ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

AN ASSESSMEN OF INVENTORY MANAGEMENT SYSTEM IN COSMETICS MANUFACTURING IN ZENITH GEBS- ESHET PLC AND YTY COSMETICS MANUFACTURING.

BY:

MERHAWIT AWASH

AUGUST, 2020

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF GRADUATES STUDIES IN PARTIAL FULLFULLMENT OF THE REQUIRMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTATION IN ACCOUNTING AND FINANCE.

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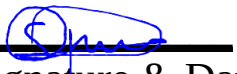
Simon Tareke (Ass Pro)	
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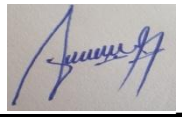
Dr. Misrake Molla	
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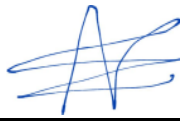
Abreham G/G (Asst.Pro)	
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DECLARATION

I declare that this thesis is my original work and prepared under the guidance of Asst. Professor Simon Tareke. All the sources of material used for this thesis have been duly acknowledged. I further confirm that this thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of awarding any degree

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Student Signature _____

Date _____

Certification

I, the undersigned, certify that, **Merhawit Awash** has conducted her thesis under my guidance and to the best of my knowledge all sources of materials used for the thesis have been duly acknowledged.

Simon Tareke (Ass Pro)_____ _____

Advisor **Signature**

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TABLE OF CONTENTS

LIST OF TABLE

ABSTRACT

The purpose of the study to assess the inventory management system of cosmetics manufacturing in Zenith Gebs-Eshet plc and YTY cosmetics manufacturing. The research adopted descriptive study design and purposive sampling technique. The researcher used a sample size of 80 employees from the target population to act as sample size. The research used questionnaire and observation of the researcher. The collected data were analyzed quantitatively. The finding disclosed that furthermore the management of Zenith Gebs-Eshet plc and YTY cosmetics manufacturing improvement is required in areas like follow up the operations of the inventory management process by strengthening the internal auditor teams, facilitating surprise inventory count and create accountability for those staffs who are negligent to record inventory items. The study result revealed the companies has enough ware house for storing of goods and easy for supervision of materials as well as personnel. However, the companies were not effectively used first in, first out (FIFO) inventory system for managing inventory items and from expire and damage. And the companies have clear Procedures used to control cost buildup and early Receive the purchase goods and entered upon the stock register and also that the product were produced with expired date tag, however the managements were not properly and effectively act to dispose expired items and scrap material timely. More importantly, this study provides strong evidence for the management of the companies because the questioner is collected directly from the employees of the company engaged in inventory management daily operation. From a positive social change perspective, these findings may help to advance inventory management knowledge in cosmetics manufacturing. Finally, this study recommend to revise the company inventory accounting system procedure to use the store in accurate way and to control the items recommends that the managements of the company should work hard to keep on the its superior inventory management activities and try to overcome the shortcomings which were identified by this survey.

Key Words: cosmetics manufacturing, Inventory management, Assessment

CHAPTER ONE

INTRODUCTION

This chapter consists of the background of the study, Background of the Study Setting, statement of the problem, objectives of the study, research questions, significance, and scope, limitation of the study.

1.1 Background of the Study

Inventory is one of the real assets. Inventory is the lifeblood of any business by ensuring that Organizations keep customer by improving responsiveness to orders made by Customers and improved in-house services to other employees. Therefore, organizations need to be strong when managing inventories to ensure that its doesn't Suffer by tying up working capital or fail to retain customers due to shortage of Products or failure to provide a required service, (Tungo, 2014)

Inventory management is one of the important components of working capital management. It involves the progress of providing continuous flow of raw materials to production department. More than 60% of the working capital will normally be invested in the inventory. There can be disadvantage in holding either too much or too little inventory. Therefore, inventory management is primarily concerned with obtaining a correct balance between these two extremes. Decisions relating to inventory is taken primarily by executives in production, purchasing & marketing departments,(Brindha, 2014).

The goal of inventory management is to balance supply and demand in order to keep customers satisfaction to drive profits. The activities of effective and efficient inventory management are critical to any successful business. Inventory management enables to give the right decisions about what to buy how much to buy and when to buy within the capital limits. These are "value decisions." Excessive inventory investments can tie up capital that may be put to better use within other areas of the business. On the other hand, insufficient inventory investment can lead to inventory shortages and a failure to satisfy customer demand. A balance must be struck and

maintained. Generally, it can conclude that inventory management plays a role of coordinating and managing the activities of all business segments, (V.W. & Namusonge, 2015).

According to (Mahyadin et al., 2013),organizations need to manage efficiently inventories in order to prevent all types of wastage including over stocking, pilferage, expiry and stock outs. Factors contributing to those stock outs on one hand and over stocking on the other hand are not very clear, logistics skills level is poor and inventories are not well managed. Personnel dealing with supply chain activities need to be trained in procurement and inventory management as inventories are not well managed and most of the personnel did not know the method specifically to be used in controlling inventory.

1.2 Background of the Study Setting

As Ethiopian Health and Beauty care manufactures Association Shows that recently cosmetics manufacturing company in Ethiopia was expanding in fast way due to the Growth of Economy and impact of Globalization. In Addis Ababa City Administration, there is more than 15 cosmetics manufacturing industry, and for this study the researcher looking the cosmetics manufacturing company located in Akaki kaliti sub city, in this area there is two cosmetics manufacturing company zenith Gebs-Eshet PLC and YTY Cosmetics manufacturing,(Ethiopian Health and Beauty care manufactures Association manual,2004).

Zenith cosmetic:-Establish in 1989 with paid up capital of birr454, 000 in mall rental store in Gullel sub city. The company has grown to its current level step by step in reasonable way very successfully, more over the factory is planning to expand the existing kaliti factory and its new Gelan expansion plants to increase, diversity and modernize its production. Beauty and personal care products currently produced by the company are grouped mainly under skin, hair, personal care, home care and baby care products that are mainly used to maintain, perfume, beauty skin &hair. Under those all products they have more than 100 types of product, (Noble Consultancy Solution, 2014).

YTY cosmetic-Established in 2014 with paid of capital 10,000,000 in Akaki kaliti sub city. The company have established in recently and currently the company produced its product have

beauty and personal care products those are skin, hair, personal care and home care Products and under those all product they have 20 types of product, (https://www.ytyethiopia.com).

Therefore, to ensure cosmetics manufacturing Company growth and productivity, it is important that effective inventory management system to meet the customers' demands on time and to occupy the most strategic position in the target market. Therefore, this study was assessing the inventory management system in cosmetics manufacturing Company in Zenith Gebs-Eshet plc and YTY cosmetics manufacturing.

1.3. Statement of the Problem

The life blood of any organization, whether private or a public productive or service organization is inventory management. Because of shortage of materials to meet sudden increase in customers demand, reduction in profit margin, low returns on equity, wastages of materials, pilferage arising due to excess stock and sleep in communication chains that exist in most industries, inventory management has become mandatory on each and every manager responsible for production in an organization,(Ontita, 2016).

Researcher's studies related to the title(Abederhaman, 2016) the assessment of inventory management practice at pharmaceuticals fund and supplies agency studies the problem on the areas of not clear cut segregation of the duties among employees, lack of qualified person over the store, qualities and limited number of pharmacists and other researcher,(Aschalew, 2016) shows inventory management practices of Anbassa city bus service enterprise, used inventories and spare parts. In addition, other researcher(Shitay, 2017),studies an assessment of inventory management system in the case of Ethiopian electric utility the problem on the area of lack of computer technology to control and manage inventory system; lack of skilled manpower; the impact of unavailability of inventory item.

Hence, those researchers have not investigated their studies on cosmetics industry; the inventory management was different from sectors to sectors based on the nature and property of products. Inventory management in cosmetics industry needs more attention, because it applied on human body. And the researcher observed and got information many people's have exposed to skin problem due to lack of practical inventory management system in such factory. And Ethiopian

Health and Beauty care manufactures Association manual shows that the cosmetic products, beauty and personal care are very sensitive because it applies on human body. So, it need good store, suitable environment in store like cool, dry and keep the product from damage and safe for use. This product need carefulness in the production process period to assure the product is suitable for human body at laboratories before arrival of end user.

And the researcher observed that the problem of inventory management that is concerned on the inventory control and inventory management in the organization. This involves weakness managing the inventory that is already in the ware house, stockroom and As the researcher believe that Inventory management involves determining, how to order products and how much to order as well as identifying the most effective source of supply for each item in each stocking location. Inventory management includes all activities of planning, forecasting and replenishment.

Therefore this study was focused Assessment of Inventory Management System in the cosmetics manufacturing company in Zenith Gebs-Eshet plc and YTY cosmetics manufacturing.

1.4 Basic Research Questions

This study was tried to answer the following basic research questions

- How does the company storing system on finished goods?
- How does the company control over and under stocking on finished product?
- How does the company control product expired date problem?
- What type of procedure used to control and cost build up?

1.5. Objectives of the Study

The objectives of the study was classify in to general & specific objectives

1.6. General Objective

The general objective of the study was the assessment of inventory management system in cosmetics manufacturing company in Zenith Gebs-Eshet plc and YTY cosmetics manufacturing.

1.7. Specific Objective

- To assess storing system on finished goods
- To assess control over and under stocking on finished product
- To assess control product expired date problem
- To assess procedures used to control and cost build up

1.8. Significance of the Study

The YTY cosmetics manufacturing and Zenith Gebs-Eshet plc informs about the real situation taking place in its company on inventory management and involved in efforts to improve its inventory management by designing strategies to manage inventory control system. And this study is help for new establishes cosmetics company and old cosmetics company as guidance. In addition to these, the study was help as information for those who are interested to conduct further study on related topics.

1.9 Scope of the Study

Basically, the study is focused on the assessment of inventory management system of cosmetics manufacturing company in Zenith Gebs-Eshet plc and YTY cosmetics manufacturing. This study is concentrated on issues related with assess storing system on finished goods, access control over and under stocking on finished product, access control product expired date problem, assess procedures used to control and cost build up

1.10. Limitation of the Study

This study covered the inventory management system in zenith GebsEshet plc and YTY Cosmetics Company. Since the study is focused on inventory management system of cosmetics manufacturing company. Moreover study was limited to a manageable sample size because of time and resource constraints and because of COVID-19, the researcher not used the interview and the sample size minimize. In addition the findings of this study can't represent for other cosmetics manufacturing Sectors & similar to these businesses in the country, because the sample is not a representation of the total cosmetic manufacturing companies in the country.

Therefore, the results cannot be taken as uniform to generalize for cosmetic manufacturing those were not part of this study.

1.11. Organization of the Study

The above all the rest of contents are organized as follows: Chapter two presents theoretical and empirical review of related literatures to the issue of inventory management system of cosmetics manufacturing company in Zenith Gebs-Eshet plc and YTY cosmetics manufacturing; Chapter three provides research design and methodology followed by chapter four contains of finding or results and discussion; and Chapter five gives summary, conclusion and recommendations. A "Reference" of related literature is referred while writing the paper and appendices are included after chapter five.

CHAPTER TWO
RELATED LITERATURE REVIEW

This chapter is focused on providing the theoretical and Empirical models that are related to the topic of the research study.

2.1 Theoretical Review

2.1.1 Definition of Inventory

Inventory is the supply of raw materials, partially finished goods called work-in-progress and finished goods, an organization maintains to meet its operational needs. It represents a sizeable investment and a potential source of waste that needs to be carefully controlled. Inventory is defined as a stock of goods that is maintained by a business in anticipation of some future demand. The quantity to which inventory must fall in order to signal that an order must be placed to replenish an item,(Sohail& Sheikh, 2018).

In the supply chain one of the key variables which have to be managed is inventory. The inventory includes a vast spectrum of materials that is being transferred, stored, consumed, produced, packaged, or sold in one way or another during a firm`s normal course of business. The planning, storing, moving and accounting for inventory is the basis for all logistics Inventory has a financial value, which for accounting purposes is considered a floating asset. However, it may be very difficult to convert physical inventory into liquid assets, hence the inventory is very risky investment. Inventories are materials or resources of any kind having some economic value. It is also a major asset that should provide return for capital invested and either awaiting conversion or use in future. Apart from these, there are many indirect materials such as maintenance materials, fuels and lubricants, and other materials which are used in a manufacturing or service rendering organizations. They are also classified as inventories of materials for future use. But they differ only in their use and classification from raw and other direct materials. All required items are stocked in to warehouse to be used when the needs arise (Datta, 2003).

According to Ackah&Ghansah (2016), Inventory has a financial value, which for accounting purposes is considered a floating asset. However, it may be very difficult to convert physical inventory into liquid assets, hence the inventory is very risky investment. Inventories represent the largest single investment in assets form many manufacturers, wholesalers and retailers. Inventory is one of the main part of the major business's 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. Inventory turnover represents one of the primary sources that enable businesses to generate revenue and continuous earnings to the company's stakeholders. Inventory is an asset and owned by a business that has an advantage of being sold to a customer. It includes items sold to end customer or retailers

According to(Bhandari, 2018), Inventories are current assets. These are tangible assets held by an organization. In manufacturing concerns, inventories include stock of materials, semi-finished goods, (work in progress), finished goods, packing materials, factory supplies and spares. Cost of unsold goods is inventories for trading concern. Service organizations like schools, campuses, hospitals etc. also need in the form of office materials/supplies. All form of inventories hold some economic value. Thus the sum of raw materials, semi-finished goods, finished goods, spare parts, office supplies and other consumable stores is known as inventory.

Types of Inventory

According to Oluwaseyi et al.(2017), Inventory be classified into three types which include;

i. Raw material inventory: This includes all items purchased by an organization for processing.
ii. Work-In-Progress Inventory: This is an intermediate stage of raw material inventory that is yet to be finished by the plant to enter into another stage of processing. These are materials that have been partly processed but are yet uncompleted.

iii. Finished Goods Inventory: This is the stock of finished goods. These could be stock of goods awaiting shipment or in the warehouse, the level of finished goods stock is a matter of co-ordination between the production and sales departments of the organization.

2.1.2 The Importance of Inventory

In pharmacy operations, inventory is referred to as the stock of pharmaceutical products retained to meet future demand. Inventory represents the largest asset in pharmacy practice, and its value continues to rise because of the growth in variety and cost of pharmaceutical products. From both financial and operational perspectives, efficient inventory management plays a great role in pharmacy practice. Inventory management aims at reducing procurement and carrying costs, while maintaining an effective stock of products to satisfy customer and prescriber demands. Inventory management is vital for the successful operation of most organizations due to the cost inventory represents. Effective management of inventory is a major concern for firms in all industries, (Sebastian, 2014).

Therefore, the need for firms to effectively and efficiently manage their inventories. There are two main concerns about inventory management. First, inventory management concerns the level of customer service (order fulfillment), that is, to have the right goods in sufficient quantities, at the right place and at the right time. Another concern is the cost of ordering and carrying inventories (Stevenson, 2009; Coyle et al., 2003).

2.1.3 Inventory Management

According to Rahim et al.(2018), Inventory management is the continuing process of planning, organizing and controlling inventory that aims at minimizing the investment in inventory while balancing supply and demand. The inventory expressed in terms of the number of days of sales at any point of time determines the time taken to introduce a new product in market.

Inventory management is one of the important components of working capital management. It involves the progress of providing continuous flow of raw materials to production department. More than 60% of the working capital will normally be invested in the inventory. There can be disadvantage in holding either too much or too little inventory. Therefore, inventory management is primarily concerned with obtaining a correct balance between these two extremes. Decisions relating to inventory are taken primarily by executives in production, purchasing & marketing departments. (Brindha, 2014).

Inventory management is the main component in supply chain management. It involves stability between customer service, or product availability, and the cost of inventory. The concept that high inventories are inefficient has been widely established, and companies now concentrate on improving inventory efficiency. Managing inventory effectively can make inventory data can be accessed much easily,(Rahim et al., 2018).

According to Otchere et al. (2016), they stated that Effective and efficient inventory management practices will always give a competitive advantage to business, regardless of its nature. The researchers established that Weir Minerals undergoes a lot of inventory management procedures to keep their stock always available to meet customers' demands. They have a relatively good Inventory management practices with regards to 'Continuous Review System', 'Periodic Review System' and 'Just –in- time' as well as Internal Controls Practices. They engage in weekly cycle counts, stock taking and also implement the First in, First-Out (FIFO) procedure of inventory management.

2.1.4 The Role of Inventory Management

According to V.W. & Namusonge(2015), the role of inventory management is arranging and organizing over all operation of the organization maintaining the transactions of sales appropriately keeping the level of stock to satisfy customer's needs. The achievement of inventory management is satisfying customer and driving profit by keeping the required inventory items, balancing the right order as customer needs. The activities and controls of effective inventory management are very necessary for any businesses successes. Since all business has a limited working capital, inventory management responsible to make decisions what type of materials by, the quantity bought, by how much or within the capital limits. These are the important decisions. Bulky inventory keeping can tie up capital that may be used for other investment to generate income is locked up without nothing. On other way less keeping inventory items can be a weaker to satisfy customer need and the organization can't achieve its setting goal.

The goal of inventory management is to balance supply and demand in order to keep customers satisfaction to drive profits. The activities of effective and efficient inventory management are critical to any successful business. Inventory management enables to give the right decisions about what to buy how much to buy and when to buy within the capital limits. These are "value decisions." Excessive inventory investments can tie up capital that may be put to better use within other areas of the business. On the other hand, insufficient inventory investment can lead to inventory shortages and a failure to satisfy customer demand. A balance must be struck and maintained. Generally, it can conclude that inventory management plays a role of coordinating and managing the activities of all business segments, (V.W. & Namusonge, 2015).

2.1.5 Impacts of Disorganize Inventory Management

Inventory problems of too great or too small quantities on hand can cause business failures. If an item is not stocked when the customer thinks it should be the retailer loses a customer not only on that item but also on many other items in the future. The conclusion one might draw is that effective inventory management can make a significant contribution to a business profit as well as increase its return on total assets. It is thus the management of this economics of stockholding, that is appropriately being refers to as inventory management. The reason for greater attention to inventory management is that this figure, for many firms, is the largest item appearing on the asset side of the balance sheet. Essentially, inventory management, within the context of the foregoing features involves planning and control. The planning aspect involves looking ahead in terms of the determination in advance: (I) What quantity of items to order; and (ii) How often (periodicity) do we order for them to maintain the overall stock coordination in an economically efficient way? The control aspect, which is often described as stock control involves following the procedure, set up at the planning stage to achieve the above objective. This may include monitoring stock levels periodically or continuously and deciding what to do on the basis of information that is gathered and adequately processed. Effort must be made by the management of any organization to strike an optimum investment in inventory since it costs much money to tie down capital in excess inventory. Financial analysts have sounded enough warning on the danger expose to the long run profitability as well as continuity of business concern when its inventories are left unmanaged (Adeyemi & Salami, 2010).

First, a company, which neglects it management of inventory, runs the risk of production bottlenecks and subsequently unable to maintain the minimum investment it requires to maximized profit. Second, inventories that are inefficiently managed may apart from affecting sales create an irreparable loss in market for companies operating in highly competitive industry. Invariably, a company must neither keep excess inventories to avoid an unnecessary tying down of funds as well as loss in fund due to pilferage, spoilage and obsolescence nor maintain too low inventories so as to meet production and sales demand as at when needed. However, in recent time, attention was focused on the development of suitable mathematical tools and approaches designed to aid the decision-maker in setting optimum inventory levels, (Adeyemi&Salami2012).

2.1.6 Store Management

It seems that storage systems are very important to maintain assets until it's requested by other storages or warehouses, therefore the development of these systems is very important too. This approach tries to design and implement storage system and management, using the modern technologies, (Alilah, A & kadhum .S,2012).

Warehousing is one of the main spheres of logistics. The very broad meaning of it is storage of finished goods or materials (raw and components) for manufacturing, agricultural or commercial purposes. In fact, warehousing contains numerous functions, like acceptance of products (loading, unloading), inspection, and "proper storage". It is the whole system (warehouse management system) that includes warehouse infrastructure, tracking systems and communication "between product stations". One of the most sustainable trends in storage solutions is the "Just in Time technique". It means product delivery directly from supplier to producer without warehousing. But this system has quite limited application as the distances between intermediaries are growing with the globalization process of the world economy. Modern logistics cannot survive without warehousing service, but various sustainable modifications of warehousing infrastructure can be introduced, (Oluwaseyi et al., 2017).

These practices include organizing and managing warehouse also includes the settlement. Benefits of sustainable supply chain management include increased the good will to the business. Having a sustainable supply chain would also improve clarity, visibility and can responding quickly in any change. Typical planning issues in warehouses are inventory management and storage location assignment. Intelligent inventory management may result in a reduction of the

warehousing costs. For example, by applying sophisticated production planning and ordering policies we may reduce the total inventory, while guaranteeing a satisfactory service level. The service level specifies the percentage of the orders to be supplied directly from stock. Reduced inventory levels not only reduce inventory costs, but also improve the efficiency of the order-picking operation within the warehouse. Clearly, in a smaller warehouse, the travel times for order-picking are smaller, (J.P. van den Berg, and W .H.M. Zijm1999).

2.1.7 The Impact of Excess Inventory

According to Singhal(2005), Excess inventory will adversely affect the net cash flows of the firm. On the cost side, most obvious are the cost of holding inventory, which include the capital cost (interest or opportunity) and the physical cost (storage costs, insurance, taxes, spoilage, losses etc.). The magnitude of other costs depends on the industry and the actions taken to deal with excess inventory. In industries where technology changes are rapid and product life cycles are short, component prices can drop rapidly. For firms with excess inventories of components and parts in such industries, the drop in value is part of the cost of holding excess inventory. Similarly the cost of providing price protections and accepting product returns increases with excess inventory.

In some situations unfortunately a firm or a business might force to close and again to restart at that time the organization incur a cost. The cost of inventory become to write off, all items that have an economical value like inventory materials value will become less and it must have scraped or sold at bargain price. These implies that inventory write offs could incur additional cost of inventory disposal. So, if an excesses inventory a cause of the value under, the profit margin become compacted. In addition, the liquidations that the under value involve to marketing, and incurred distribution and selling costs. In general excesses inventory is increase the total cost and decrease revenue and profit. Also there are many cases that can be affected indirectly the price of inventory items. A firm may have a restricted price control over excesses inventory, by giving the first opportunity to customer. Excess inventory has an influence on flow of sources of funding availability and it is the main difficulty to the business new opportunity, (Colleoni, et al., 2005).

2.1.8 Valuation OF Inventory

According to Barzandeh, (2011) Inventories are generally valued at cost. If the purchase price of merchandise is constant on the periodic and perpetual inventory system, the issue of inventory costing would become such a simple task. Unfortunately, during any given period it is very likely that prices of merchandise vary due to one or more reasons. In such cases, there arises a problem of determining which price of a good to assign as an inventory cost.

2.1.9 Inventory Costs

Successful inventory management involves balancing the costs of inventory with the benefits of inventory. Many small business owners fail to appreciate fully the true costs of carrying inventory, which include not only direct costs of storage, insurance and taxes, but also the cost of money tied up in inventory. Inventory costs are important for three major reasons. First, inventory cost represents a significant component of total logistics cost in many companies. Second, the inventory levels that a firm maintains at points in its logistic system affect the level of service the firm can provide to its customers. Third, cost trade-off decisions in logistics frequently depend upon and ultimately affect inventory carrying cost (Coyle, et al., 2003)

2.1.10 Obsolescence

According Bowersox (2002) this man indicated that, obsolescence cost results from deterioration of product during storage. A Prime example of obsolescence is product that ages beyond recommended sale date, such as hold and pharmaceuticals. Obsolescence also includes financial loss when a product becomes obsolete in terms of fashion or model design. Obsolescence costs are typically estimated based on past experience concerning markdowns, and quantity destroyed. This expense is the percent of average inventory value declared obsolete each year.

2.1.11 Obsolete Inventory

Obsolete inventory is slow moving and excess stock and is referred to as inventory on shelf extending a certain amount of time and obsolete inventory is unwanted since it is a major inventory cost and the disposal of obsolete inventory has its challenges, (Javadian Kootanaee et al., 2013).

The items when become obsolete are unusable and it does not yield any value to the services and in turn they consume valuable storage space in the warehouses, added are the taxes. These excessive costs may yield to increase in the overall facility costs. The organizations must implement steps and methods that can help inventory managers identify the excessive inventory and make use of the excessive inventory before it turns out to be obsolete. There have been many research articles that help in designing steps to avoid obsolete inventory. Having excessive inventory can be attributed as the primary causes of obsolete inventory, (Thummalapalli, 2010).

According to Grondys et al., (2014),on processes of warehouse management to control the excess and obsolete inventory, it needs sum controlling management mechanism to indicate the inventory material condition and the level. To manage properly the excess and obsolete inventory management it needs some first indicator to separate nonmoving stock, identify the level of slow moving stock in warehouse, which may be treated as excess or obsolete inventory, including excess and obsolete then made analysis allowing to show the reason of the occurrence of utilization of the inventory. The indicator can be show the difference between the current and the previous inventory and the amount of resource coming from last deliveries until zero value obtained after that multiplying it by the number of days that passed since the delivery. FIFO method is the best option to get the actual slow moving stock.

2.1.12 Inventory Control

Inventory control refers to the process whereby the investment in materials and parts carried in stock is regulated within predetermined limits set in accordance with inventory policy established by management. The activities of inventory control thus include: determination of limits of inventories to be held, determination of inventory policies, setting out of investments pattern and its regulation as per individual and collective requirements, follow-up to examine the working of the inventory policy and effecting changes as and when needed. In this modern time, there are many issues involved in selling and stocking. Therefore, inventory control is crucial. For years, logistics companies in the field of medicine have faced a number of challenges especially in stock control which has influenced efficiency of their operations. The challenges identified include overstocking which results to out dated or expired products, under stocking, lack of

inventory taking and theft by employees and delays in the order and delivery or medical supplies, (Sporta, 2018).

According to PanosKouvelis (2002), Inventory Control is the supervision of supply, storage and accessibility of Commodity in order to ensure an adequate supply without excessive oversupply. It can also be referred as internal control - an accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc. Inventory control not only looks into the physical balance of various commodities, but looks into aspect of minimizing the inventory cost. Avoiding shortages, avoidance excessive stocking and, increasing inventory turnover are some of the main issues concerning inventory control.

The inventory control ensures that making is completed as per schedule. Maximum use of storage capacity; one of the objective of inventory control is to make maximum use of storage capacity available. Proper storage of commodity, inventory control function includes supervision and control it is necessary that commodity of a particular type is required is immediately available. Efficient storage is made possible due to inventory control, (Poulh .Z, 2000).

2.1.13 Model of Inventory Control Management

In models of inventory management, the following characteristics are taken into account: Single versus multiple items. This dimension considers whether a single item can be used in isolation for calculations, or whether multiple interdependent products should be taken into account, as a result of collective budget or space constraints, coordinated control or substitutability between items Time duration. In some inventory management situations, the selling season for products is short, and excess stock at the end of the season cannot be used to satisfy the demand of the next season. In such cases, a single period model is required. When multiple periods need to be considered, a common approach is to use a rolling horizon implementation approach. Here, decisions consider only a relatively small number of future periods and are made at the start of each period. The decisions are then implemented in the current period, and the problem resolved at the start of the subsequent period. Number of stocking points. Sometimes, it is appropriate to

treat a single stocking point in isolation. In many real world cases, inventories of the same item are kept at more than one location,(Ziukov, 2015).

2.1.14 ABC Analysis

Never simply assume that everything manufactured will be flawless. An important consideration in production inventory management is to allow room for error. In other words, calculate a sufficient amount of product to assume that, even with flaws that get past quality control efforts, there is sufficient stock of the product required. According to (Ucharia & Kumar, 2017), stated that company purchases different inventory items from different suppliers. There are many types of control system such as ABC, XYZ, FSN, VEN. The process of ABC analysis classifies inventory items into A, B, or C categories based on so-called annual dollar usage. Annual dollar usage is calculated by multiplying the dollar value per unit by the annual usage rate.

2.1.15 Economic Order Quantity Modal

According to Bowersox (2002) the inventory management needs to be organized in a logical way so that the organization can be able to know when to order and how much to order. This must be attained through calculating the Economic Order Quantity (EOQ). Monetary request amount engages correlation to arrange their stock reestablishment on an ideal premise. For instance, the arrangement can be scheduled to happen from month to month, quarterly, half yearly, or yearly. By so doing, it enables firms to have insignificant limit costs or zero inside their circulation focuses. Along these lines, as associations attempt to enhance the stock administration, the EOQ and Re-Order Point (ROP) are necessary instruments that associations can utilize.

The Economic order quantity model (EOQ) and Reorder Point (ROP) has thus been developed to take care of the weaknesses emanating from the traditional methods of inventory control and valuation, which to some extent has proved useful in optimizing resources and thus, minimizing associated cost. Analysis of an Economic order quantity could assist in deciding what would be the best optimal order quantity at the company's lowest price and the reorder point which will advise when to place an order for specific products based on their historical demand. The reorder point also allows sufficient stock at hand to satisfy demand while the next order arrives due to

the lead time. However, understanding demand and the ability to accurately predict is imperative for big retailers companies, (Adeyemi & Salami, 2010).

2.1.16 Just in Time (JIT) model

According to Javadian Kootanaee et al., (2013),On the phrase provide the goods just in time as promised when the order is placed by the customer. The opposite of the JIT production is known as JIC (Just in case) system where it produces goods for inventory with the intention of having goods just in case a customer places an immediate order. JIT production system identifies the hidden problems in the value chain and reduces the production waste of the system while increasing the throughout (Sales Raw Material Cost). Even though the JIT system seems to be interesting and less complicated it requires lot of coordination with supply chain to avoid delays in the production schedule

2.2 Empirical Review

Different authors have been doing various activities to explain the relationship between inventory management practices and the efficiency of a firm. (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.

The research done by Gashu (2016) at the Addis Ababa University entitled “Improving Inventory Management at SUR Construction Company” indicate that major inventory management techniques such as minimum-maximum level, safety level, lead-time analysis, inventory cost decision and economic order quantity are not applied in the company. Hence, researcher concludes that the main contributing factor for inventory management in effectiveness to the construction company, which results in high stocks outs and non-moving obsolescence items,

rush ordering, unplanned and urgent purchasing items, is the staff development and capacity incompetence

Chan (2015) studies, 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.

Keitany, (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.

Ng'ang'a (2013), An Assessment of the Factors Influencing Effectiveness of Inventory Control; The key findings from the study revealed that: delays in procurement of goods, frequent stock outs and uncertain change of prices were some of the effects of long bureaucratic procurement procedure. According to the study inadequate and untimely dispatch of funds has an effect in inventory control. The study also revealed that unavailability of stationeries/stores records, lack of specific time or date for both posting stores records, lack of adequate qualified and well trained staff hinders effective performance. The researcher recommends that too much red tape and rigid rules and policies should be avoided; current inventory control practices and procedure need to be reviewed and redesigned. Only qualified and adequate personnel should be are involved in stock control while adequate funds should be dispatched on timely manner.

Ondari & Muturi (2016), factors affecting the efficiency of inventory management in organizations in Kenya a case of firms in kisii town; the study established that bureaucratic procurement procedures had a positive impact on the efficiency of inventory management among

firms in Kisii town. The study revealed that documentation is crucial in ensuring efficient inventory management, stock records provide the management with the information which is used to ensure accountability through stocktaking and stock audit exercise. Also, funding positively affects efficiency of inventory management among firms in Kisii town to a great extent. The study therefore recommended that there is need for firms in Kisii town to enhance their bureaucratic procurement procedures through elimination of overlapping or conflicting jobs or duties and behavior of the system is predicable.

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 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.

Aschalewe (2016), studies to assess practice of inventory management in Anbassa City Bus Service Enterprise, The key findings from the study revealed that: there is poor inventory management practice and utilization of spare parts which causes for stoppage of buses. According to the study, there are practices of over and out of stock, wrong, and obsolete spare parts that eventually increase carrying costs. The study also revealed that unavailability of fully computerized system of inventory controlling, lack of up to date recording of inventories, lack of adequately trained staff, there is weak communication among warehouses about excess and shortage of spare parts, lack of using scientific and preventive approaches to maintain the buses and utilize spare parts efficiently.

According to Daniel (2017), studies the inventory management practice in Ethiopian Airlines; the findings of this research study establish that Ethiopian Airlines more likely to benefit from Economic Order Quantity model, Vendor Managed Inventory and Bar-coding Inventory management model. The research study establishes that Ethiopian Airlines should embrace effective inventory management practices this is because an effective management of inventories has an overall impact on enhancing operational performance of the organization, including a

guarantee of on-time performance, ensuring optimal production levels are met, and making sure that assembly targets are met, which, consequently, leads to a customer satisfaction.

Bimrew, (2017), the effect of inventory Management Practice on Service Delivery of EEU: The findings from the study revealed that: The utility was not effective in practicing modern inventory management techniques instead there is poor inventory management system that results under stocking, overstocking, high cost, high customer complaints and poor service delivery. The study discovered that poor procurement planning, purchase of unnecessary materials and bulk purchase practices result the availability of excess amount of obsolete and non-moving items. And also the researcher concludes that lack of adequate qualified and well trained staffs (i.e., skill gaps and awareness) inhibit in implementing effective inventory management techniques. Moreover, Lack of up to date inventory policy and procedure, poor recording and documentation practice, poor communication, poor decision making among user departments, and poor inventory revaluation system all aggravate poor service delivery of the utility.

2.2.1 Summary of Literature Review and Research Gap

however, in most of the above studies researchers conducted inventory control management studies by different researchers in different angles, concerning the factors affecting inventory management, the assessment of inventory management, internal control system, improving inventory management system, the challenges faced by organization on poor performance of inventory controlling system, assess practice of inventory management and the effect of inventory Management Practice on Service Delivery. These show that how inventory managing is the key part of the management functions to perform in manufacturing, service renders company, any public company, small and large industries.

The activities of effective and efficient inventory management are critical to any successful business, V.W. & Namusonge(2015). However, since it holds without service instead of generating income it incurs cost. There are a lot of researches done on inventory control management in different problem areas but most of them done on firm's areas. So the assessments of inventory management study encompass those areas in Zenith Gebs-Eshet plc and

YTY cosmetics manufacturing company this research somewhat different because inventory management is so important based on the nature and property of product that especially when it is depend on environmental conditions, temperature, time of expired and usage of matter if it is directly or indirectly has body contact with human activities.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

In this chapter the methodology that was employed in carrying out this study was described the research approach, design, source of data, sampling and sampling techniques, instrument of data collection & methods and procedures of data analysis are the main points of discussion

3.1. Research Approach

Research approach was selected by researchers based on the research purpose, the nature of the research, the problem area, and research questions, (Alhamdani et al. 2006). The research approach in this study is choosing based on the purpose and research questions set out to be addressed. According to Creswell (2003) there are three basic types of research approaches Quantitative, Qualitative and Mixed approach. In order to achieve the objective of this study and answer the research questions mixed research approach is best to converge across qualitative and quantitative methods. Employing this approach was used to neutralize or cancel the biases of applying any of a single approach and means to offset the weaknesses inherent in a single method with the strengths of the other method, (Creswell 2003).

3.2. Research Design

In this study the aim was described to assess implementation of inventory management system in the Zenith Gebs-Eshet plc and YTY Cosmetics manufacturing company to do that descriptive type of the study was selected because it gives valuable insight of the problem and result drawn from the study, resolve firms understanding of essential characters and current situation of the problem and answer the research questions which are in the form of ‘what’ and to highlight the most important factors that can be negatively or positively affect the adoption of inventory management in the companies.

3.3. Population of the study, Sample Size and sampling techniques

This paper intend to assess the inventory management system in purposely sampling industries of both Zenith Gebs-Eshet plc and YTY cosmetics manufacturing Company and the researcher selected the population from those two organizations. Target population of the study was 127 those are involved in inventory management system in the company. And the researcher displayed the target population size on the following table.

Table 3.1Total Targeted Population

Name of Department	Total Targeted Population		
	Zenith Gebs- Eshet plc	YTY cosmetics	Total
Top management	7	3	10
product Quality	12	5	17
marketing	17	6	23
finance	28	10	38
Store and distribution department	29	10	39
Total Respondents	93	34	127

Source: Own Survey Data, 2020

To undertake this research, the specific methods of data collection used survey; Survey for the quantitative strategy is used through distributing self-administered questionnaires.

And Sampling is the process of choosing, from a much large population, a group about which to make generalized statements so that the selected part represents the total group, (Leedy, 1989; pp. 158). This research was used purposive sampling techniques to draw the sample from the population. Because it is assumed to allow the researcher to select a sample with experience and knowledge about the study variables and this method were selected professional staffs. In descriptive research, a simple size of 10-50% is acceptable Mugenda &Mugenda, (2003). And the researcher selected sample size from the target population of the above mention 80 Employees and the researcher displayed the simple size on the following table.

Table 3.2Total Number of Selected Population

Name of Department	Number of Selected Population		
	Zenith Gebs- Eshet plc	YTY cosmetics	Total
Top management	7	3	10
product Quality	7	3	10
marketing	7	3	10
finance	17	8	25
Store and distribution department	17	8	25
Total Respondents	55	25	80

Source: Own Survey Data, 2020

The researchers purposely selecting those who had direct related and they are deemed knowledgeable about inventory management system and could provide important perspectives on its practices.

3.4. Source of Data

Primary data was used through, Questionnaires which are structured in close-ended type and Observation.

This section describes the inventory management practices in Zenith Gebs-Eshet plc and YTY cosmetics manufacturing company with respect to the process and legal framework under which the cosmetic industry operated so observational investigation will be served as sources of data. In this study two industries were selected and which are found in the capital city of the country, Addis Ababa Akaka kaliti Sub city.

3.5. Method of Data Analysis

Data analysis consists of examining, categorizing, tabulating, or otherwise recombining the evidence, to address the initial proposition of a study, (Yin, 1989; pp. 105).The data that was collected through questionnaires are analyze with descriptive statistics using Excel.

A descriptive statistics was used to present and interpret the data collect on various variables affecting the inventory control management of companies. Frequency tables and charts along with percentages and mean also employed to analyze the responses of the respondents.

3.6 Ethical Consideration

Ethical clearances were obtained from St. Merry University and Permission was obtained from Zenith Gebs-Eshet Plc and YTY cosmetics manufacturing. An official letter of co-operation was writing to respective departments. The necessary explanation about the purpose of the study and its procedure will give and verbal agreement obtains from the respondents. To assure confidentiality, unidentified questioners were conducted after explaining to the respondents name will unnecessary.

CHAPTER FOUR

DATA ANALYSIS AND INTREPRETATION

The aim of this study is to examine the inventory management system at Zenith Gebs-Eshet plc and YTY cosmetics. The presentation and discussion of the findings are done using descriptive statistics.

4.1. Response Rate

A total of Eighty (80) questionnaires were distributed to 10 respondents from Top management, 10 from product Quality staffs, 10 from marketing, 25 respondent from finance department, and also 25 respondents from Store and distribution department were visited & all the required information were included in this study. Out of which, sixty seven (67) were returned. Among the returned responded questionnaires sixty seven (67) were successfully completed. In making conclusions, Mugenda and Mugenda (2003) indicated representativeness of the response rate to undergo the data analysis part; a response rate of 50% is satisfactory; a 60% is good, 70% and above is excellent. Based on the assertion of this scholar the response rate of this study is 83.5% which considered being an excellent.

Table 4.1: Response Rate

Response	Items Response rate No:	Percent
Total samples size	80	100
Successfully collected	67	83.5
Not returned	13	16.5

Source: Own Survey Data, 2020

The analysis was made based on 67 successfully responded questionnaires and done in line with the research questions and objectives.

4.2 Respondents Background Information

Table 4.2Respondents Background Information

Variable		Frequency	Percentage
Education level of employees	**High school**	**0**	0
	Certificate	**6**	8.96%
	Diploma	**24**	35.82%
	1StDegree	37	55.22%
	PHD	0	0
Field of Study	Accounting	29	43.28%
	Marketing	10	14.93%
	Management	16	23.88%
	Other	12	17.91%
Employees Work experience	0-5	20	29.85%
	6-10	25	37.31%
	11-20	14	20.90%
	Above 20	8	11.94%
Total respondent		67	100%

Source: Own Survey Data, 2020

According to the above table, the respondents education level result indicates that 37(55.22%) out of 67(100%) respondents have a first degree the remaining 24(35.82%) out of 67(100%) at diploma level and 6(8.96) out of 67(100%) were certificate, This implies that the majority of respondents were BA/BSC and Diploma holders. and 47(70.15%) of the total respondents have more than 6 years' work experience, that enables them to understand and replay the questionnaires easily.

4.3 Inventory management system in the organization

The extent to which the respondent's agreement on the statements concerning to inventory management is the organizations in the table below using percentage, frequency and mean.

Table 4.3 Inventory management system in the organization

Items	Level of Agreement											
	SA		A		N		D A		S		T	
	F	%	F	%	F	%	F	%	F	%	F	%
1.There is Continuous Review inventory management System of the organization	10	15	19	28	0	0	28	42	10	15	67	100
2. Inventory management system reduced operational and inventory costs.	18	27	41	61	1	1	4	6	3	4	67	100
3. A fixed order or constant quantity is placed anytime the inventory reaches that fixed	5	7	44	66	6	9	12	18	0	0	67	100
4.There is perpetual inventory system at organization	4	6	19	28	0	0	40	60	4	6	67	100
5. inventory is monitored continuously (Not only sometimes)	5	7	12	18	0	0	48	72	2	3	67	100
6. there is an effective inventory handling system to protect damage and obsolescence of the goods	3	4	12	18	1	1	49	73	2	3	67	100
Mean	3.0											

Source: Own Survey Data, 2020

Effective and Efficient inventory management are critical to any successful business. The study sought to determine from the respondents whether their organization had established review inventory management system. As it is shown in Table 4.3 10(15%) and 19(28%) of them replied that strongly agree and agree respectively and the rest 28(42%), and 10(15%) of the respondents replied disagree and strongly disagree respectively. This shows that the majority of the respondents were assured that, there was note Continuous Review inventory management system in the organization.

According to the table, 18(29%) of the respondents has strongly agreed and 41 (61%) has agreed that, so that the majority of the respondent were agreed that management system reduced operational and inventory costs and, 1(1%) were not sure, 6(3%) disagree and the remaining 3(4%) were strongly disagreed to the inventory management system were not reduced the operational and inventory cost.

As shown on the above table the majority of the respondents 44 (66%) agreed and also 5(7%) of the respondents were strongly agreed that, fixed order and constant quantity is placed to reach the inventory at fixed level or minim level. And 6(9%) were not sure, 8(12%) were disagree that fixed order and constant quantity is placed to reach the inventory at fixed level or minim level.

The perpetual inventory system indicates something that is continuous. Hence, the perpetual inventory procedure continually indicates the balance of inventory As presented in the above table the majority of the respondent 40(60%) were disagreed and 4(6%) strongly disagree that, there is no perpetual inventory system the organization and 4(6%) of the respondent strongly agreed and also the remaining 19(28%) of the respondents were agreed that, there is a perpetual inventory system in the organization. it shows the organizations not control daily stock transaction.

As mentioned on the above table, majority of respondents 48(72%) were disagree and 2(3%) strongly disagreed that the inventory is not monitored continuously and 5(7%) of the respondents strongly agree shows that inventory control technique neither applied nor also the remaining 12 (18%) were agreed that inventory is monitored continuously in the organization.

Highly efficient and effective material handling system leads to competitive advantage by making the distribution process quick, easy and minimizing inventory holding cost. In line with this, the respondents were also asked whether or not there is an effective inventory handling system to protect from damage and obsolete,49(73) disagreed ,2(3%) strongly disagreed and 12(18%) were agreed and also the remaining 3(4%) strongly agreed, thereaming1(1%) of the respondents were not sure. This indicates that lack good inventories handling mechanism in the companies.

According to the majority conformation of the respondents of the above table, regarding Inventory management system the respondents of employees which have the average mean 3.03 which is the companies were moderate inventory managements system in the role of inventory planning and scheduling. Effective inventory management determined how profit of an organization can be maximized and Maximizing of profit depend on minimizing cost. So, the company's shows that Inventory management system neither applied below nor above or neutral and it indicating that it is a small value thus respondents were agreeing to the same idea. So, the finding somewhat agree according to Otchere, A.F, et al. (2016) that, they stated that Effective and efficient inventory management practices will always give a competitive advantage to business, regardless of its nature. They have a relatively good Inventory management practices with regards to 'Continuous Review System.

4.4 Control product expired date problem

The study pursued to analyze the responses the respondents on the control product expired date problem to various aspects based on five-point Liker Scale.

Table 4.4 Control product expired date problem

Items	Level of Agreement											
	SA		A		N		DA		SD		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
1. Inventory reviews are necessary for effective inventory management	5	7	21	31	0	0	32	48	9	13	67	100
2.there is Separation of damaged or expired products	2	3	3	4	1	1	33	49	28	42	67	100
3. Some items are only ordered based on a request or at the time of the demand.	2	3	20	30	2	3	36	54	7	10	67	100
4.Policies and procedures clearly stated and systematically arranged	7	10	42	63	0	0	12	18	6	9	67	100
5. The organization disposes an expired and scraps material timely.	3	4	2	3	0	0	31	46	31	46	67	100
6. Product has expiry date	24	36	25	37	0	0	15	22	3	4	67	100
Mean	2.68											

Source: Own Survey Data, 2020

Effective inventory management gives the chance to make continues competitive advantage and improvement of the competitive position of the companies, As presented in the above table the majority of the respondent 32(48%) disagreed, 9(13%) of the respondents strongly disagreed Inventory reviews are necessary for effective inventory management in the companies and 5(7%) were agreed, 21(31%) were strongly disagreed that, Inventory reviews are necessary for effective inventory management. Its shows there is not effectively inventory management system in the organization.

The majority of the respondents 33(49%) were disagreed 28(42%) strongly disagreed that, there is not separation of damaged or expired products and 2(3%) of the respondents strongly agreed and 3(4%) agreed respectively that there is separation of damaged or expired products, 1(1%) were not sure.

As presented in the above table, the majority of the respondents 36(54%) disagreed, 7(10%) of the respondents strongly disagreed, that were not some items are only ordered based on request 2(3%) not sure, 2(3%) and 20(30%) were agree and strongly agreed were some items are only ordered.

According to the above table, 7(10%) of the respondents strongly agreed and 42(63%) agreed that the company were clearly stated and systematically arranged the Policies and procedures and 12(18%) were disagree and 6(9%) strongly disagreed that the Policies and procedures were not clearly stated.

Inventory costs is used to measure the extent to which an inventory management activities in position to keep the right quantity, the right place and the right time to decreases inventory wastage and damages. Related to this, the respondents representing, 31(46%) were disagreed and 31(46%) strongly disagreed that, organization has not dispose an expired and scrap material timely and 3(4%) of the respondents strongly agreed and 2(3%) agreed that the organization dispose an expired and scrap material timely.

As presented in the above table the majority of the respondents 25(37%) were agreed and 24(36%) were strongly agreed that, the product is an expiry date and 15(22%) were disagree and 3(4%) were strongly disagreed that, the product has no an expiry date.

According to Mahyadin et al., (2013),organizations need to manage efficiently inventories in order to prevent all types of wastage including over stocking, pilferage, expiry and stock outs. But it not in line with this finding according to the majority conformation of the respondents of the above table, regarding the control product expired date problem, the respondents of employees rated below the average mean 2.68 which is the company were lack of control in the expired and separate damages timely. And Cosmetics inventory is by their nature different from other inventory because one inventory keeps for a limited time so that it needs to keep based on their usefulness. As Ethiopian Health and Beauty care manufactures Association manual shows that the cosmetic products, beauty and personal care are very sensitive because it's applied on human body. So, that the product was produced with expired date tag, but the managements were not properly and effectively act to dispose expired items and scrap material timely. It shows that the additional costs and loss in the organizations.

4.5 Procedures used to control cost buildup

Table 4.5 Procedures used to control cost buildup

Items	Level of Agreement											
	S		A		N		D		S		TO	
	F	%	F	%	F	%	F	%	F	%	F	%
1. Receive the purchase goods and entered upon the stock register.	36	54	26	39	0	0	3	4	2	3	67	100
2. Inventory Accounting of raw material, work-in-progress or	37	55	29	43	0	0	1	1	0	0	67	100
3. Ability to access goods whenever called upon.	22	33	34	64	0	0	2	3	0	0	67	100
4. Appropriate record keeping through coding as to preserve goods and reduce obsolesces	25	37	41	61	0	0	1	1	0	0	67	100
Mean	4.37											

Source: Own Survey Data, 2020

As presented in the above table the majority of the respondents 36(54%) were strongly agreed and 26(39%) were agreed that the company were register the stock upon receive the purchase goods and entered upon the stock register and 3(4%), 2(3%) were disagree and strongly disagreed that the companies cannot enter the goods to register upon the purchase of the goods.

As presented in the above table the majority of the respondents 37(55%) were strongly agreed and 29(43%) agreed that the companies were used Inventory Accounting system for raw material, work-in-progress or finished goods items and 1(1%) were disagree that the companies cannot used Inventory Accounting system for the raw material, work-in-progress or finished goods items .

From the total Respondents were asked about ability to access goods whenever called upon, 22(33%) and 34(64%) of the respondents were strongly agreed and agreed by the Ability to access goods whenever called upon. The rest 2(3%) of the respondents were disagreed that Ability to access goods whenever called upon.

According to the table, 25(37%) of the respondents were strongly agreed and 41 (61%) were agreed that appropriate record keeping through coding as to preserve goods and reduce obsolescence and, 1(1%) were disagree that inventory management system were not Appropriate record keeping through coding as to preserve goods and reduce obsolescence

The finding is agree According Coyle, et al., (2003), that, Inventory costs are important for cost represents a significant component of total logistics cost in many companies. And Successful inventory management involves balancing the costs of inventory with the benefits of inventory. Many small business owners fail to appreciate fully the true costs of carrying inventory. Based on assumption observed from the respondents of the above table, regarding the Procedures used to control cost buildup, the total mean of 4.37 which is strongly agreed. Having specific procedure of determining cost component of the total cost could have the following Effect to the organization. It could Improve of Efficiency; identify Profitable and Unprofitable Activities It will throw light upon those activities which bring profits and those activities which result in losses. And Effect of standard costing on organization performance of cost control are

consistently applied in the company. Based on the result we can judge that the organizations were control costs and maintained stock optimization.

4.6 Storing system on finished goods

Table 4.6 Storing system on finished goods

Items	Level of Agreement											
	SA		A		N		DA		SD		TO	
	F	%	F	%	F	%	F	%	F	%	F	%
1, The organization Used First in first out (FIFO.	10	15	18	27	1	1	32	48	6	9	67	100
2. The organization Used Las in ,first out (LIFO)	0	0	14	21	1	1	38	57	14	21	67	100
3. The organization Used ABC analysis	5	7	57	85	0	0	5	7	0	0	67	100
4. The organization has enough ware houses for	10	15	47	70	0	0	10	15	0	0	67	100
5. Easy supervision of materials as well as	10	15	48	72	0	0	8	12	1	1	67	100
6. Easy material handling including receipt, dispatch	10	15	52	78	0	0	4	6	1	1	67	100
7. Inventory is protected from harmful temperatures according to product	10	15	47	70	0	0	7	10	3	4	67	100
Mean	3.50											

Source: Own Survey Data, 2020

As presented in the above table the majority of the respondents 32(48% were disagreed and 6(9%) were strongly disagreed that the, organization not effectively used first in first out and 10(15%), 18(27%) were strongly agreed and were agreed that the organization used first in first and the riming 1(1%) were not sure that either or the company used first in first out. It shows damage and expired in the products in the companies.

As presented in the above table the majority of the respondent 38(57) were disagreed and 14(21%) strongly disagree that, the organization were not effectively used Last in, first out inventory system and 14(21%) of the respondent were agreed the organization used LIFO system and also the remaining 1(1%) of the respondents were not sure that the organization used LIFO inventory system.

ABC analysis is to organize the inventory materials according to their usage, As presented in the above table the majority of the respondent 5(7%) were strongly agreed and 57(85%) agreed that, the organization used ABC analysis and the remaining 10(15%) of the respondent were disagreed that, the organization not effectively used ABC analysis.

As presented in the above table the majority of the respondent 47(70%) were agreed and 10(15) were strongly agreed that the organization have enough ware house and 10(15%) of the respondent were disagreed that, the organization have not enough ware house. It shows there is no more disposal and damages, Easy supervision of materials as well as personnel in the companies.

As presented in the above table the majority of the respondent 48(72%) were agreed and10 (25%) strongly agreed that, there is Easy supervision of materials as well as personnel in the companies and 8(12%) of the respondent disagreed and also the remaining 1(1%) of the respondents were strongly disagreed that, there was not easy supervision of materials. Its shows the inventory in the organizations was in good storing system.

As presented in the above table the majority of the respondent 52(78%)were agreed and10(15%) strongly agreed that, was Easy material handling including receipt, dispatch and 4(6%) of the respondent disagreed and also the remaining 1(1%)of the respondents were strongly disagreed that easy material handling including receipt, dispatch.

As presented in the above table the majority of the respondent 47(70) were agreed and 10(15%) strongly agreed that, Inventory is protected from harmful temperatures according to product specification and 7(10%) of the respondent disagreed and also the remaining 3(4%) of the respondents were strongly disagreed that, Inventory is not effectively protected from harmful temperatures. Its shows it temperature is cool and dry.

As it is discussed in the literature part Proper storage of commodity, inventory control function includes supervision and control it is necessary that commodity of a particular type is required is immediately available, (Poulh .Z, 2000). These explanations are supported Based on this assumption respondents were asked whether storing system on finished goods was good or not and they rated agreed the mean that is 3.5 which can be taken as good performance. Storing is one of the main spheres of logistics and the critical role of stores management is to provide the level of stock that will sustain operations of a firm at minimum costs, It's refer to the techniques used to keep inventory safely and free from decline through protection in the organizations.

4.7 Controlling under and over stocking

Table 4.7 Controlling under and over stocking

Items	Level of Agreement											
	SA		A		N		DA		SD		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
1. An order is placed only when inventory reaches a predetermined level	8	12	15	22	1	1	40	60	3	4	67	100
2. There is periodic inventory system at ware house	11	16	44	66	0	0	9	13	3	4	67	100
3. Software is used to monitor inventory levels.	2	3	4	6	0	0	47	70	14	21	67	100
4. Inventory is automatically updated after an invoice is raised or a transaction is made.	0	0	17	25	0	0	35	52	15	22	67	100
5. In our organization, internal auditors made surprise physical count of inventories.	0	0	1	1	0	0	38	57	28	42	67	100
Mean	2.48											

Source: Own Survey Data, 2020

Respondents were asked on the issue of whether or not an order is placed only when inventory reaches a predetermined level. Accordingly, 40 (60%) respondents were disagreed that there was not an order is placed only when inventory reaches a predetermined level and 3 (4%) of them were strongly disagreed, 8(12%) of the respondent were strongly agreed and 15(22%) agreed

were that an order is placed only when inventory reaches a predetermined level and also the remaining 1(1%) not sure. It shows there was not an order is placed only when inventory reaches a predetermined level in the production of the companies. It indicates damaged or expired products in the organizations.

The periodic inventory system is the quantities of inventories are only known after physical inventories are taken at period ends, As shown on the above table the majority of the respondents 44 (66%) were agreed and also 11(6%) of the respondents were strongly agreed that, used periodic inventory system at ware house and 9(13%) were disagreed 3(4%) were strongly disagreed that not practical used periodic inventory system at ware house. It indicates the organizations were not control the daily activates of the inventory and they know at the end of the period.

Computerized inventory management system comes the risk of fraud as well, Respondents were asked on the issue of whether or not Software is used to monitor made on inventory stocks. Accordingly, 47 (70%) respondents were disagreed that there was not Software is used to monitor inventory level where as 14 (21%) of them were strongly disagreed and the remaining respondents 2(3%), 4(6%) were disagreed and strongly disagreed Software is used to monitor inventory levels in the organization. it revealed that unavailability of fully computerized system of inventory controlling.

One of the main objectives of inventory recording is to keep an updated record on the items received, items in stock, items issued, informing of all movement of stock to the management, and giving account of transactions to users upon request. Respondents were asked on the issue of whether or not Inventory is automatically updated after an invoice is raised. Accordingly, 35 (52%) respondents were disagreed that there was not Inventory is automatically updated after an invoice is raised, 15 (22%) of them were strongly disagreed and the remaining respondents 17(25%) were that Inventory is automatically updated after an invoice is raised. Its shows lack of up to date recording of inventories.

Respondents were asked on the issue of whether or not physical count inspection made on inventory stocks by internal auditors. Accordingly, 38 (57%) respondents were disagreed that there was not unexpected audit practices whereas 28(42%) of them were strongly disagreed.

All of respondents agreed that the auditing activity regarding with the inventory controlling is not in a better condition. From this one can infer that the internal auditor of the Company not made surprise physical count on inventory items.

Based on the respondents of the above table, regarding Controlling under and over stocking they rated disagreed the mean that is 2.48 that, there is a problem on the practice of control and follow up of overstocking and under stocking of inventory items. Inventory control is the direction of activities with the purpose of getting the right inventory in the right place at the right time and in the right quantity and it's directly linked to production function of any organization. Advances in information technology have significantly changed possibilities to apply efficient inventory control techniques. Based on the respondents, this result indicates that there is no physical count and check shortage and excess of inventory in the companies and not reduce unnecessary inventory costs. These findings are not in line with the literature of Panos Kouvelis, (2002), that Inventory control not only looks into the physical balance of various commodities, but looks into aspect of minimizing the inventory cost. Avoiding shortages, avoidance excessive stocking and, increasing inventory turnover are some of the main issues concerning inventory control.

CHAPTER FIVE

SUMMARY OF FINDING, CONCULSION AND RECOMMEDTION

5.1 Summary of Major findings

The objectives of this research is to assess the Inventory management system of cosmetics manufacturing in Zenith Gebs-Eshet plc and YTY cosmetics manufacturing by studying the Inventory management system as unit of analysis. Quantitative data collection tools are used. Data were collected by using questioners and observation data collection tools. The questionnaires data were collected from different department of Zenith Gebs-Eshet plc and YTY cosmetics manufacturing. The study tries to assess the inventory management system in Zenith Gebs-Eshet PLC and YTY cosmetics manufacturing. This chapter consists of three sections which include summary of the findings, conclusion and recommendations.

- The majority of the respondent were agreed that management system reduced operational and inventory costs.
- The average of respondents were agreed that the company were moderate reviewed its system in the role of inventory planning and scheduling.
- The majority of respondent were agreed that , there is lack of practical perpetual inventory system that control the daily transaction of the inventory
- Inventory is not monitored continuously; there is no effective inventory handling system to protect damage and obsolescence of the goods.
- Total mean of 2.68 which is the average of respondents were agreed that the product were expired date tag.
- The majority of the respondents disagreed that, there is no separation of damaged or expired products.
- The majority of the respondent agreed that the company were clearly stated and systematically arranged the Policies and procedures and 12(18%) were disagree and 6(9%) strongly disagreed that the Policies and procedures were not clearly stated.
- The majorities of the respondents believe that the companies were not properly and effectively act to dispose expired items and scrap material timely.

- The majority of the respondents were agreed that the company were register the stock upon receive the purchase goods and entered upon the stock register.
- The majority of the respondents were agreed that the companies were used Inventory Accounting system for raw material, work-in-progress or finished goods items.
- Most of the respondents confirmed that in the organization has appropriate record keeping through coding as to preserve goods and reduce obsolescence.
- The majority of the respondents disagree that, the organization were not effectively used first in, first out (FIFO) inventory system.
- The majority of the respondents 38(57) were disagreed and 14(21%) strongly disagree that, the organization were not effectively used Last in, first out (LIFO) inventory system.
- The majority of the respondents were strongly agreed that, the organization used ABC analysis in inventory management.
- most of the respondents confirmed that in the organization have enough ware house and its Easy supervision of materials the inventory so its stored at cool temperature
- The majority of the respondent 52(78%) were agreed and10 (15%) strongly agreed that, was Easy material handling including receipt, dispatch.
- Regarding Controlling under and over stocking the respondents, total mean of 2.48 were disagreed that there was not an order is placed only when inventory reaches a predetermined level.
- The majority of the respondents were agreed that the company used periodic inventory accounting system at ware house.
- The majority of (70%) respondents were disagreed that there were not Software application system is used to monitor inventory level.
- All 100% of the respondents were agreed the companies were not practiced unexpected audit for physical count inspection by internal auditors

5.2. Conclusion

Based on the major findings of the study, the following conclusions are drawn:

This study tried to investigate the Inventory management system of cosmetics manufacturing in Zenith Gebs-Eshet plc and YTY cosmetics manufacturing by studying the Inventory management system as unit of analysis.

- In particular, the first objective was to assess the company storing system on finished goods products of zenith Gebs-Eshet plc and YTY cosmetics manufacturing. Therefore, the study result revealed the companies has enough were house for storing of goods and easy for supervision of materials as well as personnel and the company used ABC accounting system for production of items and the companies were not effectively used first in, first out (FIFO) and Last in, first out (LIFO) inventory system, This result damage and expired of product and loss on the organization.
- The second objective was to examine the how the companies control over and under stocking on finished product. The finding disclosed that the Company only control the stock on periodic inventory system. Nevertheless, a noteworthy number of respondents were claimed that the internal inventory control of the Company is weak to record inventory items properly up to date, inspect the physical inventory items timely and handle overstocking and under stocking of inventories because the company cannot applied software system to control stock, no surprise audit practices. Moreover, there is no effective practice of control and follow up of overstocking and under stocking of inventory items and not reduce unnecessary inventory costs.
- The third objective was investigated how does the company control product expires date problem. Based on finding , it can conclude that the product were produced with expired date tag ,however the managements were not properly and effectively act to dispose expired items and scrap material timely.
- Finally to assess procedures used to control and cost buildup of the companies. based on the finding the companies has clear Procedures used to control cost buildup and early Receive the purchase goods and entered upon the stock register, the organization have Inventory Accounting of raw material, work-in-progress or finished goods and has an

appropriate record keeping through coding as to preserve goods and reduce obsolescence. So, it shows Effective of standard costing on the organizations.

To conclude, inventory management system cosmetics manufacturing in Zenith Gebs-Eshet plc And YTY cosmetics manufacturing has a great gap on the accomplishment of the company's overall performance.

5.3. Recommendations

Based on the conclusions of the Study, the researcher recommends the following:

- The finding indicated the companies were produced the goods with expire date information but still some of the employees of the companies agreed that there is a problem on expire date information tag on the products and also they didn't properly and effectively act to dispose expired items and scrap material timely. Therefore, the managements of the company should give better attention just by arranging meeting with the employees to review the problems, find out the reason why not the Authorized person effectively act to dispose expired items and scrap material timely and make attention on expire date information tag. As Ethiopian Health and Beauty care manufactures Association manual shows that the cosmetic products, beauty and personal care are very sensitive because its applied on human body so, the products must have an expiry date, must have timely separation of damaged and expired product to safe human health.
- Most of employees confirmed that the existence of inventory physical inspection system periodically and but still there is inconvenience in works of the internal inspection and repetition of inventory items record. Therefore, the management of Zenith Gebs-Eshet plc and YTY cosmetics manufacturing has to follow up the operations of the inventory management process by strengthening the internal auditor teams, facilitating surprise inventory count and create accountability for those staffs who are negligent to record inventory items. Based on the analyses, Zenith Gebs-Eshet PLC and YTY cosmetics should try to align its internal inventory management operations, develop software application, especially in managing overstocking and under stocking that can lead to achieve competitive

advantage. In this regard, the managements of the Company has to ensure that inventory items are at the right place, at the right time and in the right quantity just by consolidating strategic orientation and creating accurate inventory data to forecast demand.

- The finding also indicated that the companies has not use FIFO inventory accounting system for inventory management only use ABC analysis and the researcher recommend that it is better to use both inventory system simultaneously, FIFO inventory system used to manage and control the expired items and ABC system used to focus manage the production items in terms of the revenue brings.

- **Suggestions for Further Research**

In Addis Ababa city there are more than 15 cosmetics factory, Given that the study focused only in two companies those are Zenith Gebs-Eshet plc and YTY cosmetics manufacturing, the results may not apply to all cosmetics manufacturing sectors. It is recommended that a study on inventory management system is done cutting across all cosmetics manufacturing sectors in the country that would allow for broader generalization of findings to ensure implementation of proper inventory management system hence achieving better performance of firms. Moreover, it would be interesting to investigate the extent to which the cosmetics manufacturing in large samples size for effective inventory management. This will provide understandings into areas for improvement for the cosmetics manufacturing sector as a whole.

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Appendix

St Mary's University

MBA in Accounting and Finance

Questioner

Dear respondents

The purpose of this self-administered Questionnaire is to gather data relating to the "assessing inventory management system." For fulfillment of the requirements of the thesis for the Masters in accounting and finance. The research will be conducted to assess the inventory management system in cosmetics manufacturing company in Zenith Gebs-Eshet plc and YTY cosmetic manufacturing. I feel that your contribution which means information obtained from you is essential for success of this research. Thus, I appreciate your cooperation to give me your time for the success of this research thesis. I assure you that the information to be shared by you will be used only for academic purpose and kept confidential.

For further information and need my assistance while you fill the questionnaire please contact me:

E-mail: merhawit.awash@gmail.com

Tel: +251912204502

Thank you for your cooperation

Yours Sincerely

Part I: Respondent profile

Please use this mark in the box "X" Where it applies

1) Highest educational level obtained

High school complete ☐ Certificate ☐ ☐ Diploma

☐

Bachelor Degree ☐ Master's Degree ☐ PhD

2) Area (field of specialization) or major field of study

Accounting ☐ Management ☐ Marketing ☐

Others please specify _____

3) Years of work experience

0-5 years ☐ 6-10 years ☐ 11-20 years ☐ More than 20 years ☐

Part II. Research related question

Please tick the level of question in each table with the perspective of

To what extent do you agree about Inventory management system in the organization, Control product expired date problem, Procedures used to control cost buildup, Storing system on finished goods, Controlling under and over stocking?

1=Strongly Disagree, 2=Disagree, 3=Not Sure, 4= Agree and 5=Strongly Agree

1. Inventory management system in the organization

Description	1	2	3	4	5
1.There is Continuous Review inventory management System of the organization					
2. Inventory management system reduced operational and inventory costs.					
3. A fixed order or constant quantity is placed anytime the inventory reaches that fixed level					
4.There is perpetual inventory system at organization					
5. inventory is monitored continuously (Not only sometimes)					
6. there is an effective inventory handling system to protect damage and obsolescence of the goods					

2, Control product expired date problem

Description	1	2	3	4	5
1.Inventory reviews are necessary for effective inventory management					
2.there is Separation of damaged and expired products					
3. Some items are only ordered based on a request or at the time of the demand.					
4.Policies and procedures clearly stated and systematically arranged					
5. The organization dispose an expired and scrap material timely.					
6. inventory is within expiry date					

3. Procedures used to control cost buildup

Description	1	2	3	4	5
1. Receive the purchase goods and entered upon the stock register.					
2. Inventory Accounting of raw material, work-in-progress or finished goods.					
3. Ability to access goods whenever called upon.					
4. Appropriate record keeping through coding as to preserve goods and reduce obsolescence.					

4. Storing system on finished goods

Description	1	2	3	4	5
1. The organization Used First in first out (FIFO)					
2. The organization Used Las in ,first out (LIFO)					
3. The organization Used ABC analysis					
4. The organization have enough ware house for inventory.					
5.Easy supervision of materials as well as personnel					
6. Easy material handling including receipt, dispatch and storage					
7 Inventory is protected from harmful temperatures according to product specifications.					

5. **Controlling under and over stocking**

Description	1.	2.	3	4	5
1.An order is placed only when inventory reaches a predetermined level					
2.There is periodic system at ware house					
3. Software is used to monitor inventory levels					
4.Inventory is automatically updated after an invoice is raised or a transaction is made					
5. In our organization, internal auditors made surprise physical count of inventories.					