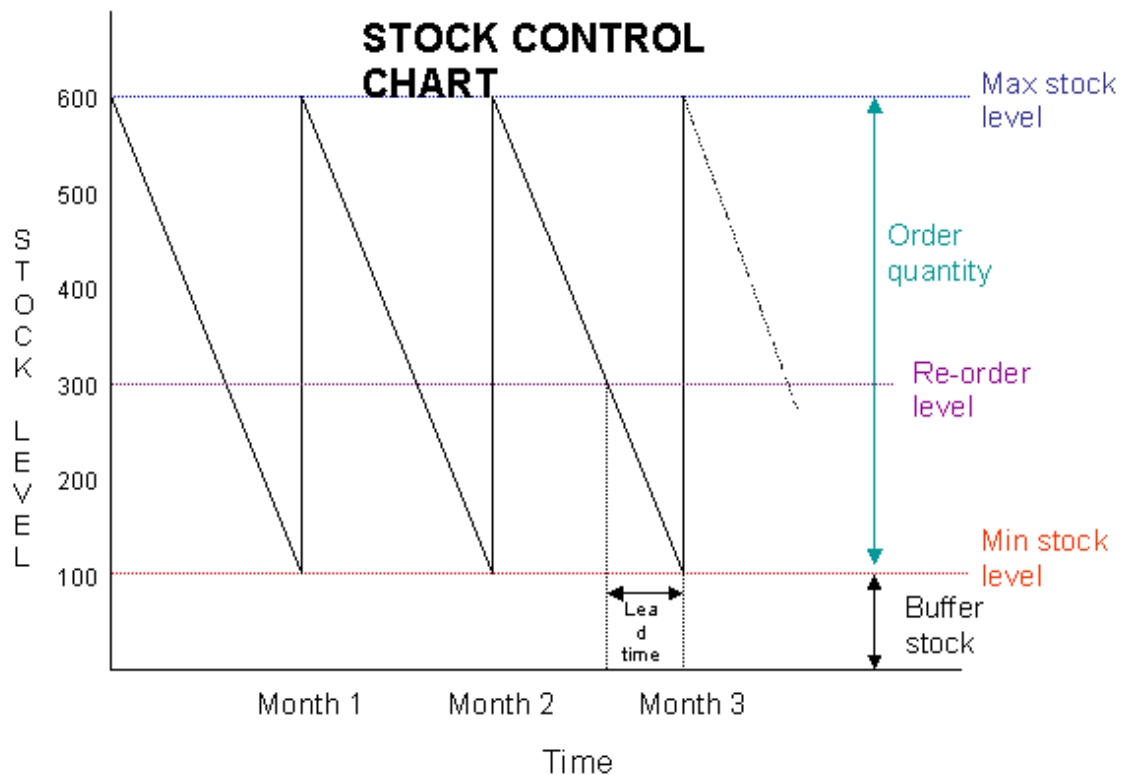


Stock control



Elements of stock control

- Maximum stock levels (economic level)
- Minimum stock levels
- Rate of consumption
- Lead time - ordering to receipt
- Re-order level

Maximum stock levels

- This is the level of appropriate stock which should be held for the organisation to minimise costs.
- When setting this level a business should take into account

Storage Space Available

Stock Security Measures

Cost of Storage Facilities

Finance to be tied up in stock

Stock control

Minimum stock levels

- A minimum stock level is the level that stock must not fall below as shortages in raw materials may result in reduced output.
- When setting this level a business should take into account

Ordering times

Delivery times

Rate of sales

Reorder level

- This is the point at which new stocks should be ordered. As items are taken from stock, the amount left for use reduces and at some point new stock has to be ordered.
- This is calculated by considering average daily usage and the time taken to receive new supplies – **THE LEAD TIME**.

Reorder quantity

- Once the re-order level is reached, a standard quantity is automatically requested. On receipt of the delivery, the maximum stock level should be achieved.