

RevoTech Nepal Pvt. Ltd.

# Inventory and Accounting Management System

Research Report

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# **Inventory and Accounting Management System**

- **Introduction to Inventory:**

Inventory refers to all the items, goods, merchandise, and materials held by a business for selling in the market to earn a profit. Example: If a newspaper vendor uses a vehicle to deliver newspapers to the customers, only the newspaper will be considered inventory. The vehicle will be treated as an asset. Inventory is something a business acquires with the intention of selling. Inventory can be bought wholesale and sold at retail, or inventory can be raw materials and component parts that are crafted into a product that's sold to customers.

Inventory for every organization is like the starting point to make their products or services ready for retail purpose. That's when Inventory Management comes in not only handy but very useful and efficient.

- **Inventory Management System:**

Inventory management software is a professional tool for businesses to handle supplies, stocks, or inventory. Smart inventory control is crucial for companies to maximize profits and minimize the use of space required for storage. A professional inventory management tool should do more than keeping the list of items in place. The best inventory management software enables easy tracking of items in stock, managing sale/purchase orders, creating reports to understand the popularity of products, and performing many more tasks. Business keeps track of their supplies to make sure the company runs smoothly. Having a professional inventory management tool, you can schedule alerts for items as per their demand in your store. It will ensure that supplies stay in place, and your business operations stay functional.

- **Purpose of Inventory Management System:**

Let's point out the purposes in points as follows:

- To ensure a continuous supply of materials and stock so that production should not suffer at the time of customers demand.
- To avoid both overstocking and under-stocking of inventory.
- To maintain the availability of materials whenever and wherever required in enough quantity.
- To maintain minimum working capital as required for operational and sales activities.
- To optimize various costs indulged with inventories like purchase cost, carrying a cost, storage cost, etc.
- To keep material cost under control as they contribute to reducing the cost of production.

- To eliminate duplication in ordering stocks.
- To minimize loss through deterioration, pilferage, wastages, and damages.
- To ensure everlasting inventory control so that materials shown in stock ledgers should be physically lying in the warehouse.
- To ensure the quality of goods at reasonable prices.
- To facilitate furnishing of data for short and long-term planning with a controlled inventory.
- To supply the required material continuously.
- To maintain a systematic record of inventory.
- To make stability in price.

- **Use of Inventory Management System:**

Inventories exist because its items must be on hand to perform a process such as fulfilling customer orders or manufacturing a batch of products. One way to gain a better appreciation for why inventory is such a necessity to businesses everywhere is to examine its different uses. Here are six of them:

- **Safety or Buffer Inventory:**

Safety inventory provides a buffer against uncertainty. There is often an uncertainty of demand for one's products. Without safety inventory, there would be lots of missed opportunities when unexpected demand spikes aren't fulfilled because of insufficient stock. Supply uncertainties are another reason for maintaining safety inventory. A supplier might fail to deliver on time because of any number of reasons. For example, the transport of the goods might get delayed because of weather problems or a traffic accident.

- **Raw Materials Inventory:**

If you are a manufacturer or practice delayed differentiation to minimize your safety stock of finished goods, you would have a raw materials inventory. The raw materials could be subassemblies, sub-components, or possibly elemental things like minerals, metals, and wood. It's the 'stuff' required to make your finished product. This allows you to assemble or manufacture your goods without the delay of acquiring your raw materials.

- **Anticipation Inventory:**

When a business anticipates an event that will require more inventory than usual, it acquires anticipation inventory. For example, a business may anticipate increased demand because a competitor will go out of business and will build up inventory for that event. Inventory may be increased because a supplier is going out of business or because the supplier plans to increase its prices in the future.

- **Cycle Inventory:**

Cycle inventory covers normal demand. It's ordered from suppliers in batches, the size of which is determined by factors such as supplier lead times, bulk pricing, shipping costs, and order processing costs. When the batch is used up and gets replaced again, it has 'turned over'. Businesses seek to maximize inventory turnover while minimizing the associated costs. Cycle inventory does not include safety inventory which covers "abnormal" demand or supply problems.

- **Finished Goods Inventory:**

Finished goods inventory is the product you keep on hand so that you can immediately respond to customer orders without the delays of ordering or manufacturing the goods requested in the order. Its purpose is to maintain good customer satisfaction levels.

- **Decoupling Inventory:**

Finished goods are often produced by the flow of materials through a chain of operations or manufacturing centers. Each operation processes the material in some way before the material proceeds to the next operation center. Decoupling inventory allows the operation centers to work independently of each other. In this way, temporary bottlenecks don't affect downstream operations.

- **Introduction To Accounting:**

The purpose of accounting is to provide financial information to the stakeholders of the business: management, investors and creditors. Accounting measures and summarizes the activities of the company and communicates the results to management and other interested parties. Managers need accurate and timely financial data to make intelligent decisions, and accountants are the ones who produce this information. While the accounting process collects the data and presents it in various types of reports, the accountants help interpret the meanings of the reports and suggest ways to use these details to solve business problems. Running a business requires accurate data about the company's assets, liabilities, profits and cash position. Accounting provides this crucial information.

Accounting plays a significant role in evaluating the viability of investments. Proper consideration of an investment demands a careful analysis of costs and projections of expectations for future cash flows. Certain criteria, such as determining hurdles to return on investment, must be met.

- **Accounting Management System:**

An accounting system allows a business to keep track of all types of financial transactions, including purchases (expenses), sales (invoices and income), liabilities (funding, accounts payable), etc. and is capable of generating comprehensive

statistical reports that provide management or interested parties with a clear set of data to aid in the decision-making process. Today, the system used by a company is generally automated and computer-based, using specialized software and/or cloud-based services. However, historically, accounting systems were a complex series of manual calculations and balances.

- **Purpose of Accounting Management System:**

- **Expenses:**

The amount of cash that flows out of the company in exchange for goods or services from another person or company are the expenses. In older accounting software or with a manual system such as Excel, it is necessary to manually enter, balance, and categorize each expense. An automatic accounting system allows quick entry, categorization and automatic balance of expenses.

- **Invoices:**

Creating a professional looking invoice is an important part of developing a positive brand image and building confidence with customers. Today, some accounting systems such as Revo Inventory allow for instant invoice creation with the ability to customize and automatically keep track of paid invoices and income.

- **Funding:**

All the business liabilities, whether accounts payable, bank loans taken to support the business, or mortgages, etc. An accounting system keeps track of these liabilities as payable values and automatically updates the balances as soon a payment is made and accounts are settled.

- **Use Of Accounting Management System:**

- Accounting software helps you track and organize your financial data, giving you an accurate, real-time look at your business's finances.
  - Features like the bank feed and automatic invoicing save you time by automating tedious accounting tasks.
  - Some accounting systems have advanced features or add-ons like payroll, shipping inventory and project management that can streamline other aspects of your business.