

# MATCOM

- STOCK CONTROL RECORDS  
a learning element for staff of consumer cooperatives

international labour office, geneva

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by Urban Strand



**MATCOM**  
**Material and techniques for cooperatives management training**

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In collaboration with cooperative organizations and training institutes in all regions of the world, MATCOM designs and produces material for the training of managers of cooperatives and assists in the preparation of adapted versions for use in various countries. MATCOM also provides support for improving the methodology of cooperative training and for the training of trainers.

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# STOCK CONTROL RECORDS

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## PREREQUISITES

To benefit from this MATCOM Learning Element, you should:

- have some retail shop experience,
- have studied the MATCOM Element "Leakage", or have the corresponding knowledge.

## HOW TO LEARN

- Study the Element carefully.
- Give written answers to all the questions in the Element. This will help you not only to learn, but also to apply the knowledge you gain in your work later on.
- After studying the Element on your own, discuss it with your trainer and your colleagues, then take part in the practical exercises organised by your trainer.

## TRAINER'S NOTES

are available for this Element. See the Trainer's Manual.

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## INTRODUCTION

The most important things in your shop are the goods, or stock, that you sell. In order to run the shop properly you must take good care of the stock and you must know its value.

But the stock value changes every day, and it is not possible to control the stock unless you keep some records.

In this MATCOM Element you will learn how they record the stock in one co-operative shop. It is a simple system which could be used in any shop.



# WHY KEEP STOCK RECORDS ?

What kind of stock records should be kept? What is the purpose of the recordings?

To answer these questions, let us take a very simple example let us say that we have a shop where we sell bicycles only, nothing else. To control our stock of bicycles we could keep a record in this way:

## STOCK CONTROL REGISTER - The Bicycle Shop

First, we record how much we have in stock at the beginning of the period. →

Then, every time we make changes in stock, we record it.

When we add to the stock, we record it ... →

... and when we take away from the stock, we record it. →

At any point in time we can see in the book how much there should be in stock. →

Date	Particulars	Number of Bicycles		
		In	Out	Bal.
1/4	<i>Ingoing Stock</i>			18
10/4	<i>Purchased</i>	4		22
16/4	<i>Sold</i>		3	19
18/4	<i>Sold</i>		2	17
30/4	<i>Sold</i>		1	16

There should be 16 bicycles in stock at the end of April - that is what the book tells us. To see if there are 16 bicycles in the store, we do a stock-taking. This means that we count the bicycles in stock. We find only 15!

The book shows the theoretical stock (what there should be in stock).

The stock-taking shows the actual stock (what there actually is in stock).

If the actual stock is less than the theoretical stock, it shows that some goods are missing - we have a leakage.

The bicycle shop had a leakage in April

The theoretical stock on 30.4 (according to the book)	16
- <u>The actual stock (according to stock-taking)</u>	- 15
= Leakage	= 1



How do you find the theoretical stock in your shop?

How do you find the actual stock in your shop?

### Leakage

Now you know the main reason for keeping a stock control register - to be able to check if any goods have disappeared from the stock without being properly paid for.

Goods might be stolen, goods might be handled carelessly and spoilt. Goods may be lost in many ways in a shop. By keeping stock records, we know what quantity of goods there should be in the shop, and the records will thus help to discover if anything is missing - if there is any leakage.

### Trading results

Another reason for keeping stock records is that the manager needs them to calculate the monthly profit or loss and he cannot do this without knowing the stock value. A stock-taking would give this information but it is much easier to read the stock control register. Thus he can avoid stock-taking every month.

## UNIT STOCK CONTROL

Unfortunately keeping stock records is not as simple as in the case of the bicycle shop. That shop had only one article to sell, whereas most co-operative shops keep many different articles in stock.

Of course, the stock control book could have a page for each article in the same way as the bicycle example. Or the shop could have a card register with a card for each article. Here is an example of a stock card, showing the stock of hammers:

<u>STOCK REGISTER CARD</u>				
Article . <i>Hammer</i> . . . . .				
Cost Price/Unit . <i>20.00</i> . . . . . Selling Price/Unit . . <i>22.50</i> . . . . .				
Date	Particulars	Stock IN	Stock OUT	Balance Stock in Hand
<i>1/6</i>	<i>Ingoing Stock</i>			<i>12</i>
<i>3/6</i>	<i>Sold</i>		<i>2</i>	<i>10</i>
<i>4/6</i>	<i>"</i>		<i>1</i>	<i>9</i>
<i>7/6</i>	<i>"</i>		<i>3</i>	<i>6</i>
<i>8/6</i>	<i>Purchased</i>	<i>6</i>		<i>12</i>
<i>10/6</i>	<i>Sold</i>		<i>2</i>	<i>10</i>

This type of stock control is called unit stock control, because it shows how many units or pieces there are in stock of the article.

The bicycle shop had a unit stock control system because it showed how many bicycles there were in stock.





Stock cards give important information about each article. For example, from the above card you can answer the following questions. Please try!

1. How many hammers should you expect to find in the shop when it closed on 10/6? \_\_\_\_\_
2. What is the difference between closing stock on 10/6 and opening stock on 1/6? \_\_\_\_\_
3. By how much has the stock value changed during the same period? \_\_\_\_\_
4. How many hammers were sold between 1/6 and 10/6? \_\_\_\_\_
5. How much is the leakage if there are only nine hammers in stock on 10/6? \_\_\_\_\_

You can see that a unit stock control system provides very detailed information. You can find the figures you need to calculate the trading result and to check for leakage. You can also see when it is time to order more goods and which goods are selling slowly. All these things are very good, but .....

Co-operative shops usually have hundreds if not thousands of different articles in stock. Do you think that it is possible for the staff to maintain all the cards needed - and this would take a lot of time - without forgetting anything or making any mistakes?

Well, those who have tried know that it is not possible. There are too many mistakes and so the information is useless.

Therefore, a unit stock control system is not generally recommended for co-operative shops. But it could be used to control a few selected articles which need special attention, particularly very expensive articles such as radios, watches and bicycles.

## VALUE STOCK CONTROL

Instead of a unit stock control system, most co-operative shops use a system that tells them the total value of all goods in stock not the number of things in stock. This is better for their requirements, and this is the system we will describe on the following pages.



James is the manager of the First Co-operative Society shop. As in any shop, all goods are purchased from a wholesaler at a lower price - the cost price and resold at a higher one - the selling price. When James keeps records of the value of the stock, he must not mix the two kinds of price.

Either he wants to know how much the shop would get if all the goods were sold, that is, the selling price.

Or he wants to know how much has been paid to the wholesalers for the goods, that is, the cost price.

James records the stock value at selling price only, not the cost price because:

- the value at selling price is the one needed to calculate leakage;
- in practice it is easier to use the selling prices. They are marked on the goods, and they are used when sales are recorded and when stock is taken.

# RECORDING

The pages in a stock control register look very much like stock cards. The main difference is that, instead of units, James records the values at selling price.

Page No. . 1 . . .

STOCK CONTROL REGISTER

Month . *January* . 1982 . . .

Date	Particulars	Increase in Stock Value (IN)	Decrease in Stock Value (OUT)	Balance Stock in Hand (Value)
1/1	<i>Opening Stock</i>			43,250 -

## Opening Stock

The first entry to be made in a stock control register is always the opening stock. This tells the actual value of the stock of goods in a shop at the time record starts.

How does James know the actual value of the stock? Well, there must be a stock-taking. This tells how much stock is actually in the shop.

On January 1, 1981 the opening stock in the First Co-operative Shop was worth T\$43,250\* at selling price.

From this time, James recorded all changes of the stock value in the stock control register.

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\* We use an imaginary currency here because this booklet is used in various countries. We call it "Training dollars" and cents, T\$ and c.

Sales

Sale of goods is, of course, the most common reason for a decrease in the stock value. Goods have left the shop because they have been bought by customers.

It would be difficult to enter every sale separately in the stock control register. In any case, this is not necessary since James already has these details in the sales records. Therefore the total sales are entered in the stock control register from the sales records.

Page No. . . / . . .

STOCK CONTROL REGISTER

Month . *January* . *1982* . . . . .

Date	Particulars	Increase in Stock Value (IN)	Decrease in Stock Value (OUT)	Balance Stock in Hand (Value)
<i>1/1</i>	<i>Opening Stock</i>			<i>43,250 -</i>
<i>2/1</i>	<i>Sales</i>		<i>3,200 -</i>	<i>40,050 -</i>

Now, the records tell James that on January 2, goods worth T\$3,200 were sold. The remaining stock should be:

Old balance	T\$43,250
<u>Decrease</u>	<u>- 3,200</u>
New balance	T\$40,050

The stock should now be worth T\$40,050, but James does not know for sure. There might have been some leakage. Therefore, the new balance is no longer the actual value. It is the theoretical stock value.

Credit sales

Credit sales can have a bad effect on the profitability of a shop. Many co-operative shops therefore do not allow any credit sales. Many find it necessary to accept some local purchase orders from public bodies, however, and in this way allow some goods to be sold on credit to government and other institutions.

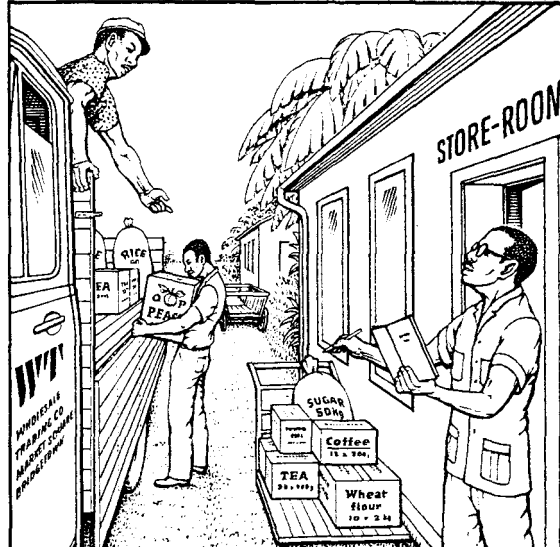
If any credit sales are allowed in a co-operative they must be considered when the stock value is recorded. As soon as something is sold, it can no longer be included in the stock value, even if it was sold on credit. Thus, the total daily sales entered in the stock control register must include any credit sales.



How do you record credit sales in stock records in your society?

Purchases - cash

On January 3, First Co-operative received its weekly supply of goods from the Wholesale Trading Company. This meant that the stock value increased and this had to be recorded in the book. Let us see how James did this



Purchases are always accompanied by some document. There is either a cash receipt which shows how much cash is paid for the goods, or an invoice, which shows how much is due to be paid. On such documents you find the cost of the goods.

In this case James paid cash for the goods, so he got a cash bill from the supplier:

<b>WT</b>	Wholesale Trading Co. Market Square Bridgetown		Cash Bill	
			No :	00033
Goods sold to : First Co-op Society Ltd. Green Valley			Date :	3/1/82
<i>Description</i>	<i>Qty</i>	<i>@</i>	<i>Total</i>	
Sugar 50 kg bag	4	150.00	600.00	
Wheat flour 10 x 2 kg	5	50.00	250.00	
Coffee 12 x 200 g	2	168.00	336.00	
Tea 24 x 100 g	2	60.00	120.00	
Toothpaste 24 x med.tube	1	144.00	144.00	
<b>GRAND TOTAL</b>			<b>12,100.00</b>	

The cash bill shows that he received 4 bags of sugar, each containing, 50 kg, at the price of T\$150.00 a bag. Then he received 5 bulk packages of wheat flour at T\$50.00; each package contained 10 paper bags of 2 kg. He received 2 cartons of coffee, each containing 12 200-g tins, and so on. (We have cut off part of the bill and show the end with the grand total). He paid T\$12,100 for the lot, which is the value at cost price.

But that is not the figure he enters in the stock control register. He uses the value at selling price!



Why does James record the selling price of the goods in the stock control register, and not the cost price?

If you are not sure of the answer, you should read page 8 again.

So James needs to find the value at selling price. The selling price of each article, if not stated on the bill, will either be found in the price book, or it must be calculated.

The following are the selling prices of First Co-operative Society:

Sugar	1 kg	T\$ 3.30
Wheat flour	2 kg	T\$ 5.50
Coffee	200 g	T\$15.75
Toothpaste	tube	T\$ 6.80

The selling value of sugar is T\$3.30 for 1 kg. How many kg did James receive?

The cash bill shows that he bought 4 bags, each containing 50 kg, that is, 200 kg in all. So the total selling value of the 4 bags of sugar is  $200 \times \text{T\$}3.30 = \text{T\$}660.00$ .

In the same way he has to calculate the selling value of the other goods he has just received. He has to read the document carefully so that he multiplies the right prices with the right quantities.

?	The selling price of coffee is T\$15.75 for a tin of 200 g. How many such tins did he receive?	_____
	What is the total selling value of the coffee?	_____
	The selling price of toothpaste is T\$6.80 a tube. How many such tubes did he receive?	_____
	What is the total selling value of the toothpaste?	_____

Selling values can be calculated on a special form, but it is also possible to write directly on the document from the supplier, as they do in First Co-operative. Below you can see how James wrote the selling values on the cash bill. Check if his calculations are correct.

<b>WT</b>	Wholesale Trading Co. Market Square Bridgetown	Cash Bill No : 00033		
Goods sold to : First Co-op Society Ltd Green Valley		Date : 3/1/82		
Description	Qty	@	Total	Selling Value
Sugar 50 kg bag	4	150.00	600.00	660.00
Wheat flour 10 x 2 kg	5	50.00	250.00	275.00
Coffee 12 x 200 g	2	168.00	336.00	378.00
Tea 24 x 100 g	2	60.00	120.00	120.00
Toothpaste 24 x med. tube	1	144.00	144.00	163.20
<b>GRAND TOTAL</b>			12,100.00	13,400.00



Not all the selling prices are shown in our examples, but the total of them all is T\$13,400. This is the figure which would be entered in the stock register, to show how much the stock value has increased.

But wait ....

Before anything is entered in the records. James always makes sure of four things:

- ① Did he receive everything he paid for?
- ② Are the quantities and sizes of the packages correct on the bill?
- ③ Was anything damaged?
- ④ Are the calculations correct?



This is very important. The entries in the stock records must be correct. If not James's reports to the committee about leakage and trading results will also be false and misleading.

But now James is sure. He records a stock increase of T\$13,400.

Page No. . . / . . .

STOCK CONTROL REGISTER

Month . *January 1982* . . .

Date	Particulars	Increase in Stock Value (IN)	Decrease in Stock Value (OUT)	Balance Stock in Hand (Value)
1/1	<i>Opening Stock</i>			43,250 -
2/1	<i>Sales</i>		3,200 -	40,050 -
3/1	<i>Wholesale Trad. Co. C.B. 33</i>	13,400 -		53,450 -

Purchases - credit

Sometimes James does not pay cash for the goods delivered to the shop. Instead he signs a delivery note to confirm that he has received the goods, and later he will receive an invoice for payment.

He uses the delivery note in the same way as the cash bill. Here is an example. The selling price of milk is T\$2.00 a litre, and butter is T\$9.00 for 2 kg. James can make correct entries in the stock control register from this delivery note.

<b>* CO-OPERATIVE DAIRIES LTD *</b>		Date <i>4/1/82</i>
<u>DELIVERY NOTE</u> No. <b>243</b>		
Delivered to <i>First Coop</i>		
Description	Qty	<i>Selling Prices</i>
Milk	<i>30</i>	$30 \times 2.00 = T\$ 60.00$
Butter 12 x $\frac{1}{2}$ kg	<i>2</i>	$24 \times 9.00 = T\$ 216.00$
/	/	<u>T\$ 276.00</u>
Received in order:  <i>J. Marino</i>		

**?** Some societies prefer to wait for the invoice before they make an entry in the stock control register. Why is it better to record the stock value immediately upon delivery?

Return of goods by customers

Yesterday Mrs. Masoli bought a pair of shoes for T\$32. Today she is back in the shop claiming that the shoes are too small. They have not been worn. James knows that he can sell them to another customer, and he agrees to take them back. Unfortunately, there are no larger sizes in stock. He decides to give the money back. A payment voucher is issued and signed by Mrs. Masoli, to show that she received the money.

FIRST CO-OPERATIVE SOCIETY LTD.

Payment Voucher No. .... *13* .....

Date .... *6/1/82* .....

Paid to ..... *Mrs Masoli* .....

Particulars ..... *returned one pair of shoes* .....

Dollars ..... *Thirtytwo only* ..... \$32:—

Received ..... *Mrs Masoli* .....

Cash/~~Cheque~~ Payment authorised by:

..... *J. Martin* .....



What happened to the stock value? Look at the last recording in the stock control register.

Page No. . ! . .

STOCK CONTROL REGISTER

Month . . *January* . 1982 . . .

Date	Particulars	Increase in Stock Value (IN)	Decrease in Stock Value (OUT)	Balance Stock in Hand (Value)
1/1	<i>Opening Stock</i>			43,250 -
2/1	<i>Sales</i>		3,200 -	40,050 -
3/1	<i>Wholesale Trad. Co. C.B. 33</i>	13,400 -		53,450
3/1	<i>Sales</i>		2,870 -	50,580 -
4/1	<i>Co-op Dairies D.N. 243</i>	276 -		50,856 -
4/1	<i>Sales</i>		3,750 -	47,106 -
5/1	<i>Sales</i>		4,150 -	42,956 -
6/1	<i>Ret. from customer P.V. 13</i>	32 -		42,988 -

On 5/1 the sale price of the shoes was part of total sales of T\$4,150.

On 6/1 stock increases by T\$32 because the shoes have been returned.

?

Suppose that Mrs Masoli had been given another pair of shoes in exchange. How should this have been recorded?

Return of goods to supplier

Our next example also deals with shoes. The shop had purchased 12 pairs of shoes from the Kata Shoe Company. The selling price was T\$92 a pair. The total value at selling price was T\$1,104 which was entered in the stock records, and they started selling.

Then something went wrong. One pair was sold, but the customer returned very soon. He was angry because the heels came loose almost immediately he wore the shoes. James examined the other pairs and found that all the heels were badly fixed. He contacted the shoe company and they agreed to take the shoes back because they were badly made.

Let us see how the return of the shoes was entered in the register.

Page No. . 2 . .

STOCK CONTROL REGISTER

Month . *January . 1982 . .*

Date	Particulars	Increase in Stock Value (IN)	Decrease in Stock Value (OUT)	Balance Stock in Hand (Value)
	<i>Brought forward</i>			45,200 -
<i>27/1</i>	<i>Ret. from customer P.V. 15</i>	92 -		45,292 -
<i>28/1</i>	<i>Ret. to Kata Shoe Co. C.N. 47</i>		1,104 -	44,188 -

The stock increased when the customer was allowed to return the shoes to the shop and got his money back. This is verified by Payment Voucher No. 15 issued on January 27.

The stock decreased when all the shoes were returned to the supplier, who issued Credit Note No. 47 (see the next page).

<b>KATA Co.</b>		<u>CREDIT NOTE</u>
		No. 47
First Co-operative Society Limited		
	Green Valley	28.1.82
<hr/>		
28.1	Returned	12 pair of shoes XC.MM Brown Model 46 (faulty heels)
		Total T\$ 960.00

! The credit note from Kata Shoe Company is for T\$960 only, but in the stock control register there is an entry of T\$1,104. Explain the difference.

Containers

Bottling companies normally require the shops to pay a deposit for the bottles to make sure that the empties are returned. Therefore, the shops require the same from their customers.

All bottles, cases and other containers for which deposits are paid are included in the stock value. Therefore, any change in the stock of containers must be recorded in the stock control register.

This may look complicated but, in fact, it is not. Often the containers are neither bought nor sold. They are exchanged for empties. In such cases, the number of containers kept in the shop does not change, and there is nothing to record.

Even if empties are exchanged for other goods there is nothing to record, because the total value of the stock does not change. This happens, for example, when a customer returns six empty bottles and does not get his deposit refunded but receives goods of the same value.

So the stock value changes only when there is a cash deposit in the picture. It becomes easy if you look at it in this way:

- When the customer pays a deposit, he is actually buying bottles as well as the drinks.
- When the shop pays back the deposit, it is actually buying back the empty bottles.

In the first case the shop records the sale as usual (the price of the drinks plus the deposit for the bottles).

In the second case the shop issues a payment voucher for its "purchase" of the empty bottles and the amount is entered in the stock control register at the end of the day.

The shop's transactions with the supplier are similar. It is always a matter of exchanging empties, or buying or selling empties.



Do you know any better and simpler system for control and recordings of empties? If so, describe it here:

Price changes

So far we have been talking about changes in the stock value due to goods coming in or going out. But sometimes the stock value may change without goods being removed.

James received a message on January 29 that the selling price of sugar must go up by 30c a kilo. Sugar will now be sold at T\$3.60 a kilo instead of T\$3.30. How much will the stock value increase? That depends on how much sugar is in stock. Therefore the stock of sugar must be counted (or weighed). If there is 70 kg in stock, the stock value has increased by  $70 \times 0.30$ , that is T\$21.00.

28/1	Empties bought from customer	30 -		41,630 -
29/1	Price Increase P.C.A. 6	21 -		41,651 -

On the same day, it was decided that 10 litres of milk, which was going sour, should be sold at T\$1.00 a litre instead of T\$2.00. The stock value decreased by  $10 \times T\$1.00$ , that is T\$10.00.

29/1	Price Decrease P.C.A. 6		10 -	41,641 -
------	-------------------------	--	------	----------

In the register reference is made to "P.C.A. 6.". That is Price Change Authority Form No. 6. This is made out as follows:

PRICE CHANGE AUTHORITY		Date. 29/1/82.			No. 6		
Article	Qty	Unit Price.			Stock Value		
		Old	New	Change	Increase	Decrease	
Sugar /kg	70	3 30	3 60	+ 0 30	21 00		
Milk /l	10	2 00	1 00	- 1 00		10 00	
					21 00	10 00	
Certified:		Authorised:					
<i>V. Mariand</i>		<i>B. Bolada</i>					



All changes in the selling prices should be authorised on such forms or in a special book. James has to certify that all the figures are correct.

Complete the Price Change Authority Form No. 7 below. Then enter the price increases and the price decreases in the stock control register at the bottom of the page.

PRICE CHANGE AUTHORITY                      Date 30/1/82                      No. 7

Article	Qty	Unit Price			Stock Value	
		Old	New	Change	Increase	Decrease
<i>Coffee, 200g</i>	8	15 75	15 50			
<i>Toothpaste, tube</i>	15	6 80	7 00			
<i>Butter 1/2 kg</i>	16	9 00	9 25			

Certified: .....                      Authorised: B. Bolada.....

Page No. 2

STOCK CONTROL REGISTER

Month January 1982

Date	Particulars	Increase in Stock Value (IN)	Decrease in Stock Value (OUT)	Balance Stock in Hand (Value)
	<i>Brought forward</i>			45,200 -
27/1	<i>Return from customer P.V.15</i>	92 -		45,292 -
28/1	<i>Return to Kata Shoe Co. C.N.47</i>		1,104 -	44,188 -
28/1	<i>Sales</i>		2,750 -	41,438 -
28/1	<i>Brewery C.B.75</i>	162 -		41,600 -
28/1	<i>Empties bought from customer</i>	30 -		41,630 -
29/1	<i>Price Increase P.C.A. 6</i>	21 -		41,651 -
29/1	<i>Price Decrease P.C.A. 6</i>		10 -	41,641 -
29/1	<i>Sales</i>		3,200 -	38,441 -

Goods used in the shop

Soap is used for cleaning the shop. The secretary takes a notebook and pencils for a committee meeting. Nails are used for repairing a table in the storeroom.

These are examples of goods which are taken from stock to be used in the shop or in the office. They could also be examples of how goods "disappear" from the shop and leakage is created.

There must be firm rules for taking things from stock. The manager must approve it. Records must be kept. In First Co-operative they have a special book for goods used in the shop.

Date	Quantity/Article	Used for/by	Selling price		Taken by	Authorised by
			unit	total		
12/1	2 soaps	wash room	3.80	7.60	S. Voe	J. Marins
14/1	1 cello tape	office	4.20	4.20	J. M	
30/1	1 bag cement	repair - entrance	25.00	25.00	S. Voe	J. Marins

Every time something is needed, James has to give permission and the item is recorded in the book. Later on, James can transfer these records into the stock control register, like this:

30/1	Goods used in shop			25 -	38,421 -
------	--------------------	--	--	------	----------



Explain the procedures you apply in your shop when you take goods from the stock to use in the shop work. Also suggest how you can make your procedures safer and simpler.

Spoilt goods

Some goods have to be thrown away. For example, glass gets broken and food goes bad. To keep control of this type of loss records should be kept; a special book or form should be used whenever any goods are spoilt. This example is from First Co-operative:

Date	Quantity/Article	Reason for spoilage	Selling price unit	price total	Certif. by	Author. by
15/1	2 kg fish	rotten	4.80	9.60	J.M.	B.Bolada
"	1/2 kg eggs	tray dropped by Mary	8.60	4.30	J.M.	B.Bolada
30/1	4 batteries	old/leaking	5.25	21.00	J.M.	B.Bolada

It was agreed that James, the manager, should certify that all the entries are correct and, furthermore, authorisation by the secretary is needed. The entries in this book are then transferred to the stock control register:

30/1	Goods lost			21	-	38,400	-
------	------------	--	--	----	---	--------	---



- a) Before any goods are thrown away, what alternative should always be considered?
- b) Describe the procedures you apply in your shop when some goods have been spoilt. Suggest how the procedures can be improved.

### Goods used as a payment

Sometimes James hires people to do some casual work on the shop premises, like repairs, grasscutting, etc. They often ask for some goods as payment, instead of cash. James then enters the selling value of those goods in the stock control register, because stock is reduced. He also enters the same amount in the wages book, so that he can control how much wages he pays, and the labourer signs a receipt.

### Paper bags

Paper bags and other wrapping materials that are given free of charge to customers are not included in the stock value. Therefore there is no entry in the stock register, either when they are purchased by the shop or when they are given away.

It is different with the big carrier bags available at the counter. The customers are charged for those, so they are included in the stock value, like any other goods bought or sold.

### Other changes in the stock value

Although we have now covered all common reasons for changes in the stock value, you may sometimes come across others in your shop. To deal with these, all you have to do is to find the amount of increase or decrease in the value, and enter it in the stock records.

It is important to have efficient and fixed routines for the recordings. Everyone working in the shop must know the procedures

- 1) for taking goods for use in the shop;
- 2) for throwing away goods which are spoilt.

The system must be safe and simple. The books and forms used should have the necessary information, but nothing more.,



# HOW TO CHECK FOR LEAKAGE

The balance in the stock control register shows the theoretical selling price of the stock. Stocktaking will tell us the actual selling price of the goods remaining in the shop. Therefore, whenever the committee wants to find out if there has been any leakage, a stocktaking is organised. Many societies check the stock at the end of every month.

At the end of January First Co-operative's stock control register looks like this:

Page No. . 2 . .				
<u>STOCK CONTROL REGISTER</u>				
Month . <i>January 1982</i> . . . . .				
Date	Particulars	Increase in Stock Value (IN)	Decrease in Stock Value (OUT)	Balance Stock in Hand (Value)
29/1	<i>Sales</i>		3,200 -	38,441 -
30/1	<i>Price Increase P.C.A 7</i>	7 -		38,448 -
30/1	<i>Price Decrease P.C.A 7</i>		2 -	38,446 -
30/1	<i>Goods used in shop</i>		25 -	38,421 -
30/1	<i>Goods lost</i>		21 -	38,400 -
30/1	<i>Sales</i>		2,750 -	35,650 -
31/1	<i>Wholesale Trad. Co. C.B. 51</i>	17,250 -		52,900 -
31/1	<i>Sales</i>		4,100 -	48,800 -
31/1	<i>Stock check (48,652.-)</i>			
	/			
	<i>Carried forward</i>			48,800

After stocktaking James writes down the actual selling price of the stock in the shop. He compares it with the theoretical stock value as shown in the stock control register. (You can read both the actual stock and the theoretical stock on January 31 in the stock register on the previous page. Note that it is the theoretical stock that is carried forward to the next month). James can now calculate the leakage from the beginning of the year.

**?** Insert the figures and calculate the leakage.

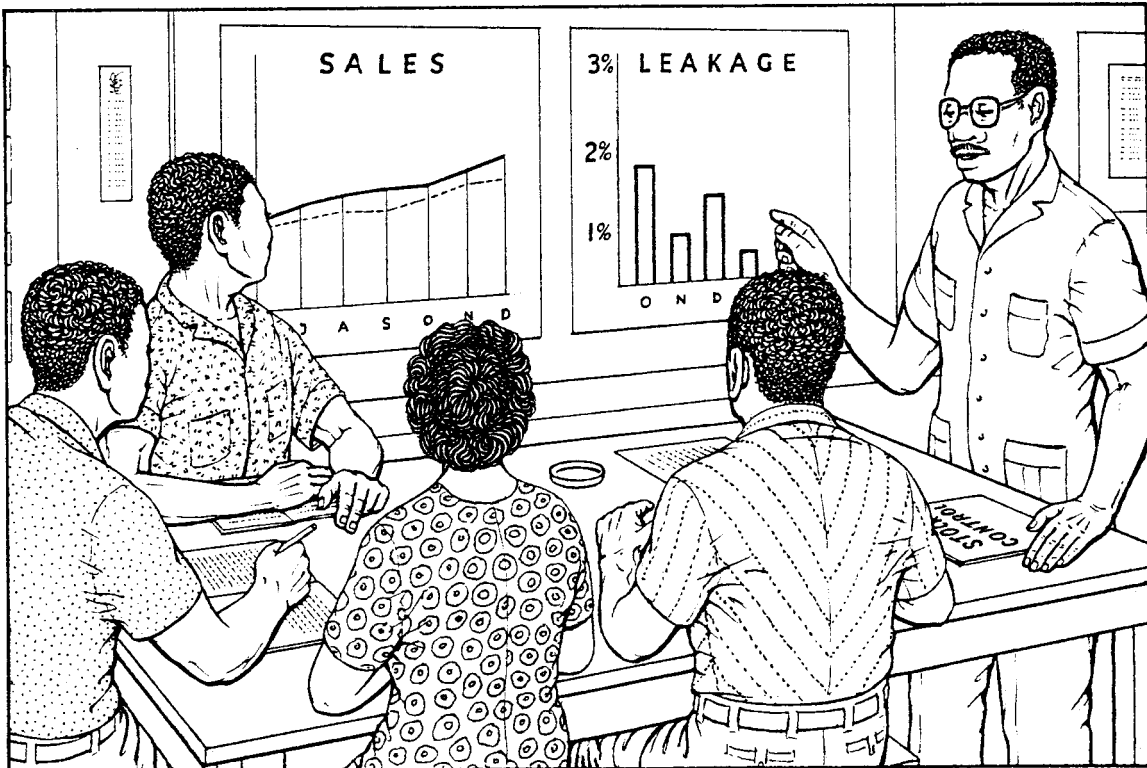
Theoretical stock \_\_\_\_\_

- Actual stock \_\_\_\_\_

= Leakage \_\_\_\_\_

The sales during January amount to T\$69.600.  
Calculate the leakage in percentage of the sales.

The leakage is \_\_\_\_\_% of the sales during January.



# HOW TO CLOSE THE RECORDS

At the end of the year the records of the stock control register are closed. During the year the balance shown in the register is the theoretical stock. To show the actual stock at the end of the year James has to enter the leakage into the records as shown below:

Page No. *34* . .

STOCK CONTROL REGISTER

Month . *December 1982* . . .

Date	Particulars	Increase in Stock Value (IN)	Decrease in Stock Value (OUT)	Balance Stock in Hand (Value)
<i>31/12</i>	<i>Sales</i>		<i>3,500</i> -	<i>53,500</i> -
<i>31/12</i>	<i>Stock check (48,280)</i>			
	<i>Leakage</i>		<i>5,220</i> -	<i>48,280</i> -
<i>31/12</i>	<i>Closing Stock</i>			<i>48,280</i>



The sales during the whole year were T\$868,260. How much was the leakage in percentage of the sales?

The leakage was \_\_\_\_\_ % approximately.

How much was the leakage in your shop last year?

The leakage was \_\_\_\_\_ %.

## A PRACTICAL EXERCISE

To test your understanding of how to use a stock control register, make entries in the register opposite for a.11 the following. (Page numbers are given so that you may check how to get your answers).

	<u>Page</u>
May 1 A stocktaking shows that the actual value of stock is T\$57,350.	9
May 2 Goods were supplied by the Dairy Company. Selling value T\$475.	15
Goods were sold for T\$2,017.	10
May 3 Weekly delivery from the Co-operative Wholesale Company arrived. Total selling value according to the invoice was T\$12,850, but one carton of tinned meat was missing. The selling value of the missing meat was T\$150.	15
Total cash sales T\$1,905.	10
The local school was supplied goods for T\$340 to be paid at the end of the month.	11
May 4 Total cash sales T\$2,420.	10
Price of sugar was increased 10c a kilo. The stock of sugar was 110 kilos.	22
May 5 Delivery from the brewery:	
10 cases of beer @ T\$80 cost price	12-15
12 cases of empties returned	20-21
Add T\$8 per case to get the selling price. The deposit for one case with empties is T\$40, which is not included in the price.	
Total sales T\$3,108	10
May 6 A packet of washing powder, a brush and a scouring-cloth were taken from the stock to be used for cleaning the shop. The total cost price was T\$22 and the total selling price was T\$24.	24
A customer was refunded T\$40 for a case of empties.	20-24
Total sales T\$1,763	10





## CHECK-OUT

To prove to yourself that you have fully understood this Element, you should now go through the following questions. Mark what you think is the right answer to each question. If you have problems with a particular question, go back and read the corresponding chapter again. Your teacher will later check your answers.

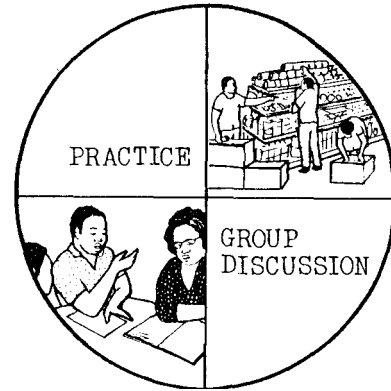


- 1 In the stock control register you should find:
  - a a theoretical stock value;
  - b the actual stock value;
  - c the leakage.
  
- 2 To calculate the trading result, surplus or loss for a month you should know:
  - a the opening stock value only;
  - b the closing stock value only;
  - c both of them.
  
- 3 Unit stock control is recommended for:
  - a big shops only;
  - b all kinds of goods;
  - c expensive items.
  
- 4 Cost price is:
  - a the price for a commodity paid by the customer in a shop;
  - b the price for a commodity paid-by the shop to the wholesaler;
  - c the amount added to the price in a shop in order to cover the costs of running a shop.
  
- 5 To find leakage you must:
  - a prepare a trading report;
  - b keep stock records and do a stocktaking;
  - c keep records of all lost goods.

- 6 In the stock control register the value of the goods should be at:
- a cost price;
  - b selling price;
  - c either of them.
- 7 If a commodity is sold the stock value will:
- a increase;
  - b decrease;
  - c remain the same.
- 8 If a commodity is purchased from a wholesaler the stock value will:
- a increase;
  - b decrease;
  - c remain the same.
- 9 Credit sales should be recorded in the stock control register:
- a when the goods are sold;
  - b when the payment is received;
  - c not at all.
- 10 Before the details of the goods received are entered in the stock control register:
- a the goods must be paid for;
  - b the quantity and quality must be checked;
  - c the goods must be displayed in the shop.
- 11 Which one of the following transactions should not be recorded in the stock control register?:
- a a customer is allowed to return a sweater and her money is refunded;
  - b the price of tinned fish is cut to clear old stock;
  - c a customer returns a shirt and changes it for a larger size one, same price.
- 12 Goods used for cleaning the shop:
- a should not be recorded;
  - b should be recorded as a decrease in stock value;
  - c should be recorded as an increase in stock value.

# COMPLEMENTARY EXERCISES

To complete your studies of this topic you should take part in some of the following exercises which will be organised by your teacher.



## GROUP ASSIGNMENTS

### 1 Stock control checklist

- a Prepare a checklist of all transactions in a shop which need to be recorded in the stock control register.
- b Note for each transaction on your list whether the stock value has decreased or increased.
- c Note also for each transaction on the list where to find the actual value which is to be entered in the stock control register.

### 2 Efficient procedures

Examine how the stock control register is maintained in a selected shop. Write a critical report in which you suggest improvements.