

IMPROVE YOUR BUSINESS

Buying and Stock Control





**IMPROVE
YOUR BUSINESS**

BUYING & STOCK CONTROL

International Labour Office

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About the Start and Improve Your Business (SIYB) Programme

The Start and Improve Your Business (SIYB) programme is a management-training programme developed by the International Labour Organization (ILO) with a focus on starting and improving small businesses as a strategy for creating more and better employment for women and men, particularly in emerging economies. With an estimated outreach in over 100 countries, it is one of the world's largest programmes in this field.

The programme has four inter-related packages - Generate Your Business Idea (GYB), Start Your Business (SYB), Improve Your Business (IYB) and Expand Your Business (EYB).

The ILO implements the programme using a three-tier structure comprising Master Trainers, Trainers and the end beneficiaries – potential and existing entrepreneurs. The Master Trainers licensed by the ILO are responsible for developing the capacity of the Trainers to effectively conduct SIYB training. Thereafter, the Trainers train entrepreneurs in SIYB packages. The ILO plays a critical role in identifying and disseminating best practices, carrying out trainings, monitoring activities, performing quality control and providing technical advice on the implementation of the SIYB programme.

About Improve Your Business (IYB)

Improve Your Business (IYB) is a management training programme for owners and managers of small enterprises who want to sustain their businesses, increase sales and reduce costs. It addresses the core question of how to improve the performance of your business.

IYB originates from a programme developed by the Swedish Employer's Confederation for local small and medium entrepreneurs. Later, the methods and materials were adapted by the ILO to meet the needs of people running small businesses in developing countries.

The IYB training programme is supported by a set of six manuals (marketing, costing, buying and stock control, record keeping, planning for your business, and people and productivity). These manuals can be taught individually or all combined in a full course. If the full course using all the manuals is delivered, the duration is approximately seven days. The IYB training uses an active, problem-centred learning approach to small business management through, for example, short cases and graphic illustrations.

The IYB Buying and Stock Control manual explains business purchasing procedures and inventory management in order to make business investment efficient.

Authors and acknowledgements

The IYB Costing manual is a result of a collective effort and reflects the experience and knowledge gathered by implementing the programme for nearly three decades. In particular, the contributions of SIYB Master Trainers and Trainers who have tested, designed and implemented the programme in different countries over the years have been invaluable. There are many colleagues from the network of SIYB practitioners, consulting firms and in the ILO, whose experience, support and constructive suggestions made the publication of this training manual possible.

This manual is based on the materials originally developed in 1994 by the ILO SIYB Regional Project Office in Harare, Zimbabwe, where it was written and edited by Mats Borgenvall, Cecilia Palmer and Barbara Murray.

The author team of the 2015 version, which revised the existing text and wrote new chapters to include recent thinking in enterprise development and related fields comprises Duong Thi Kim Chung and Pranati Mehtha. Stylistic and language editing were carried out by Steve Raymond.

Many thanks are due to SIYB senior Master Trainers Dissou Zomahoun, Gemunu Wijesena, Sibongile Sibanda and Walter Verhoeve for the review of the draft manuscript and suggestions based on their training experience. Short contributions, advice and assistance on integrating linkages to finance in the manual were received from Cheryl Frankiewicz and Severine Deboos (Technical Expert in the Social Finance Unit of ILO's Enterprises Department).

The internal layout and illustrations were carried out by Thai Van Luan and the cover design was developed by Maurizio Costanza.

The review efforts and technical contributions of the SIYB Global Coordination Team members who provided invaluable support to the development and finalization of the manual is greatly appreciated: Merten Sievers (Specialist – Value Chain Development and Business Development Services), Eva Majurin (SIYB Global Coordinator) and Thokozile Newman.

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INTRODUCTION

1. What is this manual about?

Whatever business you are in, you need to buy supplies before you can make or sell your goods or services. How well you sell depends on how well you buy. If you do not properly plan your business purchasing, you will spend more money than you should. After buying supplies, you may need to store them as stock until you can use or sell them. You must have proper control of your stock in order to protect your investment. This manual will help you to buy well and to control your stock effectively. By following the guidelines in this manual, you will be able to purchase items at a lower cost and prevent the loss of stock in your inventory.

2. Who should read this manual?

Buying and Stock Control is one of the manuals in the Improve Your Business (IYB) series. It is useful for entrepreneurs who have already established small enterprises and who wish to develop their business, increase sales and reduce costs.

3. Objectives of this manual

When you have completed this manual, you should be able to:

- Identify the items that your business needs to purchase
- Design a process to make sure that you are buying well
- Verify whether or not stock control is important to your business
- Create Stock Cards to record the stock coming in and going out of your business
- Do stock taking to regularly check the level of your inventory
- Properly manage the performance of your suppliers

4. How to use this manual?

In this manual you will find:

- **Stories of businesses:** Compare these examples with your own business and use them to improve the performance and profitability of your business.
- **Activities:** Practical exercises in the middle of each part that help you to proactively think about the concepts and how to apply them to your own business.

- **Summary:** This is provided at the end of each part. Use it to review the key points.
- **Assessment:** This is provided at the end of each part. Answering the questions will help you to assess how well you understand the content presented in that part.
- **“Can You Help?”:** These are exercises at the end of the manual which will give you an opportunity to apply your new knowledge and skills in specific situations. By doing these exercises, you will find out how much you have learned from the whole manual.
- **Action Plan:** Fill in and use the Action Plan near the end of the manual. This will help you to put your new knowledge into practice.
- **Answers:** Answers to Assessments and “Can You Help?” exercises are given at the end of the manual. Finish each exercise before you look at the answer.
- **Useful Business Words:** You can look up the meaning of business words that you do not understand. This part is at the end of the manual.
- **Important notes:** Each of these notes has important information. Use this information to the best of your ability. You can find these notes in the middle of different parts of the manual.

Several icons are used within the manual to help guide your study. Examples of the icons and their meanings are listed below:



When you see this icon, you have activities to do or questions to answer.



When you see this icon, you find an answer for your activities and assessments here.



When you see this icon, it signifies that the information in this part is extremely important.



When you see this icon, you have to complete assessments that help you measure what you have learned.



When you see this icon, you will know you have just completed one part and the important ideas that were presented are being summarized here.



When you see this icon, it tells you where to find more information or what to do.

BUYING WELL FOR YOUR BUSINESS

1. What does a business buy?

What a business buys has an obvious impact on what the business sells to its customers.

ACTIVITY 1



What items have you been buying for your business? List them in the space below.

.....

.....

.....

The following items are what businesses need to buy. The things that you buy fall in which of these categories?

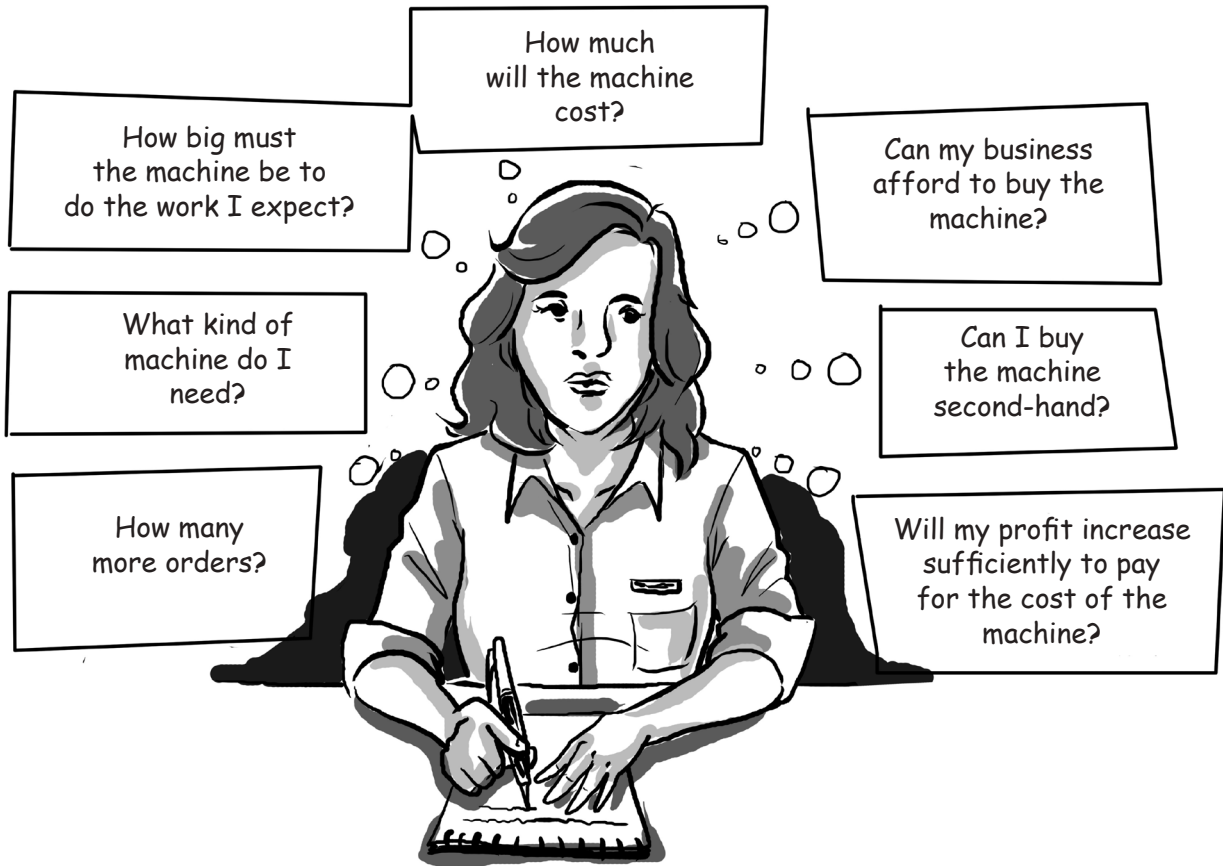
- Equipment
- Raw materials
- Finished goods
- Services and outsourced items

1.1 Equipment

Equipment is all the machinery, tools, workshop fittings, office furniture, etc., that your business needs to make goods or to provide services. Buying equipment, especially expensive machinery, is a serious matter, as it impacts your profitability.

There are important questions to answer before you buy equipment.

For example, a metal fabricator has many new orders. To fill the orders, the company may need a new grinding machine. Before deciding to buy the machine, the owner asks the following questions:



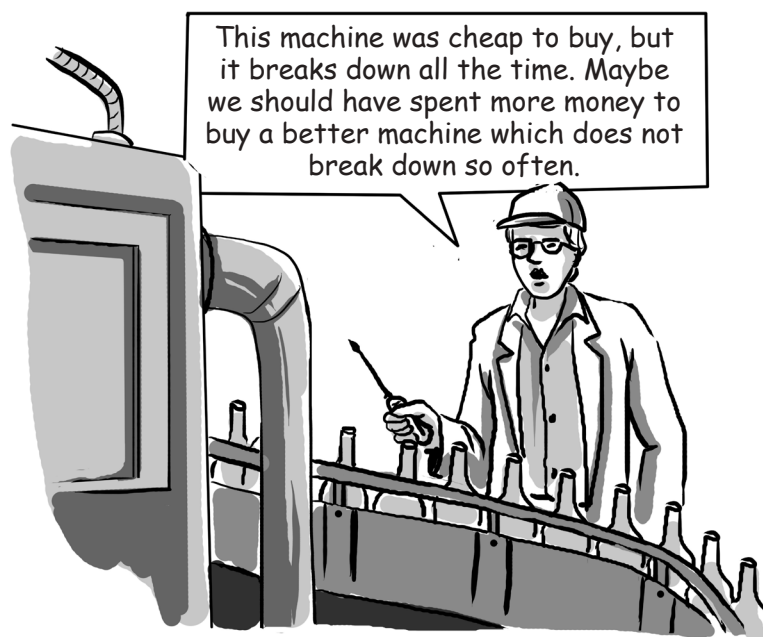
If this were your company, you must decide how you can best use your money. Perhaps you do not need to buy new equipment. Find out if you can:

- Keep using the equipment you already have and borrow or rent extra equipment only when you need it
- Pay another business that has the equipment to do the work for you

If you decide to buy equipment, find out as much as you can about all the different types of equipment that are available.



ACTIVITY 2



What were the mistakes that these business people made when they bought equipment?

.....

.....

.....

To prevent similar mistakes, you should have the answers to questions like these before you buy the equipment:

- Does the equipment work well? How often does it break down?
- Is there a newer type of equipment that would be better?
- Which equipment is the cheapest to run and easiest to operate?
- Do I need special training to use the equipment? Can I get it? Is it free?
- How long will the equipment last?
- Does the supplier give a written guarantee?
- Will the supplier install the equipment and service it?
- Can I have it serviced locally?

You can get the suppliers to answer most of these questions, but you should also talk to your employees, business associates and people who use the same or similar equipment. You can also find information about equipment specifications, reliability and limitations on the internet. It is equally important to check the compatibility of your machine with the other equipment you have.



Your equipment will need repairs. Ask the supplier or local repair shops about spare parts and guarantees of service before you buy any equipment. You need to find out answers to the following questions:

- Are spare parts available locally? If not, how quickly can you get them?
- What quality are the spare parts and how much do they cost?
- Are there local experts trained to maintain or repair that kind of equipment?
- How long is the guarantee for the equipment? What are the conditions of the guarantee?

When you buy spare parts, make sure you buy the right parts for your equipment. The cheapest spare parts may not be the correct ones. Your business loses a lot of money when the equipment breaks down and you have to stop production. Buying original models of the spare parts will save your business a lot of money. Have a good business relationship with an experienced repairman who knows your equipment well.



“

Consider green technology when buying equipment. Green technology is more environmentally friendly and it saves energy. You may need to initially invest more to purchase environmentally friendly equipment, but since this equipment costs less to operate, the energy savings can more than make up for this additional cost over time.

”

1.2 Raw materials

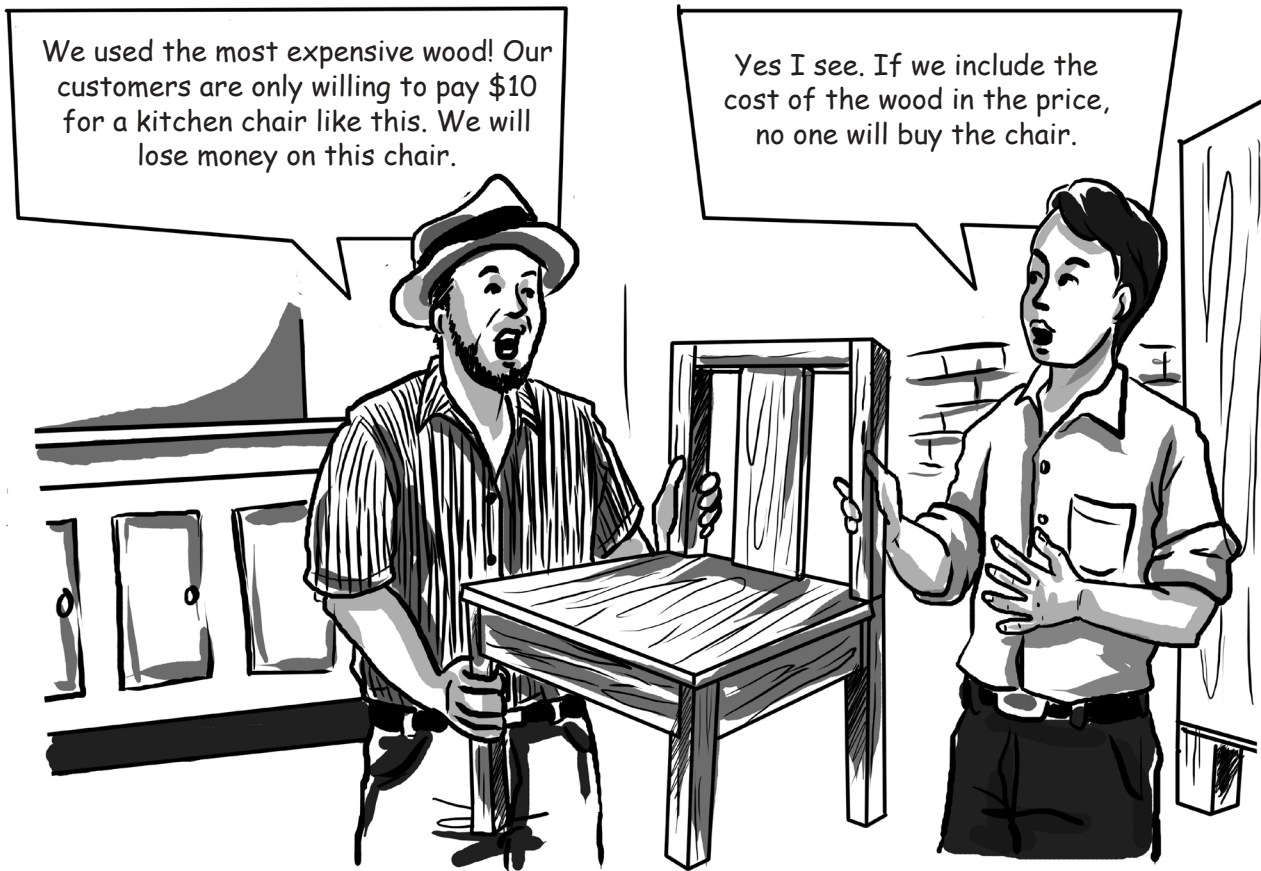
Manufacturers need raw materials to make goods to sell. Raw materials are all the materials that go into the goods you make.

Accurate estimations of the right amount of raw materials that your business needs guarantees that the business is not undersupplied and ensures that you are able to deliver products on time. On the other hand, an oversupply of raw materials ties up valuable capital. Manufacturing activities need to be well planned and delivery timelines established so that your purchase of raw materials is timely and accurate.

Try to use raw materials that are easily available from reliable suppliers and are of good quality. Using quality assured raw materials increases the value of your products and the likelihood that they are perceived as reliable by your customers.



On the other hand, do not buy and use raw materials that make your product cost more than your customers are willing to pay. Look what happened in this business:



1.3 Finished goods

Manufacturers use equipment to make raw materials into finished goods. Wholesalers and retailers buy and sell finished goods made by manufacturers.

Do market research and think carefully before you buy finished goods for resale. Customers are increasingly concerned about how certain products impact the environment and their health. Consider how your customers view products before you buy them.



ACTIVITY 3

List all questions relating to the concerns of customers that define their needs. These concerns should be taken into consideration before you buy finished goods.

.....

.....

.....

.....

.....

.....

.....



The IYB MARKETING MANUAL tells you more about how to decide which finished goods to buy and sell.

1.4 Services and outsourcing

Your business will require services from other businesses, such as security services, transport services, cleaning services and equipment servicing and maintenance. In many cases purchasing services from reputable service providers is less expensive than doing it yourself.

You may also consider outsourcing some production work in case your people do not have the necessary skills or if the work is seasonal. For example, a garment factory can outsource embroidery to women in the village who can do the work at home. Outsourcing helps you to save production costs, plus it creates good relationships with local people and generates more employment.

Before you select a service provider or someone to do the outsourcing, do some research and find out if the potential subcontractors have the skills and experience needed for the jobs you want them to do. Ask people who have contracted their services in the past to find out if they are reliable, if they have the skills you need and if their reputation is good.



2. Common mistakes when buying

The businesses in the following illustrations did not buy well and hence their business suffered.



ACTIVITY 4

Look what happened in these three businesses and answer the questions that follow:

Maya Store:





Tasty Bread:



Katu Smallholder Farm:



1. Why did *Maya Store* buy so much of thin, silky material?

.....

2. What is the problem with the way *Maya Store* does its buying?

.....

3. What advice can you give *Maya Store* to improve its buying?

.....

4. What did *Tasty Bread* do wrong?

.....

5. What may happen to *Tasty Bread* if it does not improve its buying?

.....

6. What did *Katu Smallholder Farm* do wrong?

.....

7. What may happen to *Katu Smallholder Farm* if it does not improve its buying?

.....

See answers on page 38 at the end of this part.

3. What is buying well?

A good buying process includes the following:

1. Buying the right quality



Buy what your business needs in the qualities your business needs and your customers want.

2. Buying the right quantity



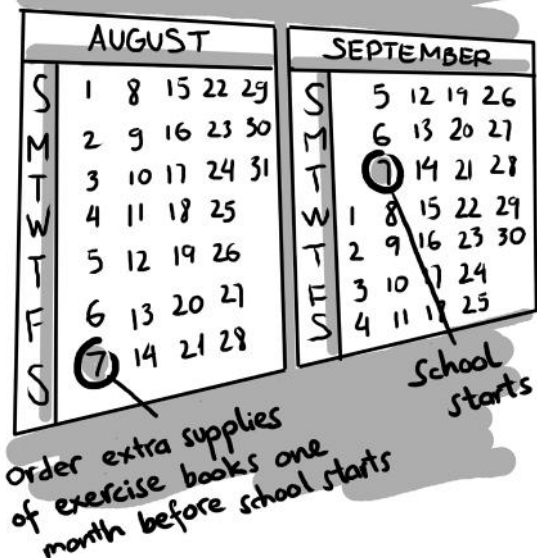
Buy the quantities your business needs and your customers want - not too much or too little.

3. Buying at the right price



Buy at prices your business can afford and your customers are willing to pay. Make sure that the prices you pay give your business the profit it needs.

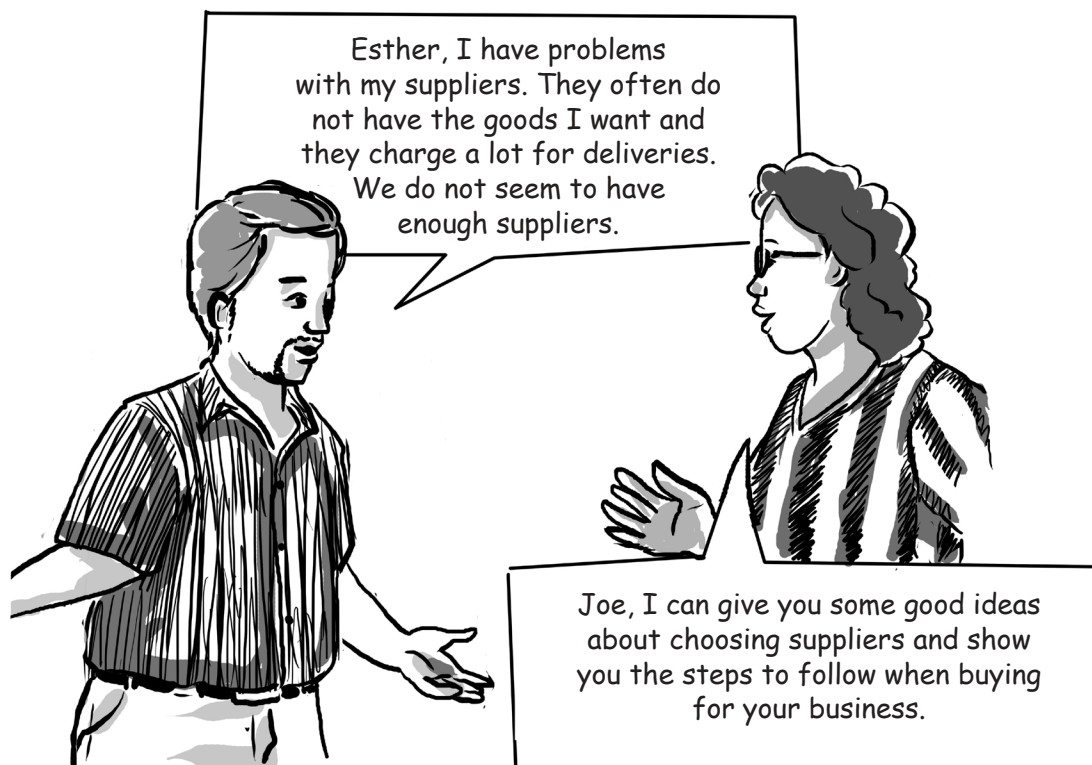
4. Buying at the right time



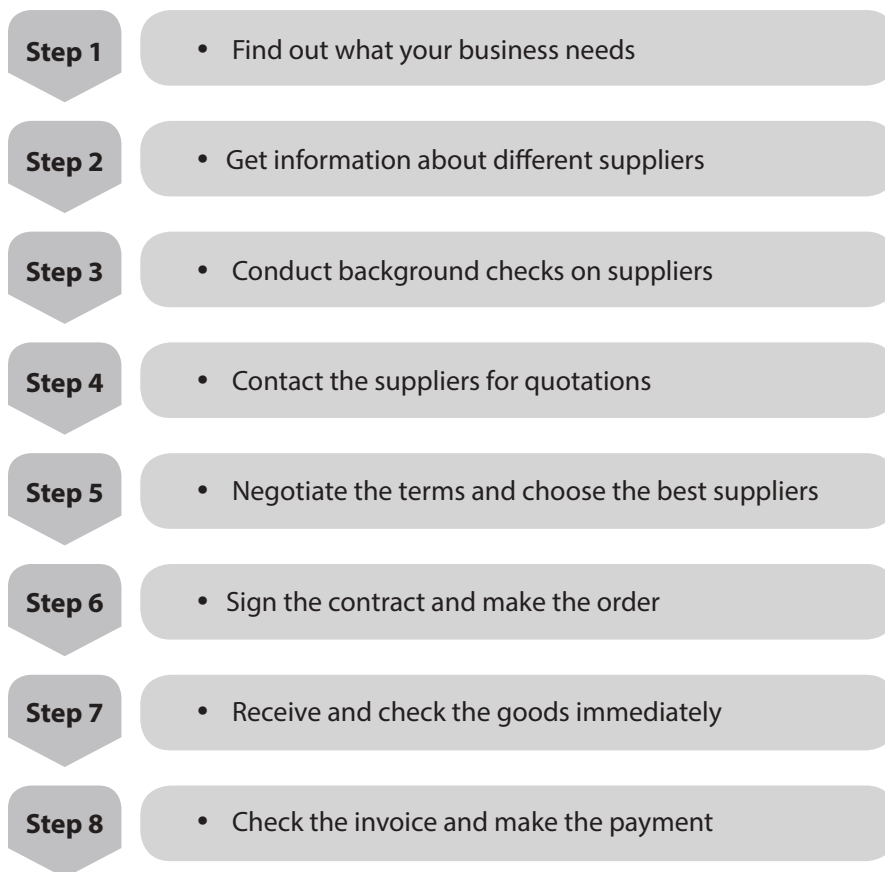
Buy when your customers and your business need the goods, materials or equipment - not too early or too late.

Organizing your business buying function is an important step in the buying process. The people in your company who are responsible for the buying process need to constantly ascertain what customers want by monitoring their buying behaviour. They also need to be up-to-date on the new products coming into the market. It is recommended that you designate one person authorized to make final purchasing decisions for your business.

4. Steps to follow when buying



To be effective, buying for your business should follow a systematic step-by-step process. These are called **buying rules and procedures**. There are eight recommended steps to follow. Such procedures will reduce fraud and ensure your business gets the best prices and conditions.



The business documents that are used in the buying process are listed below:

Buying step	Business document
Step 1. Find out what your business needs	
Step 2. Get information about different suppliers	
Step 3. Conduct background checks on suppliers	
Step 4. Contact the suppliers for quotations	Enquiry
Step 5. Negotiate the terms and choose the best suppliers	Quotation
Step 6. Sign the contract and make the order	Order
Step 7. Receive and check the goods immediately	Delivery note
Step 8. Check the invoice and make the payment	Invoice & receipt

4.1 Step 1: Find out what your business needs

What your business needs is based on what your customers need. Make sure you know as much as possible about your customers - who they are and what they need and want.



When you know what your customers want, you can make better decisions about:

- What materials or equipment you need if you make goods to sell?
- What goods you need if you resell finished goods?
- What quantities you need?
- What prices are you prepared to pay?
- When you need the goods or materials?
- What services your business needs to buy?



The IYB MARKETING MANUAL tells you more about how to understand and satisfy your customers with the goods or services they want.

ACTIVITY 5



Identify what your business needs to buy based on what your customers need.

What do your customers need?	What does your business need to buy?

4.2 Step 2: Get information about different suppliers

Find out which suppliers sell the goods, materials, services or equipment you need. Information gathering is important if the potential supplier does not have a relationship with your business. It also helps you to identify other suppliers that you may not have known about.



There are many ways to get information about potential suppliers:

- **Ask** the people who work with you, your friends in the business, teachers in your business school, your consultant or other people who may be familiar with the suppliers. Also, find out where your competitors buy their supplies.
- **Contact** organizations or clubs that support small businesses, such as the local Chamber of Commerce. They sometimes know which suppliers are reliable.
- **Look** in newspapers, magazines and trade journals. In some places, there is a list of businesses in the telephone yellow pages.
- **Search** the internet for potential suppliers. You can get valuable information about them from their websites, including the type of products they sell, their prices, their credit terms and their delivery arrangements.
- **Use** social media as a key source of information about suppliers. It provides a platform for companies to share information about their goods and services. Social media sites allow you to read about experiences that other businesses have had with the suppliers.
- **Visit** trade fairs to meet new suppliers. You can get a lot of information about suppliers and their products at trade fairs and then immediately negotiate purchasing terms with them.
- **Advertise** for the products that you need on websites, social networks and newspapers. By advertising for your supplies, you are able to get competitive bids and collect a lot of information about suppliers in a cost-effective way.

4.3 Step 3: Conduct background checks on suppliers

The reputation and reliability of the supplier is important. For example:

- Does the supplier usually deliver on time?
- Does the supplier accept returned goods or materials?
- How responsible is the supplier for the quality of goods or materials?



Try to find out information about each supplier by:

- Talking to other business people and finding out what they know about the supplier
- Talking to previous customers of a supplier first because they can provide important information about that supplier
- Checking on the internet to find out what other people think about the supplier

4.4 Step 4: Contact the suppliers for quotations

Before contacting the supplier, you may want to talk to people from similar businesses in the area that need the same goods or materials, and then form a consortium or association to purchase the goods in bulk. It helps you to save money for your business by:

- Getting discounts for bulk orders
- Sharing transport costs

In fact, in some communities, buying club or business associations order goods and materials from suppliers in bulk to save on costs. Check to see if your community has such a club or association.



When one or more suitable suppliers have been identified, request quotations from each and then compare the goods, services and pricing offered by the different suppliers. You can contact suppliers by:

- Telephoning
- Visiting
- E-mailing



The quotation you request from the supplier should contain the following information:

- The different kinds of goods, materials or equipment each supplier can offer:
 - Does the supplier have the quality and quantity that you need?
 - What is the smallest amount you can buy?
- Prices and terms of payment:
 - Do you need to pay cash or can you obtain credit?
 - How much credit can you get?
 - How soon do you need to pay?
 - Can you get discounts if you buy large quantities or pay quickly?
 - How much discount can you get?
- Terms of delivery:
 - Will the supplier deliver to your business?
 - How soon after the order will they deliver?
 - Do you pay for transport or is delivery free?

It is best to get a reply to your questions **in writing** either in the form of a letter or an e-mail. A written quotation gives you proof in the event that there are disagreements between you and your suppliers.



E-mail Enquiry

To: **hairandnailmanufacturer@sme.com**

From: **manager@hairandnails.co.za**

Subject: **Request for a quotation**

Dear Sir/Madam

We have reviewed your products and would like to get a quotation for the following:

Quantity	Description
50	Nail Polish Remover, 100ml
100	Bold and Beautiful Pink Gel, 500g
70	Regular Braid Sheen Spray, 250ml
30	Pure Royal Scalp Treatment, 125ml
100	Moisture Seal Leave – in Styling Mist, 250ml
20	Above Hairspray, 450ml

Kindly specify the prices, terms of delivery and payment.

Kind regards

Esther Sukume

Manager *Hair and Nails Salon*

Kajui Complex, 2nd floor room 493

Nairobi

Mobile: +254712975632



ACTIVITY 6

How well do you know your suppliers? Do you join with others to buy in bulk? How do you contact your suppliers?

4.5 Step 5: Negotiate the terms and choose the best suppliers

A quotation is an answer to your enquiry. You should compare the quotations to find out exactly what the different suppliers can offer. Once you have compared quotations, you can contact the suppliers to negotiate.

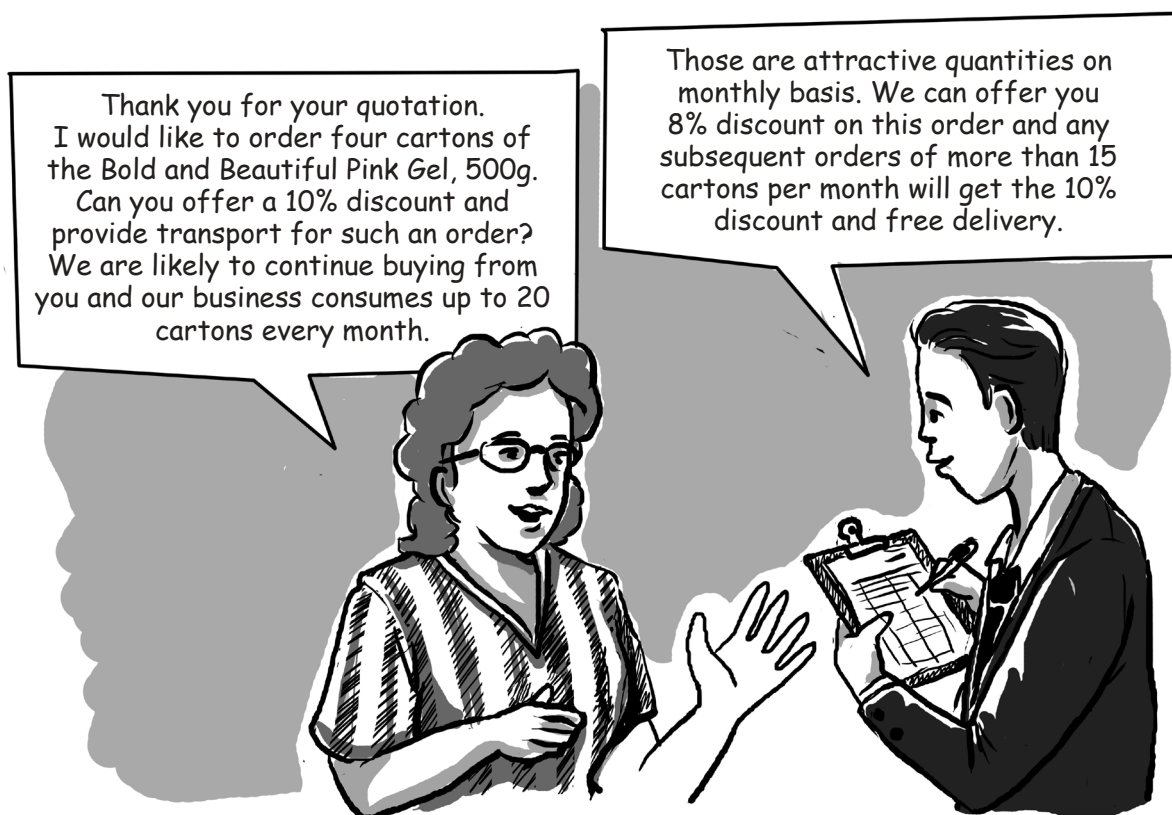
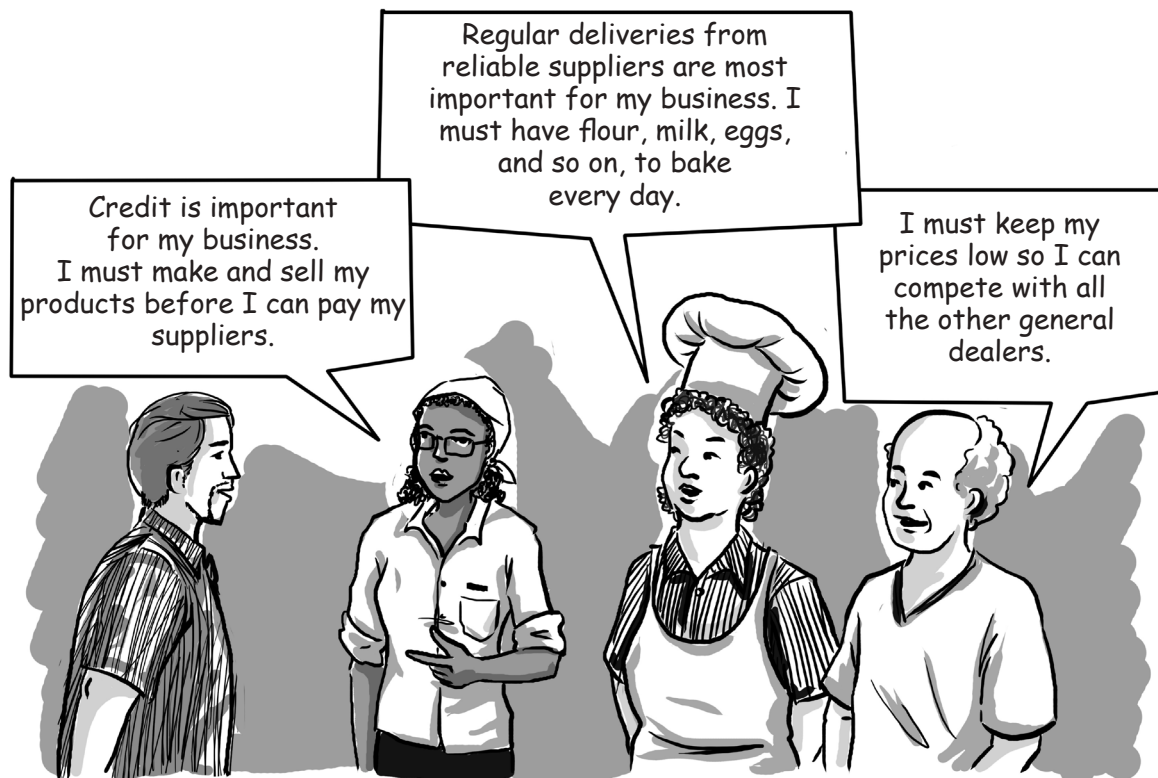
Negotiation is an important skill in any business. One of the goals of purchasing well is to acquire goods at the best price, while ensuring that the business requirements for delivery time, warranties, payment terms and quality are met. When you negotiate, you should include the possibility of returning any unsold items within a specific timeframe. This type of agreement is common with perishable goods. Such an agreement enables the company to refresh its goods and services when they expire.



ACTIVITY 7

How should you negotiate with suppliers to get better prices, delivery and payment terms?

You should negotiate on the basis of what is important for your business.



If you are able to negotiate better prices, credit terms, delivery or other conditions from one supplier, ask the other supplier to send you a new quotation. You can then compare these negotiated quotations to determine which is best for your business.

Number: 135
Hair & Nails Manufacturers
Achor Centre, 3rd Floor
OffKodhek Road, Hilton, NAIROBI, KENYA
Tel: +254726546789

QUOTATION

Date: 19 March 2014
Customer details:
Hair and Nails Salon
Kajui Complex, 2nd floor room 493
Nairobi, Kenya
Mobile: +254712975632



Dear Ms Sukume,
Referring to your enquiry, we are happy to offer you the following goods and conditions:

Item code	Description	Quantity	Unit price (\$)	Total price (\$)
200019	Nail Polish Remover, 100ml	50	1.00	50.00
200016	Bold and Beautiful Pink Gel, 500g	100	5.00	500.00
200045	Regular Braid Sheen Spray, 250ml	70	2.50	175.00
200078	Pure Royal Scalp Treatment, 125ml	30	1.50	45.00
200090	Moisture Seal Leave – in Styling Mist, 250ml	100	2.50	250.00
200075	Above Hairspray, 450ml	20	6.00	120.00
			Subtotal	1,140.00
			VAT 14%	159.60
			Total due	1,299.60

Terms and conditions: Guarantees exclude negligence, abuse, insect damage or damage from acts of nature. 14 day exchanges can only be provided if in original packaging and condition. Proof of purchase is required to honour exchanges. Delivery is provided free within a 100 km radius and will be made within 48 hours of receipt of the order.

Details are as follows:

Smart Bank
Account Name: *Hair and Nails Manufacturers*
Account Number: 001234679
Branch: Moi Street

Yours faithfully,
Margaret Kasonde
Sales Manager

Number: 156

Hair Deals

Simba Complex, First Floor
Access Road, Long Acres, NAIROBI, KENYA
Tel: +254716592709

QUOTATION

Date: 18 March 2014

Customer details:

Hair and Nails Salon

Kajui Complex, 2nd floor room 493

Nairobi, Kenya

Mobile: +254712975632

Dear Ms Sukume,

In reference to your e-mail dated 14 March 2014, we are pleased to offer the following goods and conditions:

Item code	Description	Quantity	Unit price (\$)	Total price (\$)
200019	Nail Polish Remover, 100ml	50	1.20	60.00
200016	Bold and Beautiful Pink Gel, 500g	100	5.00	500.00
200045	Regular Braid Sheen Spray, 250ml	70	2.50	175.00
200078	Pure Royal Scalp Treatment, 125ml	30	1.60	48.00
200090	Moisture Seal Leave – in Styling Mist, 250ml	100	2.40	240.00
200075	Above Hairspray, 450ml	20	5.90	118.00
			Subtotal	1,141.00
			VAT 14%	159.74
			Total due	1,300.74

Terms and conditions: Free delivery. Delivery is within two weeks from the date of the order. Payment should be made within 14 days after the receipt of goods. Goods can be exchanged within 7 days of purchase and if the original packaging is maintained. Payment to be made to the following business bank account:

Innovation Bank

Account name: *Hair Deals*

Account Number: 400201500

Branch: Sunshine Mall

Yours faithfully,

Same Kateni

Sales Manager

Esther compared the quotations from *Hair and Nails Manufacturers* and *Hair Deals*:

Hair and Nails Manufacturers

- Free delivery within a 100 km radius
- Delivery within 48 hours from date of the order
- No credit; Cash on delivery
- Lower prices for some items

Hair Deals

- Free delivery
- Delivery within two weeks from the date of the order
- Fourteen days credit
- Higher prices for some items





Compare the two above quotations.

1. Which supplier has the lowest prices?

.....

2. Which supplier offers the best credit terms?

.....

3. Which supplier has the best terms of delivery?

.....

4. Which supplier do you think *Hair and Nails Salon* chose? Why?

.....

.....

.....

See answers on page 39 at the end of this part.

4.6 Step 6: Sign contract and make the order

Signing contract

A contract is an agreement between parties, whether in writing or verbal, to take part in or not to participate in certain activities.

Before preparing your order, it is important to decide which kind of contract is suitable for your business. Following are the different types of contracts:

- **Term contract:** This contract covers the purchase of certain types of products from a supplier within a specific period of time, usually three months, half a year or one year.
- **Delivery on demand:** This is a contract for products to be delivered at certain time periods, for example every week, every month or quarterly.

A typical contract includes:

- The goods being provided
- The timetable for delivery
- The responsibilities of both the supplier and the customer
- Provisions for legal and regulatory compliance
- Payment terms
- How disputes will be resolved
- Confidentiality and non-disclosure provisions
- Termination conditions

When buying services or outsourcing, you cannot see or touch the product at the time you make the contract so you may receive the delivery of items or services that you did not expect. Therefore you need to draw up a **Service Level Agreement (SLA)** between your business and your supplier. SLAs are agreements or contracts with suppliers that define the service they must provide and the level of service to be delivered. An SLA should also describe responsibilities and priorities.



For outsourcing, you may need to also make an agreement concerning quality assurance when visiting the suppliers' workshop.

Making the order

When you have decided which supplier to buy from, make your order. You can order in person or over the phone, but it is always best to make your order in writing. A written order helps you to remember what you ordered and is proof that you made the order.

If the suppliers do not have order forms, create your own. You can use a standard order book which may be found in almost any bookshop or you can make a simple order form yourself. Send the original to the supplier, but remember to keep your own copy.

If you have received a quotation, mention it in your order. The order should reflect the information on the quotation and on the contract.

ORDER

Hair and Nails Salon
Kajui Complex, 2nd floor room 493
Nairobi
Mobile: +254712975632

Number: 70

Date: 22 March 2014

To: *Hair & Nails Manufacturers,*

Achor Centre, 3rd Floor, OffKodhek Road, Hilton,
Nairobi, Kenya

Tel: +254726546789

PLEASE SUPPLY these goods as per your quotation number 135 of 19 March 2014.

To be accompanied by an invoice or delivery note bearing this order number.

Item code	Description	Quantity	Unit price (\$)	Total price (\$)
200019	Nail Polish Remover, 100ml	50	1.00	50.00
200016	Bold and Beautiful Pink Gel, 500g	100	5.00	500.00
200045	Regular Braid Sheen Spray, 250ml	70	2.50	175.00
200078	Pure Royal Scalp Treatment, 125ml	30	1.50	45.00
200090	Moisture Seal Leave – in Styling Mist, 250ml	100	2.50	250.00
200075	Above Hairspray, 450ml	20	6.00	120.00

Esther Sukume
Manager
Hair and Nails Salon

4.7 Step 7: Receive and check the goods immediately



If the goods or materials are delivered, the supplier usually sends a **delivery note** with the goods or materials. The delivery note lists details of the goods. The supplier wants you to sign the delivery note as proof that you have received the goods.

Some suppliers do not give you a delivery note. They give you an invoice. An invoice lists details of what you have bought and gives you the terms of payment.

Here is the delivery note that *Hair and Nails Salon* received:

DELIVERY NOTE		Number: 134		
<i>Hair & Nails Manufacturers</i> Achor Centre, 3rd Floor OffKodhek Road, Hilton, NAIROBI, KENYA Tel: +254726546789				
23 March 2014				
<i>Hair and Nails Salon</i> Kajui Complex, 2nd floor room 493 Nairobi Mobile: +254712975632				
Dear Ms Sukume,				
Item code	Description	Quantity	Unit price (\$)	Total price (\$)
200019	Nail Polish Remover, 100ml	50	1.00	50.00
200016	Bold and Beautiful Pink Gel, 500g	100	5.00	500.00
200045	Regular Braid Sheen Spray, 250ml	70	2.50	175.00
200078	Pure Royal Scalp Treatment, 125ml	30	1.50	45.00
200090	Moisture Seal Leave – in Styling Mist, 250ml	100	2.50	250.00
200075	Above Hairspray, 450ml	20	6.00	120.00
Received in good order:.....				
				

When you get your goods:

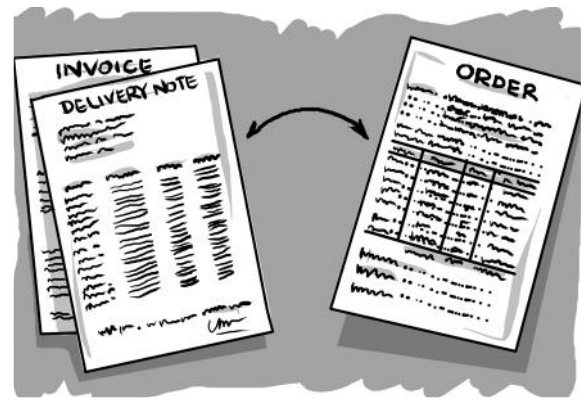
- Check the goods against the deliver note/invoice
- Then, check the delivery note or invoice against your order, check that you received everything you ordered and that you received your delivery on time

Before you sign the delivery note/invoice, make sure you have received:

- The goods you ordered
- The quantity you ordered
- Goods are in proper condition

If something is wrong, **complain immediately**. Do not sign the delivery note/invoice until the problem has been corrected:

- Contact the supplier or talk to the delivery person before he or she leaves
- Write your complaint in a note to your supplier or write the complaint on the delivery note itself
- Make sure the delivery person signs the note to agree that the complaint is correct. This makes it easier for both you and the supplier to settle the matter.



23 March 2014

To: *Hair & Nails Manufacturers*

Bold and Beautiful Pink Gel containers were leaking on delivery, the 100 items are being returned with this note.

Esther Sukume

Manager

Hair and Nails Salon

4.8 Step 8: Check the invoice and make the payment

The supplier can send an invoice:

- Before they send you the goods: This means you need to pay **before** delivery is made.
- At the same time that you receive the goods: This means that the invoice will say "**cash**" or "**COD**", which means **Cash On Delivery**. This means that you have to pay immediately upon receipt of the goods.
- After you get the goods: This means you have established **credit** and do not have to pay in advance or upon receipt of the goods. The invoice will designate a specific time period before the payment is due. For example, if the invoice says 30 days net, this means that you must pay no later than 30 days from the date written on the invoice.

Here is the invoice from *Hair and Nails Manufacturers*:

Item code	Description	Quantity	Unit price (\$)	Total price (\$)
200019	Nail Polish Remover, 100ml	50	1.00	50.00
200016	Bold and Beautiful Pink Gel, 500g	100	5.00	500.00
200045	Regular Braid Sheen Spray, 250ml	70	2.50	175.00
200078	Pure Royal Scalp Treatment, 125ml	30	1.50	45.00
200090	Moisture Seal Leave – in Styling Mist, 250ml	100	2.50	250.00
200075	Above Hairspray, 450ml	20	6.00	120.00
			Subtotal	1,140.00
			VAT 14%	159.60
			Total due	1,299.60

COD

Make sure that the invoice is correct. **Compare the invoice with the delivery note.** The list of goods must be the same on both.

Make sure that:

- You have received everything for which you are paying.
- The prices and totals are correct, for example, if the supplier promised you a discount, did you get the discount?

If you think an invoice is not correct, find out what is wrong and **contact the supplier immediately**. Discuss the problem with the supplier and agree on the best way to solve it. If you have made the payment before, then match the invoice with the items you receive. If you need to return any item, make sure that you get the refund for the price of that item.



ACTIVITY 9

Compare the invoice on page 31 with the delivery note on page 29 and the note of complaint on page 30.



1. What is wrong with the invoice *Hair and Nails Salon* received?

.....

.....

2. What do you think Esther did after she found the mistake?

.....

.....

.....

See answers on page 39 at the end of this part.

Paying for your goods and services

Once you are happy with your invoice, you need to make the payment. Most suppliers will accept payment either in cash, by cheque, by electronic transfer or by debit or credit card. Electronic transfer of funds is usually the preferred method and often the safest method of payment, as it does not involve handling the physical cash. Find out from your suppliers if your business can pay invoices through electronic transfers.

You need a systematic way of maintaining these records. Be sure to keep backup copies and organize them properly.

CASH RECEIPT

5 April 2014

Received from: *Hair and Nails Salon*

The sum of: Seven hundred ninety nine dollars and sixty cents

Amount in figures: **\$ 799.60**

With thanks

P. Marimo

Hair and Nails Manufacturers

ACTIVITY 10



Does your buying follow the eight steps? Which step(s) do you need to add to your current process to make your buying more effective?

.....

.....

.....

.....



You need to keep the paid invoices and receipts for your records. Read more about how to keep and use business records in the IYB RECORD KEEPING MANUAL.



SUMMARY

- You need to buy before you make or sell your goods or services. How well you sell depends on how well you buy.
- Buying equipment is a serious matter. Before you decide to buy equipment, get advice from suppliers, your employees, friends in the business and people who use the same or similar equipment.
- When deciding which equipment to buy, consider energy saving alternatives instead of only basing your decision on the initial purchase price.
- Find out about repairs and spare parts before you buy equipment. Make sure you buy the right parts. The cheapest parts may not be the correct parts.
- Raw materials are all the materials and parts that go into the products you make. Buy your raw materials from reliable suppliers and make sure the quality is good.
- Wholesalers and retailers buy and sell finished goods made by manufacturers. Do market research and think carefully before you buy finished goods.
- Customers are increasingly concerned about how certain products impact the environment and their health. Consider how your customers view certain goods before you buy.
- Before you select service providers or people to do your outsourcing, check their skills and experience in the specific area of interest.
- To buy well, buy:
 - The right quality
 - The right quantity
 - At the right price
 - At the right time
- There are certain steps to follow when you buy goods, raw materials, equipment or other things your business needs:
 - Step 1: Find out what your business needs based on what your customers need
 - Step 2: Get as much information as possible about different suppliers by asking people who work with you, looking on the internet, reading newspapers, magazines, trade journals and checking the telephone book. Also go to trade fairs to meet with potential suppliers
 - Step 3: Conduct background checks on suppliers to learn about the suppliers' reputations and reliability
 - Step 4: Contact the suppliers for quotations and compare them to find out exactly what the different suppliers can offer

-
- Step 5: Negotiate the terms and choose the best suppliers by contacting each supplier to request the best terms they can offer. Compare these negotiated quotations to determine which is best for your business
 - Step 6: Sign contract and make the order: It is always best to order in writing. Think carefully about the quantities you need
 - Step 7: Receive and check the goods immediately, if there is something wrong tell the supplier immediately
 - Step 8: Check the invoice and make the payment, make sure that you have received everything for which you are paying and the prices and totals are correct



ASSESSMENT 1

You have completed Part I of this manual. Try the exercises below to check your understanding. Finish the exercises before comparing your answers with those on page 97.

1. Practise your business language

Select and fill the correct words in the blanks.

Receipt	Finished goods	Written enquiry	Equipment	Delivery note
Spare parts	Quotation	Invoice	Order	Raw materials

- Wholesalers and retailers mostly sellmade by manufacturers or supplied by other companies.
- Before a business buys, it should find out if service and spare parts are available locally.
- When you need to repair something, spend your money wisely. Make sure you buy the right Remember, the cheapest items are not always the best.
- The quality of thewhich go into your products is important. They must be good enough. But if they are too expensive, your prices will be too high. Then, your customers may not be able to afford your products.
- Before you choose a supplier, you first need to know what each supplier can offer. So, it is a good idea to ask several suppliers for
- A is a document to prove that you have paid.
- An tells you to pay. Always compare it with your delivery note to make sure you received everything you ordered.
- Follow up your to make sure that the goods are delivered on time.
- To find out what suppliers can offer you, you can visit the suppliers, phone them or send them a
- When a supplier delivers what you have ordered on credit, he or she gives you a..... which lists the quantity and type of goods. You get this document before you get the invoice.

2. Which one is correct?

Circle the correct or best ending for each sentence.

- When you buy machines and other equipment you must...
 - sell the machines you already have.
 - buy the same machines your competitors have.
 - find out if service and spare parts are available locally.

-
2. You want to buy new types of goods to sell in your store. Before you decide what goods to buy, the first thing to do is to find out...
 - a. what goods your customers want.
 - b. what goods suppliers can offer you.
 - c. how much it costs to make your storage area larger.
 3. When you select a service provider or someone to do outsourcing, the most important information you should have is...
 - a. their customers.
 - b. their size and production capacity.
 - c. their skills and experience.
 4. Buying well can help your business ...
 - a. reduce costs.
 - b. keep costs unchanged.
 - c. sell at a higher price than other businesses.
 5. A written order is better than a spoken order because ...
 - a. it is a neater way to order.
 - b. it is a quicker way to order.
 - c. it is proof that you made an order.
 6. Check the goods against the delivery note or the invoice...
 - a. when you count your stock at the end of the week or at the end of the month.
 - b. immediately when you get the goods.
 - c. when you make your order.
 7. Your supplier delivers coffee. It is listed on the invoice, but you cannot remember if you asked for it. To find out, check the...
 - a. order.
 - b. quotation.
 - c. receipt.
 8. If a supplier sends you damaged goods, you must immediately...
 - a. give the supplier a bad reputation.
 - b. complain and then agree with the supplier on the best way to solve the problem.
 - c. lower the price to your customers and advertise the goods.
 9. COD means that you must pay...
 - a. by cheque.
 - b. when the goods are handed over to you.
 - c. within 30 days.
-



ANSWERS TO ACTIVITIES

Activity 4

1. The buyer from *Maya Store* bought a lot of the thin, silky material because the salesperson said that:
 - The price was very good.
 - The material was popular and a lot of tailors were buying it.
 - Many customers would like the material.
2. The problem with *Maya Store's* purchasing is that it does not know what its customers want. The store makes buying decisions based on what the supplier says.
3. To improve its buying, *Maya Store* must find out what the customers want before making a purchase. The store should not simply rely on the information given by the supplier. It needs to do market research. When the store buys materials, they can buy small quantities to find out if customers want the materials and are willing to pay the price for them.
4. *Tasty Bread* did not buy enough flour. The business ran out of flour too often because the owner did not estimate the demand for flour properly. It takes a lot of time and costs a lot of money for transport to go to town so often.
5. If *Tasty Bread* does not improve its buying:
 - The business will not be able to make enough bread for the market. Sales will go down and the company may lose customers.
 - The increased cost of transport will lower the company profits.
 - They will continue wasting a lot of time when they go to buy flour so often. Sales will suffer and profits will go down.
6. The owner of *Katu Smallholder Farm* bought too much of one type of fertilizer and had no money left to buy the fertilizer that the crops needed more.
7. If *Katu Smallholder Farm* does not improve its buying practices:
 - The farm output will be affected as the yields may go down, which will affect profitability.
 - The crops will not meet the quality standards required by their customers. They may then lose customers and their sales and profits will decrease.

Activity 8

1. *Hair and Nails Manufacturers* have the lowest prices. The total amount for the goods in *Hair Deals'* quotation is \$1,300.74. For *Hair and Nails Manufacturers* the amount is \$1,299.60.
2. *Hair and Nails Manufacturers* do not offer credit terms. *Hair Deals* offers 14 days credit.
3. *Hair and Nails Manufacturers* have the best terms of delivery. They deliver within 48 hours. *Hair Deals* only delivers two weeks after the order has been placed.
4. Esther bought from *Hair and Nails Manufacturers* because: Esther said that free and fast deliveries are most important for her business.

Activity 9

1. The invoice includes the leaking Bold and Beautiful Pink Gel 500g that Esther returned to the supplier with the note of complaint signed by the delivery person.
2. After she found the mistake, Esther immediately contacted the supplier and explained the problem. She told the supplier about the note she had sent with the delivery person and then discussed how to solve the problem.



CONTROLLING YOUR STOCK AFTER BUYING

Stock control is the next step. After you purchased the goods, you received them, but you may not use or sell them immediately. You keep them as stock and you have to control your stock well.

1. What is stock?

Stock is all the goods your business has for sale. Stock is also all the raw materials or spare parts your business keeps and uses to make goods or provide services. Different types of businesses have different types of stock. Here are some examples:

Retailer

The stock for a retailer is the goods and materials the business buys from other businesses and keeps to resell.



The stock for a computer and mobile phone shop includes the computers, the phones and the accessories, such as computer parts, chargers, earphones, etc.

Manufacturer

The stock for a manufacturer is the raw materials and parts the business uses to make goods for sale and the finished goods that have not yet been sold.



The stock for a yogurt processing plant includes raw milk delivered by the farmers, packaging, additives, straws and labels.

Service provider

For a service provider, stock is the materials or goods the business buys to use to provide a service.



The stock in a beauty salon includes shampoos, conditioners, scissors, braids, hair products, etc.



ACTIVITY 11

List all the stock your business has at the moment.

2. What is stock control?

Stock control means organizing the way you:

1. Record your stock



Write down all goods or materials coming into or going out of your business.

2. Store your stock



Keep the right amount of stock in a safe and practical way.

3. Arrange your stock



Arrange your stock so that it attracts customers to buy and also make it easy for you to see and count.

4. Check your stock



Check and count your stock often to make sure that it is in good condition and that no stock is missing.

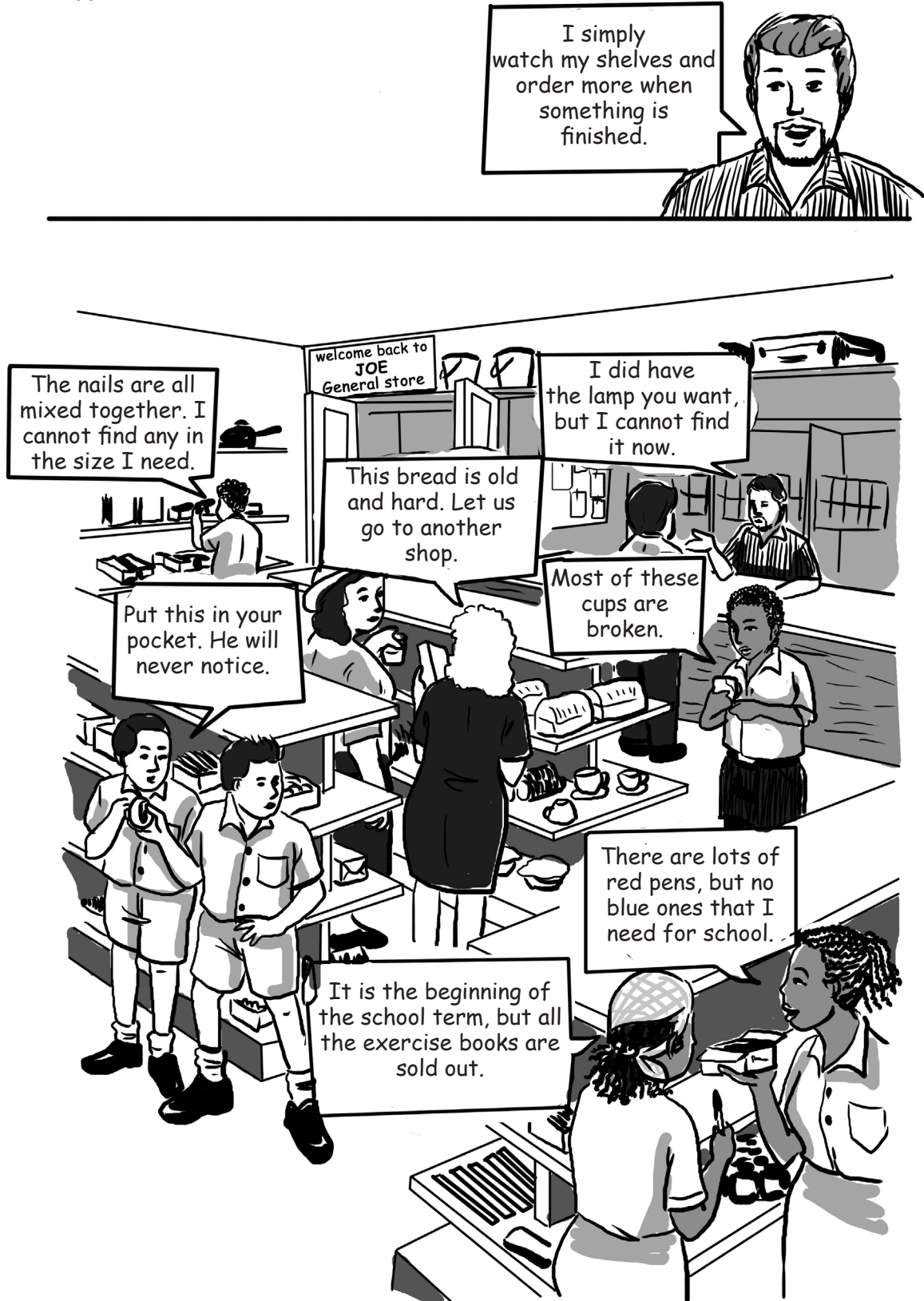
5. Reorder your stock



Reorder the right stock, in the right quantity at the right time.

3. How can stock control improve your business?

Joe thinks stock control is not important. But look what happens at his business:





1. Look at the picture in the previous page. What stock control problems can you see at *Joe General Store*?

.....

.....

.....

2. What can Joe do to solve each of the stock control problems seen in the picture?

.....

.....

.....

.....

See answers on page 72 at the end of this part.

The following illustrations will tell you how good stock control could help you to decide what goods you need to buy, how many goods you should buy and when you should reorder supplies.

1. Stock control helps you to prevent having too little or too much stock.



Tasty Bread had to stop production because it does not have enough stock. It will lose customers and sales and profits will go down.



Joe General Store have more blankets than they need. The business money is tied up. There is not enough money to order goods that customers want.

2. Stock control helps you decide what goods to sell.

Three months ago Dube, manager of *Tana General Store* ordered 30 tins of beef. Her stock control shows that she has only sold 10 tins. The tins have tied up a lot of money. Dube tries to sell them on special offer.

Before Dube buys goods next time, stock control helps her to find out which goods sell well. Then she will know what goods to order.



3. Stock control shows you how much to reorder.



In the past, Dube ordered 18 jars of coffee. The stock control shows that she has sold only two or three jars per week. In the future Dube will only order 6 jars at a time. To limit the amount of money that is tied up in coffee, she decides to keep a maximum stock level of 12 jars.



In the past, Dube ordered 12 tins of fish at a time. Her stock control shows that she sold almost all the tins in four days. In the future Dube will order 36 tins at a time because the fish sells quickly.

4. Stock control shows you when to reorder.

Last week, the supplier had no sugar. But Dube did not run out of stock. When she works out her reorder levels, she includes extra stock to cover unexpected situations, such as late deliveries or higher sales than normal.



5. Stock records help you to find out if you are losing stock.

Dube writes down all the stock in and stock out. The balance shows her how much stock there should be. When she physically counts her stock she finds out how much stock there really is.

If there is a difference between the stock records and the actual count:

- There may be an error in filling in the stock records.
- Her business has a stock control problem. It is losing stock.



4. How to control your stock?

4.1 Keep stock records

Stock records are written records of the amount of stock that comes into and goes out of a business. Stock records tell you:

- What goods or materials you have sold or used?
- How many of each type of goods or materials you have sold or used?
- When the goods or materials were sold or used?
- How many of the goods or materials you have in stock?

Stock records for a retailer or wholesaler

Dube keeps stock records in the following manner:

Step 1:



Step 2:



DAILY CASH SALES RECORD			
Date: 25 March 2014			
			For cash sales
Item	Quantity sold	Unit price (\$)	Amount (\$)
Best Foods cooking oil, 750ml	1	1.70	1.70
Fine salt, 1kg	1	0.65	0.65
Steamy rice, 1 kg	1	0.90	0.90
Star sugar, 2kgs	1	1.65	1.65
Shiny bar soap	3	0.50	1.50

CUSTOMERS' ACCOUNTS RECORD

Customer: K Muronda
 Address: No. 15 Simba Street, P.O. Simba
 Mobile: +2564389649
 Credit limit: \$20

For
credit sales

Date	Details	Quantity	Credit sales (\$)	Amount paid (\$)	Balance (\$)	Signature
25/3	Star sugar, 2kgs	1	1.65			
25/3	Best Foods cooking oil, 750ml	1	1.70			
25/3	Morning tea	2	0.90		4.25	K Muronda

Step 3:



The Daily Cash Sales Record and the Customers' Accounts Record show Dube how much stock went out of her business. Suppliers' invoices or receipts tell her how much stock came in.

Step 4:





To learn more about how to keep the Customers' Accounts Records and Daily Cash Sales Record, study the IYB RECORD KEEPING MANUAL.

Monthly Stock Cards

Stock Cards reflect the information from the Daily Cash Sales Record as well as the Customers' Accounts Record. One card is used for each product. Here is the Stock Card for Best Foods cooking oil in 750ml bottles:

- ① Write the name and details of the product or material.
- ② Write the price you pay the supplier for one item.
- ③ Write the price you charge your customers for one item.
- ④ Estimate the reorder level; i.e. the level of stock for a good that you would always want to maintain at any given time. This safety level of stock is fixed after assessing the time it takes between ordering and procuring the material. If the balance of stock falls below reorder level, the business should place an order to procure the product as soon as possible.
- ⑤ Write the number of items you have in stock when you start to fill in your Stock Cards (brought forward (b/f)).
- ⑥ Buy or order goods when the balance falls below the reorder level. The balance for *Tana General Store* has fallen below the reorder level of 15, so Dube orders new stock.
- ⑦ Record anything that breaks and cannot be sold.
- ⑧ Write everything you buy as stock in. *Tana General Store* gets the new stock they ordered. Dube gets the information from the invoice.
- ⑨ Write everything you sell as stock out. Get information for the Daily Cash Sales Record (for cash sales) and from the Customers' Accounts Record (for credit sales).

STOCK CARD				
①	Product: Best Foods cooking oil, 750ml			
②	Cost per item: \$1.60			
③	Selling price: \$1.70			
④	Reorder level: 15 bottles			
		STOCK		
Date	Details	IN	OUT	BALANCE
⑤ 1/3	B/f			19
2/3	Sold		3	16
⑥ 4/3	Sold		2	14
5/3	Sold		1	13
8/3	Sold		4	9
⑦ 9/3	Broken		2	7
11/3	Sold		3	4
⑧ 12/3	Bought	24		28
12/3	Sold		4	24
⑨ 15/3	Sold		3	21
17/3	Sold		3	18
19/3	Sold		4	14
23/3	Sold		3	11
24/3	Sold		4	7



“

Make sure that you keep your records correct and up to date. A record which is not up to date gives you incorrect information and you may make wrong decisions based on the wrong information.

”



ACTIVITY 13

Below are:

- *Tana General Store's* Daily Cash Sales Record for 25 March 2014
- An invoice from *Tin General Wholesales* for goods delivered to *Tana General Store* on 25 March 2014
- A page from *Tana General Store's* Customers' Accounts Record. On 25 March 2014, *Tana General Store* sold on credit to one customer.

Use the information from the Daily Cash Sales Record, the invoice and the Customers' Accounts Record to fill in *Tana General Store's* Stock Card for Best Foods cooking oil, 750ml, for 25 March 2014. Write your amounts on the empty lines at the bottom of the Stock Card.

DAILY CASH SALES RECORD			
Date 25 March 2014			
Item	Quantity sold	Unit price (\$)	Amount (\$)
Best Foods cooking oil, 750ml	1	1.70	1.70
Fine salt, 1kg	1	0.65	0.65
Steamy rice, 1 kg	1	0.90	0.90
Star sugar, 2kg	1	1.65	1.65
Shiny bar soap	3	0.50	1.50
Fresh bar soap	2	0.25	0.50
Mother's Lemon biscuits, 200g	1	1.25	1.25
Morning tea 125g	1	0.45	0.45
Bright candles, packet	1	1.20	1.20
Best Foods cooking oil, 750ml	1	1.70	1.70
Eastern blend tea, 250g	1	0.60	0.60
Best Food cooking oil 2lt	1	4.50	4.50
Best Foods cooking oil, 750ml	1	1.70	1.70
Star sugar, 2kg	2	1.65	3.30
Pride flour, 1kg	1	1.30	1.30
Total			22.90

INVOICE

Number:345

Tin General Wholesales

11 Mara Street

P.O. Box 911

Simba Forest

Order number: 38

25 March 2014

Tana General Store

Box 630, Simba Business Centre

Simba

Quantity	Description	Unit price (\$)	Total price (\$)
3 boxes	Eastern blend tea (10 x 125g per box)	0.35	10.50
1 box	Eastern blend tea (12 x 250g per box)	0.5	6.00
2 boxes	Sunrise coffee (6 x 100g per box)	0.55	6.60
2 boxes	Star sugar (10 x 2kgs per box)	1.55	31.00
2 boxes	Best Foods cooking oil (12 x 750ml per box)	1.60	38.40
Total			92.50

Terms: C.O.D

CUSTOMERS' ACCOUNTS RECORD

Customer: K Muronda

Address: No. 15 Simba Street, P.O. Simba

Mobile: +2564389649

Credit limit: \$20

Date	Details	Quantity	Credit sales (\$)	Amount paid (\$)	Balance (\$)	Signature
25/3	Star sugar, 2kgs	1	1.65			
25/3	Best Foods cooking oil, 750ml	1	1.70			
25/3	Morning tea	2	0.90		4.25	K Muronda

STOCK CARD

Product: Best Foods cooking oil, 750ml

Cost per item: \$1.60

Selling price: \$1.70

Reorder level: 15 bottles

		STOCK		
Date	Details	IN	OUT	BALANCE
19/3	Sold		4	14
23/3	Sold		3	11
24/3	Sold		4	7

See answers on pages 72-73 at the end of this part.

Stock records for a manufacturer

The Stock Cards for a manufacturer will be different than those of a retailer or wholesaler. A manufacturer will want to keep records of the stock in and stock out. The selling price for the raw materials used by the manufacturer is not necessary since the material is not sold, but instead is used to make a good.

Reliable Tailors use one Stock Card for each roll of fabric. Every time *Reliable Tailors* buy fabric, they write it on the Stock Card as stock in.



STOCK CARD

Product: Cotton drill, grey

Cost per item: \$5.00 per metre

Selling price: N/A

Reorder level: 20 metres

Date	Details	STOCK		
		IN	OUT	BALANCE
7/5	Bought	50		50
11/5	For 10 dust coats		20	30
12/5	For 2 overalls		5	25

Every time employees take a piece of fabric from a roll to make garments, they write how much they take on the Stock Card as **stock out**.

STOCK CARD

Product: Dust coats, medium size, grey

Cost per item: \$18.00

Selling price: Regular price \$25.00

Reorder level: N/A

Date	Details	STOCK		
		IN	OUT	BALANCE
7/5	Completed coats	10		10
8/5	Sold		2	8

For finished garments, *Reliable Tailors* keeps separate Stock Cards for each type of design, size and colour. When garments are completed they are written as **stock in**. When garments are sold they are written as **stock out**.

Stock records for a service provider



STOCK CARD

Service: Car services

Cost per item: Oil- \$20

Selling price: N/A

Reorder level: N/A

		STOCK		
Date	Details	IN	OUT	BALANCE
1/5	Brought forward (B/f)			0
7/5	Bought oil	\$200		\$200

Samba Garage use one Stock Card for each type of spare part. Every time *Samba Garage* buys stock, they write it on the Stock Card as **stock in**. When spare parts are used for the service, they are written as **stock out**.

4.2 Stock taking

Stock taking is a system of physically counting and examining the stock and then comparing the list with the Stock Card.

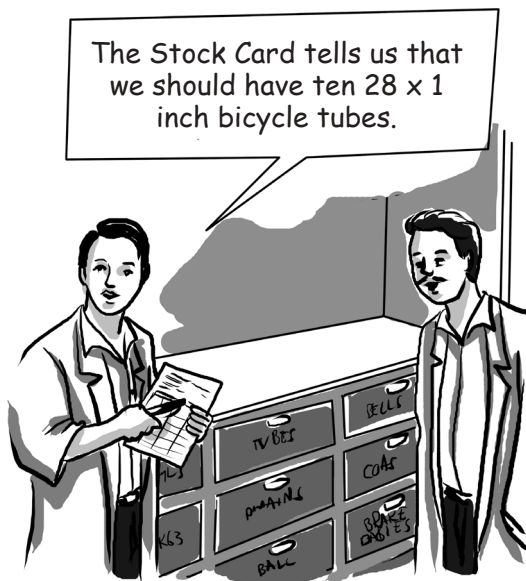
Stock taking helps you to check the condition of your stock.

Stock taking gives you a lot of useful information. For example, when you count, you find out:

- If any stock is damaged or in bad condition
- When to reorder, which goods sell quickly or slowly, if you do not keep Stock Cards



Stock taking helps you to find out if stock is missing.



ACTIVITY 14

On comparing the Stock Card and stock taking in the above pictures, what did you find out?

.....

.....

.....

See answers on page 73 at the end of this part.

“

Stock taking helps you check the condition of the stock and whether or not items are missing. However, stock taking does not reflect why items are missing. You need to find this on your own.

”



Steps to follow for stock taking

Step 1

- Make sure your stock is well arranged

Step 2

- Prepare your Stock Taking List

Step 3

- Count the stock and write down the quantities on the list

Step 4

- Transfer the information from your Stock Cards to your Stock Taking List

Step 5

- Compare your Stock Cards with the list

Step 6

- Correct the quantities on your Stock Cards

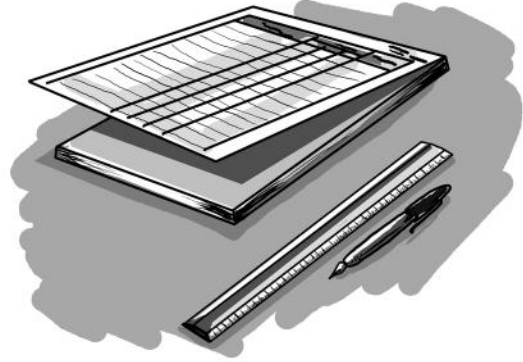
Step 1: Make sure your stock is well arranged



Step 2: Prepare your Stock Taking List

Dube and Rusike at *Tana General Store* make their own Stock Taking List before they do the stock taking. They use loose sheets of paper. But you can use an exercise book or anything else that works. Below you can see part of *Tana General Store's* Stock Taking List.

Dube decided to count her stock on 31 March. She and Rusike explain how they fill in the Stock Taking List. They use Best Foods cooking oil, 750ml, as an example.



STOCK TAKING LIST

Page 1

Date: 31 March 2014

Details	Quantity			Comments
	Stock taking	Stock Card	Difference	
Best Foods cooking oil, 750ml	12			

Step 3: Count the stock and write down the quantities on the Stock Taking List

When two people count the stock together, one person calls out the name of the good or material and the quantity. The other person repeats the name and the quantity and writes the information on the Stock Taking List. This is a good way to avoid mistakes.

For each product, write down the details and the quantity on the Stock Taking List. Make sure that:

- You do not forget to count all stock, whether it is in a store room, on the shelves or in some other place.
- No stock is moved in or out during stock taking.



Step 4: Transfer the information from your Stock Cards to your Stock Taking List

STOCK CARD				
Product: Best Foods cooking oil, 750ml				
Cost per item: \$1.60				
Selling price: \$1.70				
Reorder level: 15 bottles				
		STOCK		
Date	Details	IN	OUT	BALANCE
27/3	B/f			26
27/3	Sold		3	23
29/3	Sold		4	19
31/3	Sold		4	15

STOCK TAKING LIST				
Page 1				
Date: 31 March 2014				
Details	Quantity			Comments
	Stock taking	Stock Card	Difference	
Best Foods cooking oil, 750ml	12	15		

Make sure that your Stock Cards are up to date before you copy the quantities onto your Stock Taking List. Remember that a Stock Card which is not up to date gives you incorrect information and you may make the wrong decisions based on that information.

Step 5: Compare your Stock Card with the Stock Taking List

Best Foods cooking oil, 750ml

Compare your Stock Taking List

(How much stock you really have)

12

With the balance on your Stock Card

(How much you should have)

15

The difference

-3

STOCK TAKING LIST				
Page 1				
Date: 31 March 2014				
Details	Quantity			Comments
	Stock taking	Stock Card	Difference	
Best Foods cooking oil, 750ml	12	15	-3	3 missing! Why?
Best Foods cooking oil, 2 litres	3	3	0	Quantity correct
Star sugar, 2kgs	10	9	+1	1 more than it should be. Why?
Pride flour, 1kg	7	7	0	Quantity correct
Eastern blend tea, 125g	0	2	-2	2 missing! Why?
Sunshine coffee, 100g	4	5	-1	1 missing! Why?

Stock taking helps you to find out if there is missing stock. But the Stock Taking List does not explain why the real quantity is higher or lower than the balance on your Stock Card. You must find out the reasons yourself.



In your opinion, what are reasons for missing stock?

.....

.....

.....

See answers on pages 73-74 at the end of this part.

Step 6: Correct the quantities on your Stock Cards

The Stock Taking List shows Dube and Rusike the correct quantities of stock. It tells them how much stock they really have:

STOCK TAKING LIST				
				Page 1
				Date: 31 March 2014
Details	Quantity			Comments
	Stock taking	Stock Card	Difference	
Best Foods cooking oil, 750ml	12	15	-3	3 missing! Why?
Best Foods cooking oil, 2 litres	3	3	0	Quantity correct
Star sugar, 2kgs	10	9	+1	1 more than it should be. Why?

But the Stock Cards must also be correct:

When the Stock Taking List shows a smaller quantity than the Stock Card, write the difference as **stock out** on the Stock Card. This might be stock that they sold but forgot to write down on the Stock Card. For example, to get the correct balance for Best Foods cooking oil, 750ml at *Tana General Store*, Dube writes the missing amount of three bottles under stock out on the Stock Card.



STOCK CARD				
Product: Best Foods cooking oil, 750ml				
Cost per item: \$1.60				
Selling price: \$1.70				
Reorder level: 15 bottles				
		STOCK		
Date	Details	IN	OUT	BALANCE
27/3	B/f			26
27/3	Sold		3	23
29/3	Sold		4	19
31/3	Sold		4	15
31/3	Missing (stock taking)		3	12

When the Stock Taking List shows a larger quantity than the Stock Card, write the difference as **stock in** on the Stock Card. For example, to get the correct balance for Star sugar, 2kg at *Tana General Store*, Dube writes the difference of one bag under stock in on the Stock Card.



STOCK CARD				
Product: Star sugar, 2kg				
Cost per item: \$1.55				
Selling price: \$1.65				
Reorder level: 20 bags				
		STOCK		
Date	Details	IN	OUT	BALANCE
24/3	B/f			15
24/3	Sold		1	14
25/3	Sold		2	12
29/3	Sold		3	9
31/3	Extra (stock taking)	1		10

4.3 How often should you do stock taking?



How often your business should do stock taking depends on many things, for example:

- Whether you keep Stock Cards or not?
- What quantities of stock you keep?
- How many different goods or materials you keep and how much they cost?
- How quickly you sell or use your stock?
- How good is your security?

Decide what is best for your business:

You may decide to do stock taking **more often** if you:

- Do not keep stock records
- Have large quantities of stock
- Have many different goods or materials
- Are not sure if stock is secure
- Have many people working in your business
- Have problems with missing stock

You may decide to do stock taking **less often** if you:

- Keep good stock records
- Have small quantities of stock
- Have only a few different types of goods or materials
- Have good security

- Have only a few people working in your business
- Do not have problems of missing stock; from theft for example.

It is a good idea to count your stock on a regular schedule, but you can also do stock taking:

- When you notice that something is wrong.
- When no one expects it, especially if you suspect that stock is being stolen.

4.4 When should you do stock taking?



Decide which day and time is best for your business to do stock taking.



Remember that it is not good for your business to close for stock taking. When you close business you are not selling or producing. Customers may get annoyed and go to your competitors. It is better to do stock taking after your business closes for the day.



Do you do stock taking in your business? If you do, how often do you count the stock? When do you do the stock taking?

.....

.....

.....

5. Electronic stock control system

Some businesses, such as retail shops with a large variety of goods, may find it useful to have a **computerized form of stock control**. The computer tracks which items are sold by recording the barcodes at the check-out counter. To use this, your business needs stock control software, such as a point of sale system or a specific computerized stock management programme and a barcode scanner. Products are scanned when received and scanned again when they are sold or transferred. There are barcoding programmes for small business owners and supermarkets.

The cost of such an electronic stock control system may be less than the cost of the time it takes your business to do manual stock control. A computerized system can provide detailed reports on sales and stock turnover. Reviewing these reports will help you to decide when to reorder stock and will keep you from over-stocking and under-stocking items.





SUMMARY

- **Stock** is made up of all the goods your business has for sale or all the raw materials or parts your business keeps and uses to make goods or to provide services.
- **Stock control** means organizing the way you:
 - Record your stock
 - Store your stock
 - Arrange your stock
 - Check your stock
 - Reorder your stock
- **Stock records** are useful because they tell you:
 - What goods or materials you have sold or used?
 - How much of the goods or materials you have sold or used?
 - When the goods or materials were sold or used?
 - How much of the goods or materials you have in stock?
- When you make your own stock records, you can use Stock Cards, a hard cover book, an exercise book, a file with loose pages, a computerized stock control system or anything else that suits the purpose.
- Make sure your stock records are correct and kept up-to-date. Stock records that are not current give you incorrect information and may cause you to make wrong purchasing decisions.
- **Stock taking** is a system of physically counting and writing down all the stock in your business on a list.
- Stock taking helps you to find out:
 - Is stock missing and how much is missing?
 - Is any stock damaged or in bad condition?
 - Which goods sell quickly and which do not sell well?
 - Which materials and spare parts you use the most, which you use the least and when to reorder them?
- Follow these steps to do stock taking:
Step 1: Make sure your stock is visible and neatly arranged

Step 2: Prepare your Stock Taking List

Step 3: Count the stock and write down the quantities on the Stock Taking List

Step 4: Copy information from your Stock Cards to your Stock Taking List

Step 5: Compare your Stock Cards with the list

Step 6: Write the correct quantities on your Stock Cards

- Think of your own business and decide:
 - How often you should do stock taking?
 - What day and time you should do stock taking?

ASSESSMENT 2



You have just completed Part II of this manual. Do the two exercises below to check your understanding. Finish the exercises before comparing your answers with those on page 97.

1. Practise your business language

Select and fill the correct words in the blanks.

Stock taking	Stock Taking List	Stock	Checking stock	Reorder levels
Stock Cards	Reorder stock	Stock Card	Comes in and goes out	

1. The goods your business sells and all the raw materials or parts you use to make goods, are all part of the in your business.
2. Stock control is the way to organize (1) recording stock; (2) storing stock; (3) arranging stock; (4) and (5) reordering stock.
3. Good stock control will help you toat the right time.
4. Stock records mean writing down stock thatof a business.
5. Working out the....., helps you to keep the right quantity of a product or material.
6. To keep records of all stock, you need to write down the information on.....

-
7. By comparing the balance on your with the quantities you counted and wrote on your, you can find out if any stock is missing.
 8. When you do, you get a chance to check the condition of your goods or materials.

2. Which one is correct?

Circle the correct or best ending for each sentence.

1. Stock control is important ...
 - a. only for retailers.
 - b. only for manufacturers.
 - c. for all businesses.
2. It is bad for your business to over-stock. This may cause ...
 - a. your suppliers to complain that the payments are not made on time.
 - b. some stock to expire or become obsolete before being sold.
 - c. your money to be tied up in the stock, while borrowed money accrues interest charges.
3. A good way for store owners to improve their stock control is to ...
 - a. always have goods in large quantities.
 - b. always keep their stock well arranged.
 - c. make sure that they have enough of many different types of goods so they never have to say no to a customer.
4. Stock control helps your business to ...
 - a. sell less goods on credit.
 - b. get discounts for advertising.
 - c. avoid running out of stock.
5. If you suspect that you are losing stock, your stock records will tell you ...
 - a. who is stealing.
 - b. how much stock is missing.
 - c. how to solve the problem.

-
6. A customer complains because the shirt you sold him had stains. You give him a new shirt. This means that the balance on your Stock Card will ...
 - a. be higher than before.
 - b. be lower than before.
 - c. remain the same.
 7. Your sales of lemon biscuits have increased, so you must ...
 - a. increase your reorder level.
 - b. decrease your reorder level.
 - c. keep your reorder level exactly the same.
 8. Your reorder level for 2kgs sugar is 20 bags. This means that ...
 - a. you need 20 bags of sugar in each order from your supplier.
 - b. you need to order more sugar when your stock of sugar falls to 20 bags.
 - c. your supplier will not sell less than 20 bags of sugar at a time.
 9. If you often run out of stock, a good way to solve the problem is to ...
 - a. work out more accurate reorder levels.
 - b. buy extra stock every day from a nearby wholesaler.
 - c. always keep extra stock of all your goods.
 10. The best way to find out if stock is missing is to ...
 - a. count the stock and compare the quantities with the balances on your Stock Cards.
 - b. count the stock and compare the quantities with the quantities on your suppliers' invoices.
 - c. compare the balances on your Stock Cards with the copies of your receipts from sales.
 11. Stock taking does not tell you:
 - a. if any stock is missing.
 - b. how much stock is missing.
 - c. the reason that stock is missing.
 12. If you find that the quantities on the Stock Cards are not correct, you should correct them by ...
 - a. writing down the amount that you need.
 - b. writing down the amount that you received from suppliers.
 - c. listing the actual amount.
-



ANSWERS TO ACTIVITIES

Activity 12

1. The picture of *Joe General Store* shows these stock control problems:

- Mixed up stock: Nails of different sizes are mixed together.
- Disorganized, misplaced stock: Joe cannot find the lamp a customer wants.
- Lost stock: Joe cannot see customers steal his goods.
- Spoilt or damaged stock: The bread is old and hard and most of the cups are broken.
- Out of stock: Exercise books and blue pens are sold out.
- Too much stock: There are too many red pens, which customers do not want.

2. To solve each of the stock control problems, Joe can:

- Arrange and display his stock so it is easy for customers to find the goods they are looking for
- Make sure that stock does not get broken, old, spoilt or damaged
- Make it more difficult for customers to steal by:
 - Putting small goods close to the counter
 - Arranging the shelves so that he can see his goods and customers better
- Check his stock often and plan his buying to make sure that his business:
 - Does not run out of stock
 - Does not keep too much stock

Activity 13

Here is *Tana General Store's* Stock Card for Best Foods cooking oil, 750ml. It shows the correct quantity for 25 March:

- You get the quantity of 24 bottles under stock in from the invoice. The invoice shows that *Tana General Store* bought two boxes of Best Foods cooking oil. There are 12 bottles in each box (12 x 750ml).
- You get the quantity of four bottles under stock out from the Daily Cash Sales Record and the Customers' Accounts Record.

- By looking at the Customer's Accounts Record for Muronda you can see that she bought one bottle of cooking oil.

STOCK CARD				
Product: Best Foods cooking oil, 750ml				
Cost per item: \$1.60				
Selling price: \$1.70				
Reorder level: 15 bottles				
		STOCK		
Date	Details	IN	OUT	BALANCE
19/3	Sold		4	14
23/3	Sold		3	11
24/3	Sold		4	7
25/3	Bought	24		31
25/3	Sold		4	27

By looking through *Tana General Store's* Daily Cash Sales Record for 25 March, line by line, you can count three bottles of cooking oil 750ml. There are actually four bottles of cooking oil written on the Daily Cash Sales Record. But one is larger and contains two litres. Best Foods cooking oil two litres has a separate Stock Card.

Activity 14

When you compare the quantities on Stock Cards with the quantities on Stock Taking List, you can find out two 28 x 1 inch bicycle tubes are missing.

Activity 15

There are several reasons of missing stock:

- Maybe there are problems with your Stock Cards. For example:
 - Did you forget to write down some new stock you bought?
 - Did you forget to write down some items that you sold or used?
 - Did you remember to write down damaged or broken stock that you could not sell or use?
 - Have you made mistakes in your calculations?

-
- Maybe there are problems with your stock taking. For example:
 - Did you forget to count some stock?
 - Did you count correctly?
 - Have you made mistakes in your calculations?
 - Maybe there are problems with theft, for example by your customers, your employees or other people who deal with your business.

MANAGING RELATIONSHIPS WITH YOUR SUPPLIERS

To ensure the smooth function of business operations, you should manage relationships with suppliers effectively.

1. A few suppliers or many suppliers?

The first question is how many suppliers should you have?

Do not depend on only one supplier. It is very risky for your business. Have more than one supplier so that you can always get what you need. But do not have too many suppliers and do not change suppliers too often.

Having few suppliers can mean that:

- Less time is spent comparing prices.
- It may be easier to negotiate discounts and credit.
- You build a relationship with your suppliers that enables priority orders to be executed.
- There is less variation in the quality of goods and services supplied.
- Ordering, inventory management and accounting procedures will be simpler.

Having many suppliers can offer:

- Insurance against problems which may arise with a single supplier
- Competitive pricing

For small businesses, it is not good to have too many suppliers. If you have a few suppliers, you will normally get the best service from them by making regular purchases and paying on time. They may help you when there are shortages or you need an urgent delivery.



ACTIVITY 17

How many suppliers do you have? Should you have more or fewer suppliers?

.....

.....

.....

2. How relationships with suppliers impacts your business?

Good relationships with suppliers will bring many benefits to your business:

- Suppliers might give you a better payment plan. For example they can give you 45 days to pay after you receive goods from them, instead of the normal 30 day payment requirement.
- Suppliers can offer you consignment sales; i.e. you pay only after you have sold the goods.
- Suppliers might give you an extra commission percentage or quantity discount.
- Suppliers may introduce new goods and services to you before offering them to others.
- Suppliers can respond as quickly as possible to your needs.



To create a good relationship with suppliers, you should:

- Make sure you always pay on time
- Update suppliers regularly with the status of your business or sales volume so they can be ready when you need more supplies
- Communicate with them verbally by telephone or in person if you have the time
- Avoid rush orders whenever possible as they can cause significant stress and put a strain on the relationship with your suppliers

3. Maintain and update your supplier records

ACTIVITY 18



What should you record about your suppliers' performance?

.....

.....

.....

.....

For each supplier, you should maintain a record of delivery of goods or services.

Based on the records, you can evaluate the performance of the suppliers. Then you can give them feedback about their performance, suggest improvements or decide whether you wish to continue buying from them or not.

These are some of the things that you should record:

- Delivery time
- Quantity of delivered goods
- Quality of delivered goods
- Changes in prices
- Changes in payment terms
- Response to urgent orders

You should record all above information on a Supplier Records form like the one the next page every time the suppliers deliver goods or services to you.

SUPPLIER RECORDS

Year:

Name of supplier:

Goods/ services provided:

Order date	Type of products	Order quantity	Status (actual update)				
			Quality	Delivery	Price	Payment	Other remarks

You do not need to have records for every supplier. For example you do not need to make records for a supplier who delivers once a year. It is not difficult to evaluate this type of supplier. You can evaluate this supplier by using the buying documents which are mentioned in Part I: "Buying Well for Your Business". However, you should make records for the suppliers who provide the majority of raw materials, goods or services to your business on a regular basis.

4. Review your suppliers' performance

Below is an example of how the bad performance of suppliers can negatively impact business.







ACTIVITY 19

In the pictures above, what are the negative impacts that the suppliers had on the businesses?

Bad performance by your suppliers can create a negative impact on your business:

- Goods and services from suppliers are not delivered on time. As a result, your goods or services are not delivered to your customers on time.
- Suppliers who change contract terms without prior notice on minimum orders, delivery time,

payment, etc. make it difficult for your business to operate properly.

- Suppliers who deliver goods or services that are less than the quantity or lower than the quality required cause your business to provide insufficient or low quality goods or services to your customers.

It is a good idea to review your suppliers' performance at regular intervals, such as every month, quarter or yearly, depending upon the frequency of your orders. Reviewing suppliers' performance will help you to evaluate which suppliers are reliable and which are not.

The Suppliers' Records are helpful for evaluating suppliers' performance, as follows:

- How many times goods were delivered late? On average how long was the delay?
- How many times insufficient goods were delivered? What was the deficient amount?
- What was the difference in the actual quality of the goods as compared to the quality of the goods that were contracted and ordered? How many damaged goods were delivered?
- How often were the prices of goods changed? What was the percentage of the change?
- How often were payment terms changed? Were the changes of payment terms inconvenient?

For each type of good or service you buy, there might be one or two criteria that are the most important. For example, if you need your suppliers to deliver raw materials at a consistent quality, the most important criterion is "quality".

After reviewing the performance of your suppliers, rate them. For example, a score of one on the following evaluation form is very bad and a score of five is very good. After rating them, you can decide whether or not you want to continue buying from them.

SUPPLIER PERFORMANCE EVALUATION			
Performance criteria	Lamba Food Co. Ltd	Kinua Cooking Oil Co.Ltd	Nuava Sugar Co. Ltd
Timely delivery	5	2	3
Sufficient quantity	4	2	5
Quick response to urgent orders	5	2	4
Consistent quality	4	3	4
Convenient payment methods	4	2	4
Friendly and helpful delivery staff	5	3	3
Rating	Good	Bad	Average



ACTIVITY 20

Use the following evaluation table to review and rate your suppliers.

Performance criteria	Supplier 1	Supplier 2	Supplier 3	Supplier 4	Supplier 5
Timely delivery					
Sufficient quantity					
Quick response to urgent orders					
Consistent quality					
Convenient payment methods					
Friendly and helpful delivery staff					
Rating					

Based on the evaluation, you can decide whether to continue or to terminate contracts with the suppliers.

5. Handle disputes

To prevent disputes with suppliers, you should:

- Have a written purchasing contract or agreement with suppliers that is detailed and clearly delineates the terms
- Clearly state the obligations of the suppliers and the consequences for a violation of any of the terms in the contract
- Accurately record the time, quantity and quality of goods and services delivered by the suppliers

ACTIVITY 21



The following illustration shows a dispute between the bakery owner and a supplier. If you were the owner, what would you do to solve the dispute?



See answers on page 87 at the end of this part.

To handle disputes with suppliers you should:

- Give a notice to suppliers right away if there is any problem relating to goods, delivery and payment.
- Collect evidence on the problem. It would be better if the evidence is visual or recorded.
- State very clearly which term in the contract is violated by the supplier.
- State your solution to the problem.
- Be open to suggestions, but do not change your position when discussing the solution with the supplier.
- Get written agreements from suppliers.
- Seek help from a third party or a legal consultant if you and the supplier cannot reach an agreement.

6. Terminate contracts with suppliers

When you review the suppliers' performance, if you find out that some of them failed to provide the services or goods that you require, you may need to terminate the contracts with them and search for better suppliers.

You should check the contract to make sure that you do not have to pay penalties for terminating early. You also have to check to make sure that termination of the contract won't disrupt your business. If possible, you should find and negotiate with new suppliers before terminating the contracts with the existing suppliers.

When you inform the supplier of the termination, you need to explain why you are ending the contract. They may be able to offer you a better deal, for example lowering the price or raising the quality of goods or services they provide. This will save the disruption caused by changing suppliers.





- Do not depend on only one supplier. It is very risky for your business. Have more than one supplier so that you can always get what you need.
- Always have a good relationship with your suppliers because it may bring the following benefits to your business:
 - An exclusive payment period
 - Consignment sales (i.e. payment only when the goods are sold)
 - An extra percentage of commission or a quantity discount
 - Being the first person to know about the suppliers' new goods or services
 - Delivering your orders quickly
- Suppliers' Records provide information that you can use to evaluate supplier performance. You should keep delivery records for those suppliers who regularly provide the majority of the raw materials, goods or services to your business.
- It is a good idea to review your suppliers' performance at regular intervals. Reviewing suppliers' performance will help you to evaluate whether or not your suppliers are reliable and effective.
- You should evaluate your suppliers and then rate them based on the performance criteria, which are defined by your needs.
- To handle disputes with suppliers you should:
 - Give notice to suppliers right away
 - Collect evidence on the problem
 - State very clearly which term in the contract is violated
 - Define your position
 - Be open but do not change your position
 - Get written agreements from suppliers
 - Seek help from a third party or legal consultant
- Based on the evaluation, you can decide to continue or to terminate contracts with the suppliers.
- If you decide to terminate the contract with a supplier, you should check the contract to make sure that you do not have to pay penalties for terminating the contract early. You also have to make sure that the termination of the supplier contract won't disrupt your business.



ASSESSMENT 3

You have just completed Part III of this manual. Do the two exercises below to check your understanding. Finish the exercises before comparing your answers with those on page 97.

1. Practise your business language

Select and fill the correct words in the blanks.

Penalties

Records

Performance criteria

1. For each supplier, you should maintain of how they deliver goods or services to you. Based on the records, you can evaluate the performance of the suppliers.
2. You can evaluate your suppliers and then rate them based on For each type of good or service you buy, one or two criteria might be the most important.
3. You should check the contract to make sure that you do not have to pay..... for terminating the contract early.

2. Which one is correct?

Circle the correct or best ending for each sentence.

1. To minimize risk, you should ...
 - a. have only one supplier.
 - b. have a few suppliers.
 - c. have many suppliers.
2. To manage suppliers well, you should keep records for ...
 - a. all suppliers.
 - b. only suppliers who you do not trust.
 - c. suppliers who provide the majority of the raw materials, goods or services for your business.
3. To rate suppliers' performance, you should ...
 - a. focus on one or two important criteria.
 - b. have as much criteria as possible.
 - c. have different criteria for different suppliers.



Activity 21

To resolve the dispute with the supplier, the bakery owner should:

- Show records to prove that he checked the quality of the flour when it was delivered. The record form should have the signatures of both the bakery owner/staff and the delivery staff.
- Show the evidence of the mouldy flour and the copies of complaints from customers about the quality of the bread made with the mouldy flour.
- State clearly that the problem is created not by the bakery staff but by the supplier as he did not deliver the quality flour that was contracted.
- Keep the position that the bakery does not pay for mouldy flour and will terminate the contract with the supplier.

WHAT DID YOU LEARN IN THIS MANUAL?

Now that you have gone through this manual, try these practical exercises. The exercises will remind you of what you have learned and help you to improve buying and stock control for your business.

The exercises will help you to:

- **Use** what you have learned to solve practical problems (Can You Help?).
- **Take action** to improve your business by using what you have learned (Action Plan).

Compare your answers with the Answers on pages 97 - 100. If it is difficult for you to answer something, read that part of the manual again. The best way to learn is to finish each exercise before you look at the answers.

Check the list of Useful Business Words on pages 101-102 to quickly find the meaning of a terminology that you do not understand.

“

You have learned about buying and stock control from this manual. But what you have learned will not help you until you use your new knowledge in the daily operation of your business. Remember to do the Action Plan on page 96 to help improve your buying process.

”



1. Can You Help?

Equipment problems at *Modern Furniture*

Steve had been looking for a drill for a long time. A few months ago, he bought a new, powerful electric drill.

About a month later, something in the machine broke. Then, Steve found out that spare parts are not available in the country. No one knows how to repair the drill. His furniture store now has a machine that cannot be used.



1. Was it a mistake for Steve to buy that drill? Why?

.....

.....

.....

2. Who should Steve have talked to before he bought the drill?

.....

.....

.....

3. Give examples of the kind of questions Steve should have asked before he bought the drill.

.....

.....

.....

Write an order

Onika, the owner of *Simba Computer Sales and Accessories*, wanted to buy computers and additional accessories. After comparing quotations from several suppliers he selected *Super Suppliers* to supply the goods. Assist Onika to write the order to *Super Suppliers* in the space below or on a separate sheet of paper.

Remember what you learned about orders in this manual. Here is the information you need to write the order:

Simba Computer Sales and Accessories needs:

3	Diga computers	\$ 80.00 each
3	Sendo Scx-20 four-in-one printers	\$30.00 each
5	Smart photo printers	\$15.00 each
20	Uga 8G USBs	\$8.00 each
50	Uno 2014 diaries	\$2.00 each
30	Laptop sleeves	\$5.00 each

You also need this information to write your order:

- Order number is 23.
- The date of the order is 5 March 2014.
- The address of the supplier is: *Super Suppliers*, 15 Main Street, Inaba. Address the order to the Sales Department.
- The quotation number is 117.
- Onika wants to pay in credit. The supplier offered 30 days' credit.
- The address of *Simba Computer Sales and Accessories* is: Simba Business Centre, Inaba.
- The goods are needed not later than two weeks after the order.
- Delivery is free for orders worth more than \$500.

Stock control problems at *Tasty Bread*

Juma runs *Tasty Bread*. The bakery is popular and sales are good. But the business has stock control problems:



To solve the stock control problems, *Tasty Bread* started to keep stock records. Juma and her assistant also began to do stock taking. They decided to do the stock taking on 30 September when the business had closed for the day.

1. Follow the steps for stock taking and help *Tasty Bread* to fill in their Stock Cards and Stock Taking List by using the information below:

Tasty Bread normally makes 180 loaves per day. On 30 September, they:

- Used 65 kgs of white flour, 1 kg of yeast, 1.5 kgs sugar and 1litre oil.
- Bought 250 kgs white flour, 10 kgs sugar and 15 litres oil.
- Had to throw away 10 kgs of spoilt oil.

During the stock taking, Juma and her assistant counted:

- 360 kgs white flour, 7 kgs yeast, 15.5 kgs sugar and 17 litres Standard oil.

Tasty Bread also needs salt but they do not yet keep a Stock Card for salt.

STOCK CARD

Product: Star sugar

Cost per item: \$2.59 per kg

Selling price: N/A

Reorder level: 15 kgs

		STOCK		
Date	Details	IN	OUT	BALANCE
23/9	B/f			9.5
23/9	Used		1.5	8
23/9	Bought	10		18
26/9	Used		1.5	16.5
27/9	Used		1.5	15
28/9	Used		1.5	13.5
29/9	Used		1.5	12

STOCK CARD

Product: Standard oil

Cost per item: \$7.14 per litre

Selling price: N/A

Reorder level: 20 litres

		STOCK		
Date	Details	IN	OUT	BALANCE
25/9	B/f			18
25/9	Used		1	17
26/9	Used		1	16
27/9	Used		1	15
28/9	Used		1	14
29/9	Used		1	13

STOCK CARD

Product: Pride white flour

Cost per item: \$1.78 per kg

Selling price: N/A

Reorder level: 325 kgs

		STOCK		
Date	Details	IN	OUT	BALANCE
28/9	B/f			325
28/9	Used		65	260
29/9	Used		65	195

STOCK CARD

Product: Sun yeast

Cost per item: \$3.06 per kg

Selling price: N/A

Reorder level: 10 kgs

		STOCK		
Date	Details	IN	OUT	BALANCE
28/9	B/f			8
28/9	Used		1	7
29/9	Used		1	6

STOCK TAKING LIST

Page:

Date:

Details	Quantity			Comments
	Stock taking	Stock Card	Difference	

2. Look closely at the Stock Taking List and the Stock Cards that you have completed and answer these questions:

a. How much Standard oil does *Tasty Bread* have at the end of the day on 30 September?

.....

.....

b. Which two raw materials does *Tasty Bread* keep more in stock than they need?

.....

.....

c. Juma's assistant was correct when she suspected that stock went missing.

- Which raw materials have stock missing?
- How much is missing of each raw material?

.....

.....

d. For which raw material does the Stock Card show a higher quantity than Juma and her assistant counted during the stock taking?

.....

.....

.....

.....

.....

2. Action Plan

WHAT is the problem?	HOW do you solve the problem?	WHO will solve the problem?	WHEN will the problem be solved?
I have only one supplier and I have problems with the supplier's terms of payment and delivery.	I will ask other businesses which suppliers they use. I will make a list and send written enquiries to suppliers they suggest.	I will	I will start asking other businesses on Monday 23 August. I must send written enquiries before 1 September.
I keep too much stock of some goods. At the same time, I often run out of stock for other goods.	I will discount the slow selling stock. I will check my reorder levels and change those that are not correct. I will check my stock at least twice a week.	I will I will I will	I will decide which items to discount and their prices, plus check and modify the reorder levels this week. Starting next week, Rusike and I will check the stock every Tuesday and Friday.

How can your business buy better? Start by making an Action Plan. In your plan, write down:




1. What are the major problems your business has with buying supplies?
2. How will you solve each problem?
3. Who will solve each problem? Will you solve the problems or will you have someone else do it?
4. When do you plan to solve each problem?

Write down your Action Plan on the next page. Remember these suggestions:

- Make a plan for a three or six month period
- Be realistic. Only write down what you think is possible to do
- Try to solve the most urgent problem first
- Keep this manual at your business so that you and others can use it when you need it
- Check regularly that you follow your Action Plan. It is a good idea to check every week
- You can put your Action Plan on the wall so that it is easy to see and check

Plan to improve your buying and stock control

Use this page to write down your own plan to improve the buying and stock control in your business.

WHAT is the problem?	 HOW do you solve the problem?	 WHO will solve the problem?	 WHEN will the problem be solved?

**Assessment 1**

1. 1. Finished goods 2. Equipment 3. Spare parts 4. Raw materials 5. Quotation
6. Receipt 7. Invoice 8. Order 9. Written enquiry 10. Delivery note
2. 1. c 2. a 3. c 4. a 5. c 6. b 7. a 8. b 9. b

Assessment 2

1. 1. Stock 2. Checking stock 3. Reorder stock 4. Comes in and goes out
5. Reorder levels 6. Stock Cards 7. Stock Card...Stock Taking List 8. Stock taking
2. 1. c 2. b & c 3. b 4. c 5. b 6. b 7. a 8. b 9. a 10. a 11. c 12. c

Assessment 3

1. 1. Records 2. Performance criteria 3. Penalties
2. 1. b 2. c 3. a

Can You Help?**Equipment problems at *Modern Furniture***

- Yes, it was a mistake for Steve to buy that drill. Steve should have found out if he could have it repaired and where he could find spare parts before he bought the drill.
- Steve should have talked to businesses selling drills, his employees, business friends and other business people who use drills. Plus, he should have searched for drills and spare parts on the internet.
- Before he bought the drill, Steve should have found answers to questions like these:
 - Which different kinds of drills are available?
 - Should I get new or second hand drills?
 - Which drills are easy to use?
 - How reliable are the drills?
 - Do the suppliers give written guarantees?
 - Can the drills be serviced and repaired locally?
 - Are good quality spare parts available locally? If not, how long will it take to get the parts?
 - How expensive are the parts?

Write an order

Your order for *Simba Computer Sales and Accessories* can look like this. It does not have to look exactly the same, but it should have all the information that is on this form:

ORDER			
			Number: 23
5 March 2014			
The Sales Department			
<i>Super Suppliers</i>			
15 Main Street			
Inaba			
Dear Sir/Madam,			
Thank you very much for your quotation number 117. Please supply and deliver to our address the following goods:			
Description	Quantity	Unit price (\$)	Total price (\$)
Diga computers	3	80.00	240.00
Sendo Scx-20 four-in-one printers	3	30.00	90.00
Smart photo printers	5	15.00	75.00
Uga 8G USBs	20	8.00	160.00
Uno 2014 diaries	50	2.00	100.00
Laptop sleeves	30	5.00	150.00
Delivery: Free delivery to our shop not later than two weeks after the date of this order			
Payment: Net 30 days.			
Signed: Onika Manager			
<i>Simba Computer Sales and Accessories</i>			

Stock control problems at *Tasty Bread*

1. Here are *Tasty Bread*'s completed Stock Taking List and Stock Cards

STOCK TAKING LIST				
				Page: 1
				Date: 30 September 2014
Details	Quantity			Comments
	Stock taking	Stock Card	Difference	
Pride white flour	360	380	-20	20 kgs missing! Why?
Sun yeast	7	5	+2	2 kgs more than it should be! Why?
Star sugar	15.5	20.5	-5	5 kgs missing! Why?
Standard oil	17	17	0	Quantity correct

STOCK CARD				
Product: Pride white flour				
Cost per item: \$1.78 per kg				
Selling price: N/A				
Reorder level: 325 kgs				
		STOCK		
Date	Details	IN	OUT	BALANCE
28/9	B/f			325
28/9	Used		65	260
29/9	Used		65	195
30/9	Used		65	130
30/9	Bought	250		380
30/9	Missing (stock taking)		20	360

STOCK CARD				
Product: Sun yeast				
Cost per item: \$3.06 per kg				
Selling price: N/A				
Reorder level: 10 kgs				
		STOCK		
Date	Details	IN	OUT	BALANCE
28/9	B/f			8
28/9	Used		1	7
29/9	Used		1	6
30/9	Used		1	5
30/9	Extra (stock taking)	2		7

STOCK CARD

Product: Star sugar

Cost per item: \$2.59 per kg

Selling price: N/A

Reorder level: 15 kgs

		STOCK		
Date	Details	IN	OUT	BALANCE
23/9	B/f			9.5
23/9	Used		1.5	8
23/9	Bought	10		18
26/9	Used		1.5	16.5
27/9	Used		1.5	15
28/9	Used		1.5	13.5
29/9	Used		1.5	12
30/9	Used		1.5	10.5
30/9	Bought	10		20.5
30/9	Missing (stock taking)		5	15.5

STOCK CARD

Product: Standard oil

Cost per item: \$7.14 per litre

Selling price: N/A

Reorder level: 20 litres

		STOCK		
Date	Details	IN	OUT	BALANCE
25/9	B/f			18
25/9	Used		1	17
26/9	Used		1	16
27/9	Used		1	15
28/9	Used		1	14
29/9	Used		1	13
30/9	Used		1	12
30/9	Bought	15		27
30/9	Spoilt		10	17
30/9	Stock taking			17

2.

- At the end of the day on 30 September, the balance column on the Stock Card shows that *Tasty Bread* has 17 litres Standard oil.
- Tasty Bread* keeps more stock of both sugar and oil than is needed.

By looking at the Stock Cards for Star sugar and Standard oil, you can see that the stock levels are very high all the time in comparison to the amount they use. *Tasty Bread* would have lower stock levels if they lowered their reorder levels for sugar and oil.

- White flour and sugar have stock missing. You find this out by comparing the quantities on the Stock Taking List with the balances on the Stock Cards.

There are 20 kgs of white flour and 5 kgs of sugar missing.

- The Stock Card for yeast shows a higher quantity than Juma and her assistant counted during stock taking.

USEFUL BUSINESS WORDS

WORD	THE WORD MEANS	MORE ON PAGE
Buying	Buying is the process where a business plans, acquires and evaluates the process of acquiring good quality supplies at right quantities and the right price to meet the needs of their customers.	11
Cheque	A form in which you ask your bank to pay a certain amount of money to the person or business named on the cheque. You need a current account or a savings account to be able to use cheques.	33
COD	COD, or Cash On Delivery, is an example of the terms of payment. COD means you must pay when the goods are handed over to you.	30
Contract	A contract is an agreement between parties whether written or not written, to do or not do certain activities.	25
Credit	The seller's agreement to be paid later. You are given goods or services by the seller but you do not have to pay immediately. For example, if you have 30 days' credit, you must pay within 30 days.	16, 18, 21, 24, 25, 30
Delivery note	A document that the supplier sends with a delivery. It lists the type and quantity of goods delivered. The supplier wants you to sign the delivery note as proof that you have received the goods.	13, 28-30
Enquiry	Questions to a supplier to find out the type of goods, prices, payment, delivery and other conditions they offer. The answer to an enquiry is a quotation.	13, 19, 20, 36
Equipment	All the machinery, tools, workshop fittings, office furniture, etc, that a business needs. Equipment is normally expensive and is expected to last for a long time.	1-6
Invoice	A document that tells you to pay for the goods or materials you have received. An invoice lists details of what you have bought and tells you how much you must pay, when you must pay, who you must pay and how you must pay.	13, 27-28, 30-31
Order	A request to a seller to supply certain goods. You can make your order by visiting, phoning or writing to the suppliers.	2, 4, 13, 17, 21, 25-27

WORD	THE WORD MEANS	MORE ON PAGE
Quotation	An answer to an enquiry, in which a supplier makes an offer to sell certain goods. In a quotation, a supplier gives detailed information about the type of goods, prices, payment, delivery and any other conditions.	13, 17, 18, 20, 22-28
Receipt	Written proof that you have paid for the goods or services you bought. The seller signs the receipt he or she gives you.	13, 33, 36, 49
Reorder level	The numbers of units that you estimate you need until you get new stock. When the quantity of stock falls to the reorder level, it is time to order more.	47, 51, 57
Stock	All the goods your business has for sale and all raw materials or parts your business keeps and uses to make into products.	41
Stock Card	A stock record in which you use a separate card or page for each product or material.	51, 54-71
Stock control	Organizing the way you receive, record, store, arrange, check and reorder the stock in your business.	41-74
Stock records	Written records of all stock that comes into or goes out of your business. Make your own stock records by using either Stock Cards, a hard cover book or an exercise book.	48, 54-56, 65, 68
Stock taking	A system to count measure or weigh all your stock and write down the quantities on a Stock Taking List.	57-71
Stock Taking List	Sheets, an exercise book or something else you use during stock taking to write down the quantity of each product or material your business has.	59-64, 69-73
Terms of delivery	Agreement between buyer and seller about paying for delivery. Either the buyer or the seller pays for transport costs.	18, 19, 25, 39
Terms of payment	Agreement between buyer and seller about when and how goods must be financed. For example, the seller may give credit or ask for COD (Cash On Delivery).	18, 28

STOCK CONTROL FORMS

STOCK CARD

Product:.....

Cost per item:.....

Selling price:.....

Reorder level:.....

		STOCK		
Date	Details	IN	OUT	BALANCE

Date:

[illegible]

IMPROVE YOUR BUSINESS

Buying and Stock Control

Started your business already, but have troubles in some aspects of business management?

Improve Your Business (IYB) is the existing entrepreneurs' guide to good principles of business management. The **IYB Buying and Stock Control** manual teaches entrepreneurs to plan their business purchases better, buy items at a lower cost and prevent the loss of stock in their inventory.

IYB is part of the 'Start and Improve Your Business' family of management training courses for start-ups and small entrepreneurs. The programme builds on 25 years of experience working in 100 countries, partnering with 2500 local institutions, 200 certified Master Trainers and a network of over 17,000 Trainers. It has reached 6 million clients to date and these numbers are only increasing!

The IYB training is supported by a set of six manuals:

IYB Costing

IYB Marketing

IYB Record Keeping

IYB Buying and Stock Control

IYB Planning For Your Business

IYB People and Productivity

