

Processing

The student has accurately prepared a FIFO inventory card for Lego toys at Merit level.

Describing elements of the entity's inventory subsystem

Fun Times is owned by Mason and Kelly. They are a wholesaler of children's toys. They use the FIFO method in their perpetual inventory system. Their main goals as a business are to have sufficient stock on hand to be able to meet all customers' orders, to maximise their profit by minimising their expenses, monitoring cash flow to ensure that financial commitments can be met all the time and to keep their customers happy by providing accurate and on time orders.

Perpetual inventory system

Fun Times uses a computerised inventory system with a first in first out (FIFO) method. This is the best method to use with toys because, although they aren't perishable, they do date as with many products. The perpetual inventory system provides Fun Times with a continual record of their stock on hand. This is good for the re-ordering of stock.. This system helps Fun Times to meet their goal of having sufficient stock on hand to supply all customers.

Authorisation of inventory purchases

The ordering processes are very important for Fun Times Graham, who works in the store room, is responsible for placing orders before they are processed. Every supplier requires an order number before the orders are processed. Fun Times has an accounting software package which has the reorder points for each product. This means when a certain toy reaches its reorder point Graham is notified to place another order. This is important because sometimes their order is held up because they are imported from overseas. So if Graham doesn't order on time then the order may not get to them in time to meet a customer's order, such as on the inventory cards for puzzles.

Inventory received

When the inventory arrives in the store room Graham checks them to ensure quality control. If a product is damaged then he can get in touch with the supplier and get a credit. If Graham can check the quality of the toys it saves the customers receiving damaged toys which wouldn't be keeping customers happy which is one of the business goals. Graham always matches the products against the packing slip against the order form. This means Fun Times know if they don't receive what they ordered which means they maximise their profit by not paying for toys they didn't receive.

Managing inventory levels

Fun Times are very good at managing their inventory levels. They have a good ordering system where only one person can order and the orders must be authorised by one person. Graham is the best person to be in charge of the ordering of stock because he knows how much of each product there is in the store room.

The toys for Fun Times must be ordered in advance because most of their products are imported and may be help up in shipping. Each product has a different lead

time to ensure that Fun Times doesn't sell out of any toys which could cause customers to be unhappy with Fun Times' service. Another way they manage their inventory levels is having Graham dealing with the despatch of inventory to clients, therefore he knows how much inventory there is left in the store room. For Fun Times to meet their goal of having sufficient stock on hand to meet all customers' orders they have to be able to manage their inventory levels well, which they do.

Fun Times has a good document system with cross checking orders, packing slips and invoices. All the documents for Fun Times should be sequentially numbered. The case study tells us that the order forms all must have an order number and the packing slip and invoices would match that number to save confusion between orders. They should have more than one copy of each document so anyone can access one at any time and to save confusion with losing documents. The documents in Fun Times are all authorised by a set person to save unnecessary paying or ordering of stock. This helps the business to be organised and can keep up with their goals of always making the client happy with their service.

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Authorisation of payments

Kelly is responsible for paying the bills but before she even sees them Janice will staple the invoice to the packing slip and Mason must sign it off before Kelly can pay the supplier. The paying of invoices is very important for Fun Times because if they don't pay on time or don't pay enough it would upset the relationships with their supplier and they may lose their credit allowance or even lose their supplier then they couldn't keep their goals of having sufficient supply on hand to meet customers' needs. It is important to have only one person paying the bills because if anyone can pay them they may be paid twice which would affect their cash flow.

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Stocktake

A physical stock take should be taken every one or two months. This is important because the perpetual inventory system gives Fun Times a theoretical record of their stock on hand. But this doesn't account for human error or theft. On the inventory card for Lego toys it shows a stock take was taken on the 31st of August showing a surplus of one Lego toy. This had to be updated because if a surplus or a shortage continued occurring it could mean Toys Direct ending up with too much or not enough stock on hand to meet their clients' orders.