ST. MARY'S UNIVERSITY
BUSINESS FACULTY
DEPARTMENT OF ACCOUNTING

AN ASSESSMENT INTERNAL CONTROL OVER INVENTORY IN BOLE PRINTING ENTERPRISE

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JUNE, 2014
ADDIS ABABA

AN ASSESSMENT OF INTERNAL CONTROL OVER INVENTORY IN BOLE PRINTING ENTERPRISE

A SENIOR ESSAY SUBMITTED TO THE DEPARTMENT OF ACCOUNTING BUSINESS FACULTY ST. MARY'S UNIVERSITY

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF BACHELOR OF ARTS IN ACCOUNTING

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Declaration

We, the undersigned, declare that this senior essay/project is our original work prepared under the guidance of Fistum Habite. All sources of material used for the manuscript have been dully acknowledged.

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CHAPTER ONE

1. INTRODUCTION

1.1 Background of the study

For the organization such as printing enterprises, the term inventories are used to 1) Merchandise held for sale in the normal course of business, and 2) Materials in the process of production or held for such use. Inventory is the **raw materials**, **work–in-process goods** and **completely finished goods** that are considered to be the portion of a business's assets that are ready or will be ready for sale. Inventory represents one of the most important assets that most businesses posses, because the turnover of inventory represents one of the primary sources of revenue generation and subsequent earnings for the company's shareholders/owners. Possessing a high amount of inventory for long periods of time is not usually good for a business because of inventory storage, obsolescence and spoilage costs. However, possessing too little inventory isn't good either, because the business runs the risk of losing out on potential sales and potential market share as well. (http:/www.investopedia.com/terms/i/inventory.asp.)

Internal control is an integral process that is effected 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 following general objectives will be achieve:
- o executing orderly, ethical, economical, efficient and effective operations;
- o fulfilling accountability obligations;
- o complying with applicable laws and regulations;
- o Safeguarding resources against loss, misuse and damage.

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. Internal control is 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. The internal control system is intertwined with an entity's activities and is 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

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internal control, it becomes part of an integrated with the basic management processes of planning, executing and monitoring. *(Austrian Court of Audit, 2005.)*

Each department is responsible for safeguarding the organization's assets, whether those assets are in the form of cash, merchandise, or supplies. A system of internal control is needed to ensure that appropriate management of these assets occurs.

1.2 Background of the company

Bole Printing Enterprise before maintaining its current name and owning this building it was established in 1947 E.C by Petros Aslanyan who had an Ethiopian Nationality and Armenian Citizenship. Its started capital was Br 50,000 and one manual printing machine and four employees including the owner. At that time the capacity of the press was limited only to print different envelopes and cinema posters at the place of Ras Mekonen DIdye. From time to time the press built its production capacity, manpower and changed its location to Abakoran Sefer with 100,000 Birr working capital and its name to Central printing press on May 17, 1957 E.C. The press had 75 permanent employees and 8 contract workers and one foreigner totally 84 employees and different printing machineries became public enterprise (owned by the state). On January 1978 E.C Central printing press was transferred to the present building in higher 18 Keble 26 by making merge with Olympia printing press and changes its name to Bole Printing Enterprise. As a result the number of employees increased to 325 with a capital of birr 4,175,086.00. (Annual magazine, Bole printing enterprise, February, 1994 E.C)

After change of government in 1991 E.C in Ethiopian and the expansion of free economy begin, the Ethiopian printing corporation was dismantled by proclamation number 5/1985 E.C .Next to this event Bole Printing Enterprise show tremendous increments regarding to its capital as well as manpower and sales volume from year to year. That is from one manual printing machine to computerize and digital machinery, from 4 employees to over 400 employees and sales volume of around birr 44 million per year respectively. It is clear that variation and quantities of out puts increase parallel to the growth. Some of their products are books, magazines, dairy, calendars, Posters, Commercial labels, Broachers Stamps, Invitation card, receipts & vouchers, exercise

book, newspapers & Postcards are majors. (Annual magazine, Bole printing enterprise, February, 1994 E.C)

The dedicated, experienced and dependable work force and well organized management team as performs their one goal activity through the organizational structure of the enterprise .Accordingly, the recent organizational structure has 3 service departments, 5 functional departments under which different division and service units are coordinated. It is equally important to note that purchasing, marketing ,sales, stores management function are organized in the level of divisions under commercial department and production activity is organized as department level consisting of 4 main divisions and 6 costs centers. All the above facts of dynamic and great improvement, which is relative to similar organizations, has enabled the enterprise to win the Geneva 2001, international gold star for quality award, platinum and other different institutional awards. (Annual magazine, Bole printing enterprise, February, 1994 E.C)

1.3   Statement of the problem

Internal control over inventory is essential to all organizations engaged in press manufacturing in order to achieve their intended objective and to ensure the existence of the enterprise in the industry for the long period of time. In order to ensure such objectives, an organization should 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 enterprise in to bankruptcy.

Poor internal controlling system over inventory and lack of inventory policies and procedure for enterprise engaged in press manufacturing adversely affect the efficiency and effectiveness of activities for the enterprise. Such kinds of problems results in making the enterprises completely lost its assets and become out of the market and stopped its function. Therefore, this study assesses the internal controlling system over inventory in the case of Bole Printing Enterprise.

1.4 Research questions

The research tries to answer the following question:-

 ➢ How does the Enterprise safeguarding the inventory from possible risk?
 ➢ Does the company accurately & completely record the inventory movement?
 ➢ How does the physical security of inventory in the Enterprise look like?
 ➢ How does the Enterprise estimate its inventory cost?

1.5 Objective of the study

This research study has general and specific objectives.

1. General objective of the study

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.

2. Specific Objectives

The specific objectives of the study are:

 • To assess how the company protects inventory from loss, theft and fraud errors
 • To examine the good organization of the Enterprise in handling its inventory
 • To assess over all inventory control systems of the enterprise
 • To assess the segregation of duties and responsibilities in different departments in relation to inventory control

1.6   Significance of the Study

Inventory control constitutes a significance of a company's assets. If the operating result of inventory is not stated correctly in the financial statements of the company, the whole financial position of the company will be distorted and both internal and external users of this information will be misled. Our study is the following significance.

- The result of the study has given insight to the enterprise to revisit its internal controlling system.
- To provide valuable information to employees who had been engaged on inventory control.
- The study can be also used as one reference material for peoples who will undertake further research in this area.

1.7   Scope of the Study

The scope of the study covered only head office of Bole Printing Enterprise. Because other branches are only receiving order from customer and the manufacturing process is done by head office. The research particularly focused on one departments of the enterprise that are finance departments where the internal inventory control is their activity. The study give due attention to inventory control systems, mechanisms, and related problems of the enterprise.

1.8   Definition of Terms

- ➢ **Inventory** is defined as assets that are intended for sale, are in process of being produced for sale or are to be used in producing goods.
- ➢ **First In First Out (FIFO)** this method assumes that the first unit making its way in to inventory is the first sold.
- ➢ **Last In First Out (LIFO)**:- This method assumes that the last unit making its way inventory is sold first.
- ➢ **Average Cost** this method is quite straight forward; it makes the weighted average of all units available for sale during the accounting period end then uses that average cost to determine the value of Cost of Goods Sold ending inventory.

- ➢ **A Perpetual Inventory system u**ses accounting records that continuously disclose the amount of the inventory.
- ➢ **The periodic Inventory system** is used; only the revenue from sales is recorded each time a sale is made. No entry is at the time of the sale to record the cost of the merchandise that has been sold. (**All Sources Intermediate Accounting 3rd edition)**

1.9   Research design and methodology

A **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.

The research methodology has been used for this study as described in the following sections which help the researchers to gather all information and necessary data regarding internal control over inventory of Bole Printing Enterprise.

1.9.1 <u>Population and sampling Technique</u>

The researcher contacted the finance division. From total **population of 50** employees researcher selected 20 employees by using **purposive sampling** technique and 15 of respondents give their response.

1.9.2 Type of Data collection

The methods of data collection has been used in this research work both primary and secondary data.

☞ <u>**Primary Data**</u>

The basic source of information has obtained through **questioner** and **Interview** with the organization financial department staff and inventory control section.

☞ <u>**Secondary Data**</u>

The records available in the organization Such as different **fixed asset registration book, guidelines fixed asset manual are** used.

1.9.3 Data Analysis Technique

The study used **descriptive analysis** technique and analyzed the data collected. The data has collected from **primary** as well as **secondary** sources were organized, tabulated, and summarized. The summarized data is interpreted in **percentages, tables** and **figures**.

1.10 Limitation of the Study

This study was a challenge and make data not exhaustive. Other limitation of this study was, those employees working inventory management area, they were busy and they couldn't fully cooperate with the study. Only 15 were responded out of 20 samples selected.

1.11 Organization of the study

The study are contains four chapters
- The first chapter contains introduction including background of the study, statement of the problem, objective of the study, research methodology, significance of the study, and scope of the study.
- The second chapter contains literature review of internal control over inventories.
- The third chapter contains analysis and evaluation of the enterprise.
- Finally the fourth chapter includes Summary, Conclusions and Recommendations of the research findings.

CHAPTER TWO

2. Literature Review

2.1 Definition of Inventory

Inventory refers to a detailed list of all items in the stock in a particular time such as raw materials, good in process of manufacture, finished products, merchandise purchased for sale, and tangible assets which can be seen, measured and counted. In connection with financial statement and accounting records, the reference may be to the amount assigned to the stock of goods owned by an enterprise at a particular time.

According to (Sharma, 1999) inventory is defined as:

i. Inventory is detailed list of movable goods.
ii. Inventory is a physical stock of items that a business or production enterprise keeps in hand for efficient running of affairs or its production.
iii. Inventory is the quantity of goods, raw materials or other resources that are idle at any given time.

Inventories consist of raw materials, component parts, supplies or finished assemblies etc, which are purchased from an outside source and the goods manufactured in the enterprise itself. In simple words, "inventories" refers to stocks held by the firm.

2.2 Need for 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
- To level out production cycle by producing inventory
- To carry a reserve in order to prevent stock out or lost sales
- To maintain stock while replacement stocks are in transit
- To Protect against variation in demand

- Inventories are vital part of business.

Good inventory internal controls incorporate the following.

- o Written departmental inventory management policy and procedures. Staff must be trained on departmental policy and procedures.
- o 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).
- o An internal inventory system that records all inventory activity, including acquisitions, sales, returns and adjustments.
- o Adjusting the Finance System inventory value for all inventory activity, including acquisitions, sales, returns, and adjustments.
- o 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.
- o 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. (*Praveen Mohamed, 2003)*

2.3 Types of Inventory

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

i). **Based on the nature of materials**

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

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

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

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

D. **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 reduce inventory (Krajewski, 2003).

A. **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.

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

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

D. **Pipeline inventory** - 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.

2.4 Inventory Categories

Inventories consist of goods owned by a business and held either for use in the manufacturing of products or products waiting for sale. We typically think of inventories as raw materials, work in process, finished goods, or merchandise held by retailer, but depending on the nature of a company's business inventory many 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 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).

2.5 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 (According to Murthy, 2003).

➢ Size of the inventory for determining maximum and minimum levels, establishing time schedules, procedures and lot sizes for new orders, working out minimum safety levels, etc.

➢ Providing proper storage facilities that means arranging the receipts, disbursements and procurement of materials, arranging for bins, developing forms for recording transactions, maintenance of storage bins etc.

➢ Assigning responsibilities to carry out inventory control functions.

➢ Providing suitable reports on the overall activity to the management and others concerned.

2.5.1 Requirements for Effective Inventory Management

Management has two basic functions concerning inventory. One is to establish about how much and when to order. To be effective, management must have the following standings (According to Stevenson, 1999).

- ➢ A system to keep track of the inventory on hand and on order.
- ➢ A reliable forecast of demand that includes an indication of possible forecast error.
- ➢ Knowledge of lead times and lead time variability.
- ➢ Reasonable estimates of inventory holding costs, ordering costs and shortage costs.
- ➢ A classification system for inventory items.

2.6 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 (Bowersox and Closs, 1996).

Fair share allocation: Fair share allocation is a simplified inventory management planning method that provides each distribution facility with an equitable or fare 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 enterprise.

2.7 Types of Inventory System

Quantities of inventories on hand are ascertained either through a periodic inventory system or perpetual inventory system (According to Mosich, 1989).

1) **Perpetual Inventory System**
   Perpetual inventory system requires the maintenance of records that offer a running summary of inventory item on hand.

2) **Periodic Inventory System**

   Periodic inventory system calls for counting, measuring, or weighing goods at the end of the period to determine the quantities on hand.

2.8 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: (According to Adam and Ebert, 2001)
1. 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.

2. Carrying (holding) Costs are the costs of maintaining the inventory warehouse and protecting the inventoried items.

3. 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.
4. Cost of Item the cost or value of the item is usually its purchase price. The amount paid to the supplier for the item.

2.9 Valuation of Inventory

After the quantity of goods owned has been determined, the starting point in the valuation process is to ascertain the inventoriable cost elements of goods purchased or products manufactured. For inventory, items purchased from outsiders, the net invoice cost generally is considered to be the inventoriable cost. Net invoice cost is the invoice price of the item less any cash (purchases) discounts available to the purchaser. There are four types of inventory valuation methods (Mosich, 1989).

➢ **Specific cost identification method;-** Requires that each item stocked be specifically marked so that its unit cost be identified at any time where the items involved are lager or expensive or only small quantities are handled, manufactured (Dyckman,Dukes and Davis,2003 ;406)

➢ **First in First out Method**: - 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.

➢ **Last in first out Method:** - Inventory costing matches inventory valued at the most recent unit acquisition cost with current sales revenue. The units remaining in ending inventory are cost at the oldest unit costs incurred.

➢ **Weighted average method: -** of inventory valuation is based on the assumptions that all goods are commingled and that no particular batch of goods is retained in the inventories. Thus, the inventories are valued on the basis of average prices paid for the goods. (Mosich, 1989: 413)

2.10 Overview and Definition of Internal Control

2.10.1 Overview of Internal Control

Internal controls refer to processes implemented by management that provide reasonable assurance of achieving the following objectives, effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws, regulation, and internal policies and procedures (Steinbart, 2003).

2.1O.2 Definition of Internal Control

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. These internal control purposes are sometimes at odds with each other for example many people are pushing for radical business process reengineering so they can have better and faster information and improve operational efficiency others resist those changes because they impede the safeguarding of company assets and require significant changes in managerial policies. The internal control structure consists of the policies and procedures established to provide a reasonable level of assurance that the organizations specific objectives will be achieved. The system provides only reasonable assurance because prohibitively expensive (Steinbart, 2003).

2.11 Functions of Internal Control

Internal control performs three important functions (According to Steinbart, 2003).

1. Preventive controls deter problems before they arise. Hiring highly qualified accounting personnel appropriately segregating employee duties and effectively controlling physical access to assets facilities, and information are effective preventive controls.
2. Detective controls are needed to discover problems as soon as they arise. Examples of defective controls are duplicate checking of calculations and preparing bank reconciliations and monthly trial balances.
3. Corrective controls **-** remedy problems discovered with detective controls. These include procedures taken to identify the cause of a problem correct resulting errors or difficulties and modify the system so that future problems are minimized or eliminated.

2.12 Elements of Internal Control

Internal Control consists of five interrelated elements (According to Steinbart, 2003).

1. Control environment - the core of any business its people their individual attributes, including integrity, ethical value, and competence & the environment in which they operate. They are the engine that drives the organization and the foundation on which everything rests.

2. Control activities: Control policies and procedures must be established and executed to help ensure that actions identified by management, as necessary to address risks to achievement of the organizations objectives are effectively carried out.

3. Risk assessment: The organization must be aware of and deal with the risks it faces. It must set objectives, integrated with the sales, production, marketing, financial, & other activities so that the organization is operating in concert. It must also establish mechanisms to identify analyze and manage the related risks.

4. Information and Communication: surrounding the control activities are information and communication systems. This enable the organization's people to capture and exchange the information needed to conduct, manage and Controls its operation.

5. Monitoring- The entire process must be monitored and modifications made as necessary. Effective monitoring activities exist to assure that critical processes are evaluated on a recurring basis that assesses the quality of performance over time.

2.13 Objectives of Internal Control System

The responsibility for establishing an internal control system is that of the management of an enterprise. As such, the objectives of the internal control system are determined by the management keeping in view its specific requirements which, in turn, depend on the nature of business, volume of operation, etc. In general, however, an internal control system has the following objectives, among others (Gupta, 1996).

A. Adherence to policies and procedures lay down by management -Orderly and efficient conduct of the business is a major concept of the management of any enterprise. To achieve this objective the management lays down a variety of policies and procedures.

B. Safeguarding of Assets-The assets of an enterprise are often susceptible by theft, accidental destruction, etc. It is important to establish polices and procedure to safeguards the assets.

C. Prevention and Detection of Fraud and Error -Prevention and detection of fraud and error is an important function of an internal control system.

D. Accuracy and Completeness of Record and Timely Preparation of Reliable Information- Management require various kinds of information as a basis for a variety of important business decision.

2.14 Scope of Internal Control System

The system of internal control includes the plan of organization and various other methods and procedures. The plan of organization refers to the organizational structure and the methods of assigning authorities and responsibilities. A proper plan of organization is important for 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 internal control system which seeks to determine whether other internal controls are well-designed and properly operated (Gupta, 1996).

2.15 Types of Internal Control

An internal control system has a wide coverage that extends beyond those maters 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).

i) Accounting Controls

Accounting controls are the controls related to the accounting system. Examples include taking physical inventory at year-end and reconciling subsidiary ledgers with controlling accounts. Procedures to safeguard assets also fall in to the category of accounting controls. They are concerned with achieving the following objectives.

A. Transactions are executed in accordance with the management's general or specific authorization, i.e., in accordance with the laid down policies and procedures.

B. 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.

C. Access to assets is permitted only in accordance with management's authorization.

D. The recorded Accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to 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.

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

2.16 Inventory Control

Inventory control is the means by which material of the correct quantity and quality is made available as and when required with due regard to economy in storage and ordering costs, and working capital. It may also be defined as, "the systematic location, storage and recording of goods in such a way that desired degree of service can be made to the operating shops at minimum ultimate cost" (Sharma, 1999).

Inventory control according to (Kumar, 2002) is the technique of maintaining the size of the inventory at some desired level keeping in view the best economic interest of an organization.

2.17 Objectives of Inventory Control

Inadequate control of inventories can result in both under and overstocking of items. Under stocking results in missed deliveries, lost sales, dissatisfied customers, and publication bottlenecks; overstocking unnecessarily ties up funds that might be more productive elsewhere. Inventory management has two main concerns. One is the level of customer service that is to have the right goods, in sufficient quantities, in the right place, at the right time. The other is the costs of ordering and carrying inventories.

The overall objective of inventory management is to achieve satisfactory levels of customer service while keeping inventory costs within reasonable bounds.

Toward this end, the decision maker tries to achieve a balance in stocking (Stevenson, 1999).

2.18 Need of Inventory Control

The necessity of inventory control is to maintain a reserve (store) of goods that will ensure manufacturing according to a production plan based on sales requirements and the lowest possible ultimate cost. Losses from improper inventory control include purchases in excess than what needed and the cost of slowed up production resulting from material not being available when wanted. Each time a machine must be shut down for lack of materials or each time sales must be postponed or cancelled or lack of finished goods. Thus a factory loses money [Sharma, 1999].

To promote smooth factory operation and prevent piling up of stock or idle machine time proper material must be on hand when it is wanted. Proper inventory control can reduce such losses to a great extent (Sharma, 1999].

2.19 Functions of Inventory Control

Inventory control has many functions. The following are the most important functions (According to Sharma, 1999).

A. To run the stores effectively .This includes layout, storing media (bins, shelves and open space etc), utilization of storage space, receiving and issuing procedures etc.
B. To ensure timely availability of material and avoid build up of stock levels.
C. Technical responsibility for the state of materials. This includes methods of storing, maintenance procedures, studies of deterioration and obsolescence.
D. Stock control system physical verification (stock-taking) maintenances of records, ordering policies and procedures for the purchase of goods.
E. Maintenance of specified raw materials: general supplies, work-in-process and component parts in sufficient quantities to meet the demand of production.
F. Protecting the inventory from losses due to improve handling and   storing of goods and un authorized removal from stores.
G. Pricing all materials supplied to the shops so as to estimate material cost.

2.20 Essential Steps in Inventory Control

It is essential that the necessary materials shall be on hand when required and it is just more essential that no more stores shall be carried than in necessary. There are six important quantity standards used as tools to control inventory (Sharma, 1999).

1. The Maximum stores - This term applied to designate the upper limit of the inventory and represents and largest quantity which in the interest economy generally is kept in stores.

2. The Minimum Stores - This term is applied to designate the lower limit of the inventory and represents a reserve or margin of a safety to be used in a case emergency.

3. The Standard Order - It is the quantity to be purchased at any time. Report order for a given product is always for this amount until this is revised.

2.21 Responsibility for Inventory Control

Inventory management and control refers to the planning for optimum quantities of materials at all stages in the production cycle and evolving techniques which would ensure the availability of planned inventories. Four steps are considered for the responsibility of inventory control (Murthy, 2003).

1. Determination of optimum inventory levels and procedures of their review and adjustment.

2. Determination of the degree of control that is required for best resulting.

3. Planning and design of the inventory control system.

4. Planning of the inventory control organization. The last one is to determine an organization structure to handle inventory. From the organizational point of view, inventory control facts can be attached to material management or production planning.

2.22 Essentials of Good Inventory Control System

For an efficient and successful inventory control system, the following elements are to be given due considerable (Murthy, 2003:172).

- ➢ Classification and identification of inventories.
- ➢ Standardization and simplification of inventories (standardization to definite types, sizes and characteristics and simplification by elimination of excess types and sizes of items).
- ➢ Provision of adequate storage facilities to reduce the wastage.
- ➢ Setting different levels and re-order points for each part of the inventory.
- ➢ Fixing economic re-order quantity or size of order at a time.
- ➢ Adequate inventory records, reports and statements.
- ➢ Services of intelligent and experienced personnel (in purchasing, production and sales departments) for handling inventories properly.

2.23 Types of Inventory Control System

There are three basic inventory control systems (According to Datta, 2003)

1. Periodic Review System

This is a time bound system which requires periodic reviews of the stock-level of all items. Here period of review is fixed either, three months, six months or once a year, when requirements of all items are worked out afresh, and the quality is varied. This system works well for, which long lead-times are necessary.

2. Fixed Order Quantity System

Under this system, the order quantity is fixed but the time is varied. This system recognizes the fact that each item the inventory processes its own unique characteristics and optimal quantity. Designing of this system requires consideration of many factors, such as, price, usage rate and other pertinent factors.

3. The Just-In-Time (JIT) Approach

JIT is an operating management philosophy based on that philosophy, a number of specific operating techniques have been developed techniques for manufacturing operations, for production planning and for inventory management. Those dealing with inventory management are products of the JIT decisions made in the manufacturing and the planning areas.

The operating concept of the system is to gear factory output tightly to distribution demand for finished goods, to gear individual feeder production units tightly together and gear the supply of production inventories in the system, including production inventories, are maintained at absolutely minimal levels (Dobler, 1996).

2.24 Benefits of Inventory Control

Scientific inventory control provides the following benefits (According to Kumar, 2002).

1. It improves the liquidity position of the firm by reducing unnecessary trying up to capital in excess inventories.
2. It ensures smooth production operations by maintaining reasonable stocks of materials.
3. It facilitates regular and timely supply to customer through adequate stocks of finished products.
4. It protects the firm against variations in raw materials delivery time.
5. It facilitates production scheduling, avoids shortage of materials and duplicates ordering.
6. It helps to minimize loss by obsolescence, deterioration, damage etc.
7. It enables the firms to take advantage of price fluctuations through economic lot buying when price are law.

2.25 Importance of Inventory Control Filer

Inventories are not control the following problems arise, it includes extra-high stocks "to be on the safe side", constantly proliferating product lines, production overruns, manufacturing capacity problems, inaccurate forecasts, over-stocks on some items and supplies of dying and dead items in inventory (Lipman, 1981).

CHAPTER THREE

3. Data Analysis and Interpretation

3.1 Characteristics of the Study Population

The study tries to assess the internal control system over inventory in Bole Printing Enterprise (BPE). The assessment focuses based on important principles of inventory management.

The Technique that is used is Purposive Sampling. We used purposive sampling technique, since the employee who responds our questionnaires are the concerned person who have full and detail information about the enterprise inventory controlling system. From finance department total population of 50; out of this the researcher has planned to select 20 employees and 15 of respondents give their response.

The data obtained from respondents have been tabulated, analyzed and interpreted using table and figure. Accordingly, the results have been discussed in the following sections in detail.

3.2 Profiles of the Respondents

Table - 1 Profiles of the respondents

Sex	Number	Year of experience	Number of Respondent	Percentage (%)	Education	Number of Respondents	Percentage (%)
Male	8	6 Month -1 year	1	6.66%	BA Degree	12	80%
		2-5	2	13.33%			
Female	7	6-9	3	20%	Advance Diploma	2	13.33%
		10 and above	9	60%	Below Diploma	1	6.67 %
Total	15	Total	15	100%	Total	15	100%

Source: survey result

As shown in the above Table-1 the study revealed that 6.66% of the respondents have 6 months to 1 year work experience, 13.33% of them have 2-5 years experience, 20% of the respondents have 6-9 years experience and 60% of the respondent's with10 years and above experience. The educational background of respondents indicated 80% degree holders, 13.33% advanced diploma and 6.67% vocational school diploma. This indicated that more than half of the employees are highly professional and it has positive implication for effective implementation of enterprise's activities thereby achieve better results.

3.3 Assessment of the Inventory Control Practices in BPE

3.3.1 Type of Inventory

Bole printing enterprise is a service rendering enterprise, which is printing different materials, ordered by the customers. The company has various inventories that are purchased from local and foreign. The Purchased materials are classified as direct and indirect material.

According to the respondents' response we can categories Bole Printing Enterprise inventories in two three types such as **raw materials**, **work in process** and **finished goods**.

1. **Raw Materials Inventories**:- It includes all printing materials that are used for the printing process, such as different kind of paper like, onion skin paper, pink manifold, ivory boarded, leather boarded, wood fire, egg shall art paper chemical, and plate, film and spare parts include all the supplies consumed by the various printing machineries.

2. **Working in Process**: - this category includes all type of product that is not found in the process of production.

3. **Finished goods inventories**: - This type of inventories is the final output of the printing process, which is waiting the customer such as, books, magazines, news paper, dairy, posters, brochures, receipts and vouchers, weeding and other invitation cards, design and color separation service and so many others. The production of those goods depend on customers' orders.

3.3.2 Inventory System

The enterprise uses **periodic inventory system**. In this case **inventory account** and **cost of goods sold** financial figure are non-existent until the physical count is conducted at the end of the year. Therefore, cost of goods sold or cost of sale is computed after the ending inventory figure is computed. (Source based on interview)

Table-2 Internal Inventory control System

Is there adequate Internal Inventory control System	No of Respondent	Percentage (%)
Yes	14	93.33%
No	1	6.67%
Total	15	100%

Source: survey result

As table-3 shows 93.33% of the respondents replied there exits the internal inventory control system within the enterprise & 6.67 replied there is no adequate internal control system.

3.3.3 Inventory Recording and Counting Methods

The enterprise purchase material stock that is enough for a minimum of three months. To minimize the cost of holding inventory they update the point of minimum and maximum quantities for each standard item stocked by using the report of monthly notification of stock level of active items. A physical count is under taken at the end of each period.

Table -3 Inventory records and report in the enterprise

Is there adequate inventory records and reports in the enterprise?	No of Respondent	Percentage (%)
Yes	13	86.67%
No	2	13.33%
Total	15	100%

Source: survey result

The above table shows that 86.67% of the respondents agreed on the existence of adequate inventory records and reporting system in the company, 13.33% of the respondents disagreed. The 13.33% 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 reports.

3.4   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 can not handles 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 Segregation of duties and responsibilities

Is there Segregation of duties and responsibilities for its activities?	No of Respondent	Percentage (%)
Yes	15	100%
No	-	
Total	15	100%

Source: survey result

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

3.5 Inventory Valuation

According to the respondent Bole printing enterprise is an enterprise, which holds different items of inventory to satisfy customer orders. Inventories being continually purchased in a way that are enough for three months of production period cycle and producing products as per customer orders. The products produced by the enterprise, as per order by a customer should not stay more than seven or ten days. Due to this fact, the enterprises use the weighted average costing method because it is easy way of handling customer requests. (Based on the open ended questioners)

3.6 Internal Control over Expired, Obsolete and Damage Items

Internal control over inventory help to know how much used, how much expired and how much obsolete and damage during the production period. In addition protect an enterprise resource from fraud.

Table-5 Internal controls over expired items

Is the internal control of the company compatible and enough to identify and avoid of expired items?	No of Respondent	Percentage (%)
Yes	10	66.67%
No	5	33.33%
Total	**15**	**100%**

Source: survey result

The above table or presentation shows that 66.67% of the respondent agreed that having internal control enable and avoid inventory expiration. On the other hand 33.33% 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.

3.7 Delay an Ordered Materials and Production Process

Delayed deliveries increase the risk of storage. Delays can occur because of weather conditions, suppliers' stock outs; delivery of wrong materials, quality problems.

Table - 6 Placing and receiving material

Is there delay in placing and receiving orders?	No of Respondent	Percentage (%)
Yes	8	53.33%
No	7	46.67%
Total	15	100%

Source: survey result

The above table shows 53.33% of the respondent agreed that there is delay in placing of an orders and receiving ordered materials. The rest 46.67% disagreed on the above description. Those who disagreed said that production and delivery system of the enterprise is not actively organized. There is also delay in purchasing materials for production which causes delay in production process. As a result of delaying deliveries the production schedules and customer service are affected adversely according to the respondents' response. From the above analysis one can infer that the process of placing and ordering materials in the manufacturing activity in the future should be evaluated by the management so that production and delivery to customers can be more effective.

3.8 Storekeeping and Inventory Control

A strong storekeeping is important in any system of materials management. It has been realized that only materials that are on hand; are kept in a store. And it is assumed that inventory records agree with the physical stocks of materials in the store. According to the interview with result of the respondents, the essential ingredients of good storekeeping are availability of adequate storage facilities and qualified personnel for the store management system.

Table - 7 Proper storage facilities for materials

Do you have proper storage facilities for materials purchased?	No of Respondent	Percentage (%)
Yes	10	66.67%
No	5	33.33%
Total	**15**	**100%**

The above table indicates that 66.67% of respondents agreed that the enterprise have proper storage facilities for materials purchased. On the other hand 33.33% of the respondents disagree regarding the handling of materials.

3.9 Internal Control

Effective internal control implies that an organization generates reliable financial reporting and substantially complies with the laws and regulations that apply to it.

Table - 8 Internal controls over inventory

Is the internal control over inventory implemented based on inventory policy and procedure of the enterprise?	No of Respondent	Percentage (%)
Yes	13	86.67%
No	2	13.33%
Total	**15**	**100%**

The above table shows that 83.3% of the respondent agreed that inventory control is based on the enterprise policies and procedure, and the other 16.7% disagree. This indicates that most of enterprises management and employees work according to company's policies and procedures.

3.10 Ordered Materials and Receives

Since ordered materials received on time production processes of the enterprise effectively run and there is no idle time.

Table - 9 Ordered materials and receives on time

Is the enterprise receiving an ordered material on time and record accordingly?	No of Respondent	Percentage (%)
Yes	9	60%
No	6	40%
Total	**15**	**100%**

Source: survey result

The result indicated that 60 % of the respondents agreed and the remaining 40% of the respondents disagree regarding receipt and recording of materials on time. Those respondents disagreed raised that there are many obstacles in the enterprise. BPE are purchased materials from domestic and foreign markets. From the analysis the enterprise does more for efficiency.

3.11 Determining the Cost of Inventory

Bole printing enterprise incurs a huge amount of costs for inventory. These costs of manufacturing are made up of the costs of raw materials and production expenses which include transportation, insurance etc. Then the selling price can be readily determined in light of those costs and some of other costs.

3.12 Inventory Recording System

Table – 10 Type of inventory recording system

What kind of inventory recording system is Bole Printing Enterprise Use?	No of Respondent	Percentage (%)
Computerized	7	46.67%
Manual	3	20%
Both	5	33.33%
Total	15	100%

Source: survey result

According to table-12 above 46.67% responded they used computerized system, 20% manual and 33.33% both computerized and manual. In manual recording system the company use different vouchers like store requisition, stock card, purchase order issue vouchers, inventory count sheet, and goods receiving and return notes.

3.13 Controlling Activities on Purchasing, Storing and Issuing

Regarding the controlling activities on purchasing, storing and issuing, it is better to see the sequential order.

Purchasing

To purchase items the store requisition is issued by user department and upon this purchase requisition is prepared by store section; finally purchase order is prepared by purchasing department.

Storing

Store requisition, purchase requisition and purchase order should be delivered with the materials purchased and credit or sales invoice, so as to Prepare goods receiving report. The accounting and purchasing department prepare overage, shortage and defective goods report.

Issuing store

The issuing vouchers are documents used for issuing of materials purchased to the user department.

3.14 Budget Preparation for Inventory

Budgeting is the key to financial management and an organizational plan stated in monetary terms. Therefore, budget preparation must be done very seriously and precisely to achieve the objectives set forward by the organization.

According to the respondents finance department, cost and budget section are the parties responsible for budget preparation for production process in the enterprise.

3.15 Inventory Management and Control System

Inventory management involves the control of assets being produced for the purpose of sale in the normal course of the company's operations. The goal of effective inventory management is to minimize the total costs (direct and indirect) associated with using and holding inventories. However, the importance of inventory management to the company depends upon the extent of investment in inventory. In organization effective controlling system is used to protect the inventory from losses by improving handling and storing of goods and unauthorized removal of inventory from stores.

3.16 Problems Related to Inventory Management and Control System.

According to the respondent, the following problems are identified

- ➢ Shortage of enough storage space
- ➢ Delay of purchasing
- ➢ Order materials are not timely deliver
- ➢ Controlling system is no networked and computerized

CHAPTER FOUR

4. Summary, Conclusion and Recommendation

4.1. Summary

The overall objective of this study is to address the inventory control practice of BPE and to find out the problems related with internal control over inventory.

The sampling method used to prepare this research is **purposive sampling** technique to select the population and use primary and secondary data obtained through questioners, interview and other documents of the enterprise.

The method used in the analysis was descriptive analysis method like percentage, tables and figures. The research analysis can be summarized as follows.

From the 50 population size the researchers selected 20 sample sizes and out of this, 15 of respondents give their response from finance department.

➤ The inventories of the enterprise are raw materials; work in process, and finished goods. Three stores were used to store raw material, spare parts and finished goods.

➤ All of the respondent's response segregation of duties and responsibilities has for its activities.

➤ 93.33% of the respondents be lived that adequate inventory records and reports are properly done and the rest 6.67% disagreed on the above procedure.

➤ The enterprise uses the weighted average costing method.

➤ The enterprise uses periodic inventory system.

➤ All of the respondent's responded that obsolete and damage items were reported to the responsible person.

➤ 60% of the respondents agreed that ordered materials were received on time and the rest 40% disagreed on the above description.

➤ All of the respondents believed that internal control over inventory is implemented based on inventory polices and procedure of the enterprise.

➤ All of the respondents agreed the purchase section has the responsibility of purchasing materials by preparing purchase order base on the store requisition sheet.

➢ Most of the respondents sated the existence of problem related to inventory management and control system; those are shortage of enough storage space, delay of purchasing and ordered material receipts.

4.2. 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 enterprise in the industry 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 to 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 Bole printing enterprise it seems good, the recording system of inventory controlling is manual for some sections; therefore, the assigned workers need to take on job training in order to improve the work.

From the major findings presented above the following conclusions were drawn.

➢ The enterprise uses the weighted average costing method. This is because it is easy method to handle daily request of customers and calculate its cost on weighted average.

➢ 60% of the respondents agreed that ordered materials were received on time and the rest 40% disagreed on the above description. This shows that there need evaluation and change the system of the enterprise regarding material received and order practices.

➢ 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.

➢ The enterprise uses **periodic inventory system**. But periodic inventory system cannot make enterprise enable to know the balance of cost of **goods sold and inventory account** exist all the time.

➢ Most of the respondents agreed that materials purchased are not properly shelved and there is storage space problem that can accommodate enough amount of inventory. This adversely affects the production process of the enterprise and need immediate solution.

4.3. 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 BPE 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) and networking the manual system in order to enhance performance, reduce redundancy documentation and to avoid management cost related with it. In addition computerized and networked system improves production process and delivery of products on time to customers.
- The enterprise better to use perpetual inventory system rather than periodic inventory system, because it enable the enterprise to know the balance of cost of goods sold and inventory account exist all the time, and record cost of goods sold/cost of sold-inventory at point of sale.
- The enterprise 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 enterprise should change its fixed purchasing system of inventory because it leads to delayed delivery, shortage of materials, lost 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, BPE should be customer oriented.

Finally, the inventory management and control division of the enterprise is required to build enough storage space and the purchasing activity should be fast, besides, the enterprise need to use computerized rather than manual system.

Table of Contents

List of Tables

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St. Mary's University
Faculty of Business
Department of Accounting

Employees' survey questionnaire

Dear participants:

This study is entitled role and challenge of internal control over inventory in the case of Bole Printing Enterprise. "The researchers are currently undergraduate student in Accounting at St. Mary's University. The main purpose of this study is only academic and the survey result will be confidential. Therefore your genuine and honest response is crucial for the success of this study and please provides your genuine and honest response. Thanks in advance for your co-operation.

General instructions

- ➢ You need not to write your name
- ➢ Put (✓) mark on the box and
- ➢ Write your answer for questions which does not have choice on the space provided.

Part I - Profile of the respondent

1. Sex   Male ☐   Female ☐
2. Education Level:
   Below Diploma ☐   Bachelor degree ☐
   Diploma   ☐   Master Degree   ☐

   Other (please specify) _____
3. Field of study:
   Economics   ☐   Accounting ☐   Law ☐
   Management ☐   IT   ☐   Other (Specify) _____

4. Your work experience (In year)

Below one year ☐   6-9 years   ☐

2-5 years   ☐   Above 10 years ☐

Other (please specify) _____

Part II- Inventory recording & counting methods

5. What Type of Inventory does your enterprise have?

☐ Production Inventory

☐ Raw material Inventory

☐ Work in Process Inventory

☐ Finished goods

Other (please specify) _____

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

☐ Computerized

☐ Manual

☐ Both

7. What type of inventory counting system does the company use?

Periodic Inventory System ☐   Perpetual Inventory System ☐

Other (please specify) _____

8. Which of the following inventory valuation is used by the Enterprise?

First in, First-Out   ☐   Weighted Average   ☐

Last-in, First-Out   ☐   Other (please specify) _____

Please specify why you use the selected valuation _____

_____

_____

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

Yes ☐   No ☐

Part III- <u>Segregation of duties & Responsibilities</u>

10. 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? _____

_____

11. How does the enterprise account for budget of materials and which department or section is responsible?

_____

_____

_____

12. Does the company accurately & completely record the inventory movement?

Yes ☐   No ☐

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

_____

_____

_____

13. Is there adequate Inventory records and report in the enterprise?

Yes ☐   No ☐

If your answer is No please specify your reason _____

_____

_____

If your answer is yes please specify your reason _____

_____

_____

14. Do you agree that the environment in which the internal control promote independence in your organization?

a. Strongly Agree ☐   c. Disagree ☐

b. Agree ☐   d. Strongly Disagree ☐

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

Excellent ☐   Very good ☐   Fair ☐

Good ☐   poor ☐

16. How does the Enterprise treats the return of materials to the warehouse due to quality problem?

_____

_____

_____

17. Is there delay in placing and receiving orders?

☐ Yes   ☐ No

If your answer is No (please specify) _____

_____

18. What are the procedures the stores management should follow to record the inventory?

_____

_____

_____

Thank you for your cooperation