NVENTORY CONTROL

Inventory means the value of stores held under stock in various depots including scrap and various suspense heads.

All stocks on hand whether with the stores department of the Railway represents funds that are blocked up and unproductive. While stocks should be such that the stores required by the consumers at any time are available readily, they should also be as minimum as possible, so that the blocked up capital is kept low.

The term inventory control refers to the method by which inventory holding is regulated within the pre determined limits stipulated by the administration from time to time. IC is the modern method of planning, forecasting and storing without hindering the production and distribution of right quantity and quality materials. It is a systematic method of What, When, Where and How much to procure and how much to keep in stock within a period of time.

Prime Objective of an Inventory Control:

- To keep down the investment of the inventory
- Reduce inventory carrying cost and inventory ordering cost
- Providing satisfactory service to the consumer by balanced flow of materials with the least cost
- No out of stock and no over stock
- To minimise the idling of men / machines / materials.

The inventory control is effected through

1. Proper care in forecasting of demands
2. Proper care in provisioning
3. maintaining optimum level of inventory
4. Identification of surplus stores and their disposal
5. Variety deduction
6. Care in introduction of new items of stocking
7. Disposal of over stocks
8. Value analysis, standardisation & cost analysis
9. Make or buy decision
10. Speedy disposal of scrap and other obsolete materials
11. Disposal of stock sheets
12. Clearance of suspense accounts
13. Making out suitable policy and procedure having an impact on inventory control
14. Maintaining EOQ in procurement

Implementation of Inventory control

The management requires up to date information regarding the position and stock status of the items and to take immediate remedial/corrective action to initiated if anything goes wrong in the middle of action. This job is done by the computer at the earliest possible. It also helps the administration to adopt the principles management by exception.

The computer helps the management for making an effective inventory control mainly in these four areas.

1) **Action** – often associated with unforeseen circumstances that call for emergency action ie. when stocks reach danger level

2) **Review** – periodic feed back to facilitate the review required to keep the inventory target.
3) **Planning** – inter –depot and inter –railway transfers are arranged.
4) **Policy** – deciding on recoupment policy, delegation of powers, inventory levels/safety stock etc. this paved the way to the identification of areas for critical examination.
5) **Ways and means** – Integration and team work, simplified office procedures.

Efficiency of **Inventory Management system** is generally measured by two parameters.

1. **Service Level** – This is the percentage of compliance of demands of users. This level is set up by top management top provide 100% of service level by meeting out the demands of the user/customer in the most economic way.
2. **Inventory Turn Over Ratio** – This is the measure of average stock held in stock at a time. It is measured in percentage based on this formula.

Turn Over Ratio (TOR) = Average value of stocks of all materials held in stock
Total value of issues made during the year.

$$\textbf{TOR in \%} = \frac{\text{Closing Balance} \times 100}{\text{Total value of issues made form 1st April to 31st March}}$$