

Processing

The student has accurately prepared a WAC inventory card for a stock item. Processing is at Excellence level.

Describing elements of the entity's inventory subsystem

Mason uses a perpetual inventory system for recording the movement of his toys. He uses an accounting software package to his inventory system. This allows him to monitor the stock flow more easily. The First In First Out method, which is demonstrated on the inventory cards, allows Mason to know which toy was in which orders and how many of that order is left, therefore Mason will know the exact cost of each toy. This enables him to try and meet his business goal of being sure to have sufficient stock on hand so he is able to meet the customer's demands, while not over-stocking.

1

The following sections have been omitted from this exemplar: authorisation of payments, managing inventory levels

For Mason, the ordering process is very important because he needs to have enough stock on hand to meet the customers' needs. Graham is in charge of placing orders with the suppliers, although Mason must authorise every order form before it is sent. This will allow Mason to understand the lead time (the delay between the ordering and when the stock arrives) which is different depending on the supplier and this will allow him to decide on the amount he needs to order because he will know what is already on the way and what he already has in stock.

When the toys arrive in the storeroom Graham checks them. This is his way of ensuring quality control. Graham therefore maintains control of the product quantity and ensures the goods arriving have been ordered for the business. This is shown on 6 August where Graham received 20 Lego toys and 15 puzzles. He would check them when they arrive in the storeroom to ensure that this is the same as the order and packing slip. This allows Graham to meet the business goal of having high quality toys.

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Graham always matches the product against the packing slip which shows him that he has received what is on the packing slip. Also, Graham matches the packing slip against the order form to ensure that the products he has received are what were ordered. Also, if an order is incomplete or if some of the products received are not good quality, Fun Times will receive a credit note as happened on 8 August when Mason received a credit note for three of the Lego toys purchased on 6 August as the toys were damaged.

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On 31 August the inventory card shows that Fun Times completed a stock take. The perpetual inventory system allows Fun Times to identify that there was one Lego toy missing.

4

This is important to Mason because he will need to analyse what happened to this toy. If he finds out that it was stolen by one of the employees, he will need to keep a closer watch on him or her so there are no more thefts. This will help maintain the business goal of maximising profits by having more control over the business.

3