

IV. Financial Management

Topic 40d

How to Keep Records on Stock

FACT SHEET

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Topic 40d: How to Keep Records on Stock

1. **Stock** consists of **all the items or goods purchased or supplied**. These are stored and displayed for customers to buy. For example, an agro-input dealer would normally stock different types of fertilizers, herbicides, fungicides, pesticides, safety accessories, and application equipments (i.e. knapsack sprayers).
2. It is essential to keep **records on stock** because they tell which articles were sold, the quantities remaining, and how much more should be ordered or purchased at any given time. It can help you to better plan your orders and avoid having shortages or expired stock.
3. **Records of stock** are kept **per product**, so every product will have its own record, and will feature the following:

Stock on Ultracide 1 liter bottles					
Date	Opening stock including expiration date	Quantity sold	Quantity purchased	Supplier	Closing stock including expiration date
09 Jan 2009	Feb 2010: 10 May 2010: 38	6			Feb 2010: 4 May 2010: 38
10 Jan 2009	Feb 2010: 4 May 2010: 38	1			Feb 2010: 3 May 2010: 38
11 Jan 2009	Feb 2010: 3 May 2010: 38		50	Golden inputs	Feb 2010: 3 May 2010: 38 Dec 2010: 50
14 Jan 2009	Feb 2010: 3 May 2010: 38 Dec 2010: 50	4			May 2010: 37 Dec 2010: 50

- On the top line, enter the **name of product** and the **size** (liters, kilos)
- **Date:** date of the entry, including expiration date
- **Opening stock:** how much was in stock at the beginning of the day
- **Quantity sold:** how much was sold that day
- **Quantity purchased:** how much was bought that day
- **Supplier:** name of the supplier
- **Closing stock:** how much is left at the end of the day, including expiration date

Note: the opening stock is always the closing stock of the previous day.

- ➔ **Obsolete stock** is stock that can no longer be sold. Expired items are an example. Agro inputs cannot be stocked forever. Some products expire after just one year. In general, **products that have expired cannot be sold**. The expiration date is always written on the product.
- ➔ A good way to avoid your stock becoming obsolete is to follow the **FIFO principle**: first in, first out. The products that were **purchased first** (and have been in stock the longest) are sold first. It is important for agro input dealers to sell goods with the **oldest expiration date** first. In the example, four bottles were sold on Jan 14, 2009. On that day, the stock consisted of three different expiration dates (February 2010, May 2010, and December 2010). The items with the oldest expiration date were sold first (three bottles of February 2010) and then one bottle of May 2010 was sold (making four bottles in total). If you keep records of your stock, the expiration dates of the products will be entered, and you will know which products to sell first.

ADDITIONAL INFORMATION

IV. Financial Management

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The monitoring of the inflow and outflow of goods (records on stock) can be kept and updated daily, monthly, quarterly, or annually.

The formats for keeping these records vary slightly in content but they all give the needed information essential for arriving at correct figures concerning the inflow of items. Record keeping on stock is crucial to decision making and business management.

Stock records also help to determine the progress of the business at any given time; they enhance the quality of control of the business. Records help to check for mistakes and frauds when two or more persons are involved in the day-to-day running or management of the business.

Records on stock are essential for making decision concerning areas of business or goods that should be emphasized or discontinued. For example, if a good is not in demand and continues to stay in the store, an agro-dealer can decide to no longer keep this item in stock.

Stocks are current or old, depending on when they were purchased or supplied in the store. Usually **current stocks** are goods that are relatively new compared to those that were previously purchased. **Old stocks** are goods that have stayed in the store more than one calendar year.

INSTRUCTIONS

IV. Financial Management

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Materials needed

- Flip-sheet board with flip sheets
- Markers (1 black, 1 blue, 1 green, 1 red)
- Copies for each participants of Visual 1 and Visual 2

Time needed: 1 hour and 30 minutes

Preparations:

- 12 empty bottles with the "label":
pesticides, expire date Feb 2010
- 8 empty bottles with the "label":
pesticides, expire date May 2010
- Flip-sheets with empty forms drawn on them
- Flip-sheets with the following instructions:
 - *Opening stock 4 bottles June 2010 and 10 bottles Aug 2010*
 - *8 Jan 2009 sale of 1 bottle*
 - *10 Jan 2009 sales of 4 bottles*
 - *11 Jan 2009 purchase 50 bottles at Golden inputs, expire date Dec 2010*

Set up

- Attention:** Ask if anyone can explain what stock is. Stock consists of all the items or goods purchased, supplied, stored, and displayed for customers to buy.
- Title:** Tell that during this session you are going to explain *how to keep records on stock*.
- Credibility:** Explain your (the trainer) experience with records on stock.
- Objectives:** To explain how to keep records on stock.

Benefits: If you keep records on stock, you can better plan your purchase orders and avoid stock becoming obsolete. This will avoid losing money.

Direction: We are going to discuss only records on stock, not other records. Besides, the FIFO-principle will be explained and no other principles.

Delivery

Explanation, Demonstration, Exercise and Guidance:

1. Tell participants that we will start with the **FIFO principle**. Ask if anyone knows what this is. FIFO stands for **first in, first out**. It means that the products that were purchased first (and have been in stock the longest), are sold first. For an agro input dealer it means that products with the oldest expiration date are sold first.
2. Divide participants in four groups and give each group the following bottles: three bottles with the "label": *pesticides, expire date Feb 2010*, and two bottles with the "label": *pesticides, expire date May 2010*. Tell participants that the bottles are the stock of their business. A customer comes to their shop and would like to buy two bottles of pesticides. Which bottles are you going to sell according to the FIFO principle? Let the groups discuss the answer.
3. Ask one of the groups for the answer and ask if other groups agree. The answer is: you will sell two bottles with expire date February 2010. Let each group remove two bottles with expire date February 2010. Now each group will have one bottle with expire date February 2010 and two bottles with expire date May 2010.
4. Tell participants that another customer comes into their shop and would like to buy two bottles as well. Which bottles are you going to sell according to the FIFO principle? Let the groups discuss the answer.
5. Ask one of the groups for the answer and ask if other groups agree. The answer is: you will sell one bottle with expire date February 2010, and one bottle with expire date May 2010.
6. Ask if everyone understands the FIFO principle.
7. Continue by distributing visual 1. Explain that for every product, you will keep a separate record. Discuss what data should be entered. On top enter the **name of item** and the **size** (liters, kilos). Then enter the:
 - **Date:** the date of the entry
 - **Opening stock:** how much was in stock at the beginning of the day
 - **Quantity sold:** how much was sold that day
 - **Quantity purchased:** how much was bought that day
 - **Supplier:** name of the supplier
 - **Closing stock:** how much is left at the end of the day

Stock on Ultracide, 1 liter bottles					
Date	Opening stock including expiration date	Quantity sold	Quantity purchased	Supplier	Closing stock including expiration date
09 Jan 2009	Feb 2010: 10 May 2010: 38	6			Feb 2010: 4 May 2010: 38
10 Jan 2009	Feb 2010: 4 May 2010: 38	1			Feb 2010: 3 May 2010: 38
11 Jan 2009	Feb 2010: 3 May 2010: 38		50	Golden inputs	Feb 2010: 3 May 2010: 38 Dec 2010: 50
14 Jan 2009	Feb 2010: 3 May 2010: 38 Dec 2010: 50	4			May 2010: 37 Dec 2010: 50

8. Ask the following **questions**:

- a. What is the product of this record? Ultracide, 1 liter bottles
 - b. What happened on January 11? 50 bottles were purchased
 - c. How many products were sold on January 10? 1 bottle
 - d. How many bottles do we have in total in stock on January 14 at the end of the day? 87
9. Take a close look at the four bottles that were sold on January 14. Three of the bottles had expire date February 2010 and one bottle had May 2010. Ask what principle was used here. The FIFO (first in, first out) principle.
10. Distribute visual 2. Together we are going to enter data using an example. Show the flip-sheet *records on stock* with data you are going to enter. Read out all the entries and tell them to enter this information in their records on stock:
- Opening stock 4 bottles June 2010 and 10 bottles Aug 2010
 - 8 Jan 2009 sales of 1 bottle
 - 10 Jan 2009 sales of 4 bottles
 - 11 Jan 2009 purchase 25 bottles at Golden inputs, expire date Dec 2010
- Walk around to see if anyone needs help.
11. Show the flip-sheet with the empty records on stock (make sure everyone can clearly see the sheet). Ask a volunteer to enter the first entry. Ask if everyone agrees. Repeat what has been entered, so everyone can clearly hear it. Ask for a second volunteer to enter the second data. Etc.
12. The results should be:

Stock on Ultracide, 1 liter bottles					
Date	Opening stock including expire date	Quantity sold	Quantity purchased	Supplier	Closing stock including expire date
8 Jan 2009	June 2010: 4 Aug 2010: 10	1			June 2010: 3 Aug 2010: 10
10 Jan 2009	June 2010: 3 Aug 2010: 10	4			Aug 2010: 9
11 Jan 2009	Aug 2010: 9		25	Golden inputs	Aug 2010: 9 Dec 2010: 25

Finish

- Summary:** Use the flip-sheets with the completed form to give a summary. Repeat what type of information needs to be entered. Explain the FIFO principle using the example on the flip-sheet.
- Questions:** Ask if anyone has a question or comment.
- Evaluation:** Turn the flip-sheets and ask what the FIFO principle is. First in, first out, means selling the items with the oldest expiration date first. Ask why we should use the FIFO principle. The answer is to avoid the stock becoming obsolete. Ask what data should be entered in the records on stock.
- Next step:** Even if you do not yet have records on stock, you can start applying the FIFO principle right away.

Distribute the **fact sheet** to all participants.

