order to take action.	frequency	percentage
Lack of sufficient place to separate them	13	65%
Due to lack of human resource	7	35%
Total	20	100%

Source; questionnaire 2013

**4.10 damage and theft**

Third questionnaire of materials outside the store is exposed to damage and theft 8(40%) of the respondent is “agree” and 12(60%) of the respondents are “strongly agree”.

**Table 4.10 damage and theft**

Damage and theft	frequency	percentage
Agree	12	60%
Strongly agree	8	40%
disagree	-	0%
Strongly disagree	-	0%
Total	20	100%

Source; questionnaire 2013

#### **4.11. Inventory control system**

As shown in table 4.11, 20 out of 20 or 100% respondent's response that the industry use Periodic, inventory system. Nevertheless, the industry of 0% response the industry use perpetual inventory system. As per the response of respondents, the industry recorded inventory when it occur and every item has its own store ledger card and inventory counted periodically. The researcher understand that on KK textile industry there is a huge quantities and low unit price of its inventory.

**Table 4.11 inventory control system**

Which inventory control system does your institution	frequency	percentage
Perpetual procedure	-	0%
Periodic procedure	20	100%
Both	-	0%
total	20	100%

Source; questionnaire 2013

#### **4.12. Inventory management techniques of the institution.**

As can be seen from table 4.12, 5 out of 25% respondents respond the industry follow economic order quality. This inventory management technique determine that how much inventory is add. When inventory replaced and when to order determine that the recorder point at which an order should be placed an inventory. 4 out of 20 or 20% respondents respond the industry follow just in time, and ABC technique, 7 out of 20 or 35% respondents respond the industry follow stock level its technique in order to guard over stocking or under stock kept material with the appropriate level of the material by fixing stock level, 0(0%) the inventory

management technique follow economic order quantity, ABC techniques stock level and just in time.

**Table 4.12 inventory management technique of the institution**

Which type of inventory management technique does the firm follow?	frequency	percentage
Economic order quantity	5	25%
Just in time	4	20%
ABC technique	4	20%
Stoke level	7	35%
All	-	0%
Total	20	100%

Source; questionnaire 2013

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### **5.1 Summary of Finding**

This study was conducted to assess the inventory management in public institution in the case of Wolkite University. A sample size of the total population of twenty (20) respondent was drawn from wolkite university inventory management department. For collecting primary data, the researcher developed and administered a questionnaire. Based on the findings discussed earlier, the summary, conclusions and recommendations are offered below.

## **5.2 conclusion**

Based on the preceding findings of the study the following conclusions were made; Capable management of inventory system requires an appropriate system of making the decisions to keep track of items in inventory, how much and when the order is applied. In every organization the decision on inventory is based on the facts about the balance of inventory on hand, forecasting demand information, lead-time and time variation, stock cost, ordering cost and shortage cost (Naliaka & Namusonge 2015).

However, according to the study finding of the institution ,WKU inventory management purchasing practices have a big gaps between the central warehouse and purchasing department. There is also a problem of dissimilarity of the purchased inventory with bid won sample purchased inventory items to receive. Due to the supplier exchanges the real winning sample with the fake inventory items that results to practice the corruption in the activity of bidding.

The institution warehouse is occupied by obsolete, idle materials and expired materials which can incur high storage cost to the company. This uncomfortable place forced to keep the inventory items out of the store without any shelter.

The human resources work in warehouse has a gap of skilled, knowledge and education as well as, finance workers who work on material accounts has a gap on skilling knowledge in controlling inventory materials.

### **5.3. Recommendations**

- Institution warehouse department should improve the inventory record handling system by practicing computer technology and supporting by skilled work force. The institution material and property finance department should pay attention for the problems that shown due to wrong recording, posting, allocation of accounts and stock numbers
- The institution logistic and warehouse department should give attention to solve the problems of inventory material handling system that shown on warehouse due to obsolete, excess and idle inventory items occupied in every warehouse and out of warehouse that is the big problem and challenge for the warehouse workers to handling the inventory items as required.
- The institution should pay attention for defective inventory that sent for receiving department because the result show that there are more defective inventory's.
- From the study, finding it is recommended that the management should emphasize on inventory those handle in warehouse because it is not sufficient.
- Following the study finding it is recommended that the management should emphasize on inventory damaging and about theft inventory

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**Appendix**  
**Wolkite University**  
**Collage of Business and Economics**  
**Department of accounting and finance**

Dear respondents

The purpose of this questionnaire is to collect data for the thesis project tin requirement for partial fulfillment of B.Sc. degree in accounting and finance in Wolkite University. You genuine

response for the following questions is extremely important for the successful completion of this paper, the information your provide is used only for the purpose indicated and will be kept highly confidential.

I would like to thank you in advance for your cooperation and for inviable time.

### Section (A) general information

1) Education status

A).Diploma  B) Degree C) Other specify D) Experience

2). Age 18 – 25  B) 26 – 35 C) 36-42 D). 42- 66

3. Sex: A). Male  B).Female

### Section (B) Main information

1. How many years have you been working in area of inventory control or Supply?

Chain & distribution activity?

A) Less than 1 year  B) 2 to 5 year's  C) 6 to 10 years  D) 11 to 15 year's

15+ years.

2. Have you taken pre /post-employment training on inventory control/Supply Chain?

Management? Yes () No ()

3. If your answer is yes to question #5 what is your level of training?

A) Certificate () B) Diploma () C) Degree () D) None () E) Others, please

specify\_\_\_\_\_

4. To what extent do agree that staff skills on inventory management affect inventory

Control?

A) Strongly disagree () B) Somewhat disagree () C) Neither agree nor disagree ()

D) Somewhat Agree () E) strongly agree ()

5. How does the purchasing department practiced on sending the necessary document of purchased items to your warehouse for processing the receiving activity?

A, always they send () B, they send but lately ()

C, sometimes they send () D, not send ()

6. How many times a defective inventory material can be seen in receiving process of your Warehouse?

A, many times () B, sometimes () C, always () D, not happen ()

7. How your warehouse does have a problem on processes of receiving dissimilarity of purchased Items with sample-received items.

A, sometimes it happens () B, always it happens () C, not happens () D, others\_\_\_\_\_

8. Do you have sufficient spaces to handle the inventory items properly in your warehouse?

A, for now it is sufficient () B, it is not sufficient ()

C, no, I have not () D, others\_\_\_\_\_

9. What is the main problem in your warehouse to keep the obsolete items, fast moveable and slow moveable items separately for the best handling system?

A, Lack of sufficient place to separate them ()

B, due to lack of human resource ()

C, others \_\_\_\_\_

10. Do you agree that the stock materials, which were kept out side of the stores for a long time, could be exposed to damage and theft?

A, agree () B, strongly agree () C, disagree () D, strongly disagree ()

11. Which inventory system procedure does the industry use?

A, Perpetual procedure () B, Periodic procedure () C, Both ()

12. Which type of inventory management technique does the industry follow?

A, Economic order quantity () B, just in time () C, ABC technique () D, Stock level ()

E, All the above ()

13. Does your industry has policies and procedures to keep inventory level that avoid excess inventory?

A, Yes () B, No ()

14. Is there optimal level of inventory management the industry?

A, yes () B, No ()