

Enterprise Inventory Policy

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Certified in Production and Inventory Management (CPIM)

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Define Inventory



[1] Types of Inventory

[2] Functions of Inventory

[3] Nature of Demand





What is Enterprise Inventory Policy?

EIP is the constitution for a company's inventory decisions. It talks about anything and everything on matters concerning inventory.

Reference for Practice and Audit





Why EIP is important?

For a typical manufacturing organisation,

Procurement is as high as 70% of its turnover in a year

Carrying Cost is 25% of Average Annual Inventory

Reducing Product Life Cycles and changing consumer preferences

Disruptions on the supply side and demand side

Fast changing business models etc.

Inventory can make or break a company

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Elements of an EIP



Macro

- Aggregate Inventory

Micro

- Item Level Inventory





Aggregate Inventory

Max Investment on Inventory

Inventory Turnover Ratio

Balance Sheet – Current Assets

RM, WIP, FG, DI & MRO

Objectives of Procurement,
Finance, Manufacturing, Sales
and Marketing.

Guiding Standards

Strategic Planning

Sales & Operations Planning

Schedule of Powers

List of Stakeholders and their
roles and responsibilities

Name and Functions of Facilities





Item Level Inventory

Item No, Part No & SKU No

Master Scheduling

What to order?

Material Requirements Planning

When to order?

List of Stakeholders and their roles and responsibilities

How many to order?

Network Planning [Echelons and Nodes]

Forecasting Methods [Inward, Outward or Hybrid]

Inventory Valuation [FIFO, LIFO, Average & Standard Costing]

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Item Level Inventory

Inventory Auditing [Periodic or Perpetual]

Inventory Movement [FIFO or LIFO or Random]

ABC Classification Criteria

Inventory Costs – Item Cost, Landed Cost, Carrying Cost, Ordering Cost etc.

Inventory Disposal Methods

Compliance

Material Safety Data Sheets

Suitable MHEs and Handling Requirements

Packaging and Packing Requirements





Item Level Inventory

Safety and Security of Personnel
and Materials

Permissible Shrinkages

Write-Off Provisions

Storage Mechanisms

Storage Conditions and
Specifications

Transportation Requirements

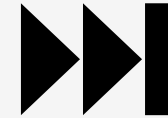




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