

STOCK CONTROL

Key Revision Facts: GCSE Business Studies

Stock

Stock is goods or merchandise kept on the premises of a shop or warehouse and available for sale or distribution.

Just in Case Stock Control

When stock levels reach a pre determined level a new order is sent to suppliers. This reorder level will be calculated so that the business still has stock to meet orders until the new stock arrives.

Just in Time production

Just in Time production uses stocks delivered to the production line 'just in time' to be used. This means the business needs less factory space as it holds less stock and reduces warehousing costs. Holding stock is costly. Money tied up in stock could be used elsewhere. The moving stock also costs money. Holding only a minimum amount of stock reduces warehouse costs. Fewer workers are needed to handle the stocks. Although JIT is good for improving productivity, there are some possible drawbacks. The business is depending on suppliers delivering on time. If they don't, then production may well stop.

JIT advantages	JIT disadvantages
Less space needed: Less warehouse or storage space is required to store goods.	Risk of running out of stock: By not carrying much stock, it is imperative stock is delivered on time.
Waste reduction: A faster turnaround of stock prevents goods from becoming out of date, damaged, or obsolete.	Lack of control over time frame: Having to rely on suppliers' timeliness for each order puts you at risk of delaying your customers' receipt of goods.
Smaller investments: ideal for smaller companies that don't have the funds available to purchase large amounts of stock at once.	More planning required: JIT inventory management involves a lot of planning and organization. It requires the company to understand its sales trends and variances to allow for adequate stock predictions.

Overstocking

Overstocking refers to a company over-ordering inventory and having too much stock.

Understocking

understocking is when a company does not have enough inventory to keep up with the demand.

Re-order Level

Reorder level (or reorder point) is the inventory level at which a company would place a new order or start a new manufacturing run