INVENTORY MANAGEMENT OF RICE RETAILERS IN SELECTED AREAS OF CAVITE

THESIS

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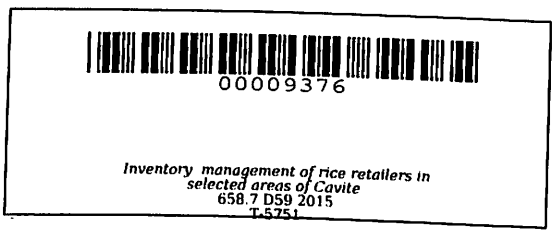
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ABSTRACT

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A study was conducted to determine the socio-economic characteristics of the rice retailers; determine the business profile of rice trading business; determine the processes employed by the rice retailers in their inventory management; determine the cost incurred in inventory management; determine the profitability of rice retailing with the presence of inventory system; determine the efficiency of conducting inventory; and determine the problems encountered by the rice retailers in their inventory management.

Data used in the study were obtained through personal interview with the 110 rice retailers in selected areas of Cavite, namely: Alfonso, Indang, Mendez, Naic, Rosario, Tanza, Dasmariñas City, Tagaytay City, and Trece Martirez City. Frequency count, mean, percentage, range, and ranking were used in the analysis of data. Profitability of rice retailing business was measured in terms of gross profit margin, operating profit margin, net profit margin and gross margin return on inventory investment.

The participants had an average age of 41 years old. Most of them were female, married, and high school graduates. The years in rice retailing business ranged from 1 to 21 years with an average of 8 years.

The top varieties of rice usually traded by the participants were Denorado, Angelica and Sinandomeng with an average price per sack of P2,200, P2,100, and P2,150 respectively were ordered weekly.

Forty five percent of the participants conducted their inventory weekly, 92 percent held inventory to meet unexpected demand of the consumers, and most of them (98 %) used actual counting by piece to supervise their inventory.

The costs incurred in conducting inventory management include ordering cost, holding and stock out cost.

The rice retailing business generated an annual gross profit of P917,861 and gross profit margin of 21 percent. The annual operating profit of rice retailing business was P649,161 with an operating profit margin of 15 percent. Moreover, the annual net profit of rice retailing in selected areas of Cavite was P648,114 with a net profit margin of 15 percent. The annual gross margin return on inventory investment of rice retailing in selected areas of Cavite was 26 percent. The average net profit of rice retailers in selected areas of Cavite for the year 2014 was highest for rice retailers who conducted inventory management weekly (P657,316). Moreover, the most common problem encountered by the rice retailers was keeping track of their daily purchases.

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INTRODUCTION

Inventory is the key factor in determining cost of sales. Because inventory represents goods available for sale, there is a method of determining both the quantity and the cost of these goods. Most businesses hold inventory for many reasons, among them is to meet unexpected demands, to smooth out seasonal demands, to take advantage of price discounts, and to get quality discounts. In the current assets of any firm, inventory is usually considered as the largest item under its category. The key decision in many businesses is the quantity of inventory to maintain on hand. Therefore, managing inventory is very crucial in every company because it is always associated with different kinds of costs, such as ordering cost, holding cost, and stock-out cost. Effective and efficient management of inventory is about knowing the amount of goods on hand, its proper usage, and the amount of output produced or delivered. It is necessary because