

INVENTORY MANAGEMENT AND MEASUREMENT AS PER AS 2: A CHALLENGE FOR ENTREPRENEURS

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ABSTRACT

In any kind of organization whether it is a trading organization or corporate venture, it needs inventory management and its proper measurement to maximize its profitability and accountability. From the entrepreneurial point of view it's a big challenge for entrepreneurs as if there is more inventories than the funds are blocked on which he/she loses the opportunity to earn interest and if there is less amount of inventory stocked up then it might affect both sales and production process resulting in deteriorating the goodwill of organization. So it is the need for entrepreneurs to use proper techniques for inventory storage as well as its measurement. For the past few years in our country, the construct of inventory management system has gained owing to intense competition in the market that has forced organizations to look for correct inventory control technique to reduce investment in inventories and thereby reducing overall cost.

KEYWORDS: *Inventory, Inventory Management, Tools & Techniques, Challenge for Entrepreneurs.*

Introduction

In any business organization, all functions are interlinked to every substitute and are generally overlapping. As inventory management is a vital function that determines the health of the production system in addition as it impacts financial health of the balance sheet. Each organization ceaselessly practices to keep up optimum inventory to be able to meet its inevitability and avoid over or under inventory that may affect the money figures. Inventory management requires static and careful analysis of internal and external factors and control through planning, tools, techniques and review to provide right and important information, which helps to take right decision for manage inventory and minimize the cost. Most of the organizations have a separate department or job operate for monitor, control and review inventory and interface with purchase, production and finance departments.

Meaning and Definitions of Inventory

Inventory is the raw materials, work-in-process products and finished goods that are considered to be the portion of a business's assets that are ready or will be prepared for sale. Inventory represents one of the most vital assets of a business as a result of the turnover of inventory represents one of the first sources of revenue generation and ulterior earnings for the company's shareholders. Inventory can be defined in different perspectives. As per Accounting Standard-2 Inventories are assets:

- Which is held for sale in the ordinary course of business;
- In the process of production for such sale; or
- In the form of materials or supplies to be consumed in the production process or in the rendering of services.

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