



RETAIL



OPERATIONS-II

NSQF LEVEL-IV

Students
Handbook

CLASS XII



CENTRAL BOARD OF SECONDARY EDUCATION

Shiksha Kendra, 2, Community Centre, Preet Vihar, Delhi-110301



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RETAIL OPERATIONS-II

Students Handbook

NSQF Level - IV



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Shiksha Kendra, 2, Community Centre, Preet Vihar, Delhi-110301



Retail Operations-II, NSQF Level - IV

Students Handbook - Class XII

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भारत का संविधान

उद्देशिका

हम, भारत के लोग, भारत को एक सम्पूर्ण ¹प्रभुत्व-संपन्न समाजवादी पंथनिरपेक्ष लोकतंत्रात्मक गणराज्य बनाने के लिए, तथा उसके समस्त नागरिकों को:

सामाजिक, आर्थिक और राजनैतिक न्याय,

विचार, अभिव्यक्ति, विश्वास, धर्म

और उपासना की स्वतंत्रता,

प्रतिष्ठा और अवसर की समता

प्राप्त कराने के लिए

तथा उन सब में व्यक्ति की गरिमा

²और राष्ट्र की एकता और अखंडता

सुनिश्चित करने वाली बंधुता बढ़ाने के लिए

दृढ़संकल्प होकर अपनी इस संविधान सभा में आज तारीख 26 नवम्बर, 1949 ई० को एतद्वारा इस संविधान को अंगीकृत, अधिनियमित और आत्मार्पित करते हैं।

1. संविधान (बयालीसवां संशोधन) अधिनियम, 1976 की धारा 2 द्वारा (3.1.1977) से “प्रभुत्व-संपन्न लोकतंत्रात्मक गणराज्य” के स्थान पर प्रतिस्थापित।
2. संविधान (बयालीसवां संशोधन) अधिनियम, 1976 की धारा 2 द्वारा (3.1.1977) से “राष्ट्र की एकता” के स्थान पर प्रतिस्थापित।

भाग 4 क

मूल कर्तव्य

51 क. मूल कर्तव्य - भारत के प्रत्येक नागरिक का यह कर्तव्य होगा कि वह -

- (क) संविधान का पालन करे और उसके आदर्शों, संस्थाओं, राष्ट्रध्वज और राष्ट्रगान का आदर करे;
- (ख) स्वतंत्रता के लिए हमारे राष्ट्रीय आंदोलन को प्रेरित करने वाले उच्च आदर्शों को हृदय में संजोए रखे और उनका पालन करे;
- (ग) भारत की प्रभुता, एकता और अखंडता की रक्षा करे और उसे अक्षुण्ण रखे;
- (घ) देश की रक्षा करे और आह्वान किए जाने पर राष्ट्र की सेवा करे;
- (ङ) भारत के सभी लोगों में समरसता और समान भ्रातृत्व की भावना का निर्माण करे जो धर्म, भाषा और प्रदेश या वर्ग पर आधारित सभी भेदभाव से परे हों, ऐसी प्रथाओं का त्याग करे जो स्त्रियों के सम्मान के विरुद्ध हैं;
- (च) हमारी सामासिक संस्कृति की गौरवशाली परंपरा का महत्त्व समझे और उसका परिरक्षण करे;
- (छ) प्राकृतिक पर्यावरण की जिसके अंतर्गत वन, झील, नदी, और वन्य जीव हैं, रक्षा करे और उसका संवर्धन करे तथा प्राणी मात्र के प्रति दयाभाव रखे;
- (ज) वैज्ञानिक दृष्टिकोण, मानववाद और ज्ञानार्जन तथा सुधार की भावना का विकास करे;
- (झ) सार्वजनिक संपत्ति को सुरक्षित रखे और हिंसा से दूर रहे;
- (ञ) व्यक्तिगत और सामूहिक गतिविधियों के सभी क्षेत्रों में उत्कर्ष की ओर बढ़ने का सतत प्रयास करे जिससे राष्ट्र निरंतर बढ़ते हुए प्रयत्न और उपलब्धि की नई उंचाइयों को छू ले;
- ¹(ट) यदि माता-पिता या संरक्षक हैं, छह वर्ष से चौदह वर्ष तक की आयु वाले अपने, यथास्थिति, बालक या प्रतिपाल्य के लिये शिक्षा के अवसर प्रदान करे।

1. संविधान (छयासीवां संशोधन) अधिनियम, 2002 की धारा 4 द्वारा प्रतिस्थापित।

THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a ¹**SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC** and to secure to all its citizens :

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the² unity and integrity of the Nation;

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949, do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

-
1. Subs. by the Constitution (Forty-Second Amendment) Act. 1976, sec. 2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
 2. Subs. by the Constitution (Forty-Second Amendment) Act. 1976, sec. 2, for "unity of the Nation" (w.e.f. 3.1.1977)
-

THE CONSTITUTION OF INDIA

Chapter IV A

FUNDAMENTAL DUTIES

ARTICLE 51A

Fundamental Duties - It shall be the duty of every citizen of India-

- (a) to abide by the Constitution and respect its ideals and institutions, the National Flag and the National Anthem;
- (b) to cherish and follow the noble ideals which inspired our national struggle for freedom;
- (c) to uphold and protect the sovereignty, unity and integrity of India;
- (d) to defend the country and render national service when called upon to do so;
- (e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;
- (f) to value and preserve the rich heritage of our composite culture;
- (g) to protect and improve the natural environment including forests, lakes, rivers, wild life and to have compassion for living creatures;
- (h) to develop the scientific temper, humanism and the spirit of inquiry and reform;
- (i) to safeguard public property and to abjure violence;
- (j) to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavour and achievement;
- ¹(k) who is a parent or guardian to provide opportunities for education to his/her child or, as the case may be, ward between age of 6 and 14 years.

-
1. Subs. by the Constitution (Eighty - Sixth Amendment) Act, 2002

PREFACE

Retail sector plays a vital role in economic development of an economy. It employs a large number of workforce and its contribution to national income is also substantial. In India scenario the retail sector employs about 8% of total working population. Approximately 40 million people are employed in 6 million retail outlets throughout the country. 22% of national income is accrued from this sector. The retail sector is classified in two categories – unorganised retail sector and organised retail sector. The unorganised retail sector comprised various independent shops such as kirana shops, cloth shops, utensil shops, medical stores, etc. These are traditional local shops in a market place or in residential area. The other format of retailing is organised one. The organised retailing in India is relatively new. During last twenty years, this sector has experienced very fast growth. From 5% of total retail in 2005, its present share is 16%. The organised retail format includes department stores, fast food outlets, supermarkets, malls, hypermarkets, specialty stores etc.

Our objective to start a vocational course in retailing for class XII is that there are lakhs of students who want to do some job after finishing their schooling. A traditional course in school does not equip the students any specialization in any field. In India there is a huge pool of educated unemployed persons. It is difficult to get a job after passing from schools without having acquired vocational skills necessary for a job. According to an estimate only 12 percent students are able to go to various colleges in India. Rest 88 percent can be considered as drop-outs after their higher secondary level of schooling. Most of them do not reach to colleges because of financial constraints besides other reasons. Under the circumstances it becomes the responsibility of the concerned government/authorities to provide meaningful vocational curriculum at the higher secondary school levels. So that after pursuing a vocational course a student will be in a better position to join the job markets.

To achieve this objective, CBSE (Central Board of Secondary Education) has started a lot of vocational course in emerging areas for example Retail, IT, Automobile etc. After necessary knowledge in retailing, the students will have an edge over others in getting jobs of their choice in this sector as this sector is growing very fast and lakhs of manpower requirements have been estimated to come up annually.

In the present material on Retail the subject matter has been presented in a student friendly manner by PSSCIVE, Bhopal. Efforts have been made to put before the readers the material in a form that could explain the real world of retailing in an interesting and lucid manner.

Any suggestions, feedback from the readers for improvement in the future editions of the volume shall be heartily welcomed.

Sh. Vineet Joshi
Chairman (CBSE)



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UNIT-1 INVENTORY MANAGEMENT IN RETAILING

| | | | | |
|---|---|---|---|---|
| Unit Code: RS-402 NQ-2012 | Unit Title: Inventory Management in Retailing | | | |
| Location: | Duration: 25 Hours | | | |
| Classroom Retail or Departmental Store | Session 1: Types of Inventory | | | |
| | Learning Outcome | Knowledge Evaluation | Performance Evaluation | Teaching and Training Method |
| | 1. Describe the concept of inventory and its types. | 1. Describe the importance of inventory. 2. State the various types of inventory. 3. Explain the advantages of various inventory processes. | 1. Classify the inventory on basis of usage, value and volume. 2. Differentiate between merchandise inventory and manufacturing inventory. | Interactive lecture: Introduction of inventory and its types. Activity: Visit a retail store and make a list of various types of inventory activities. Classify the inventory on basis of different Category of items. |
| | 2. Identify the methods of Inventory in Retail. | 1. Explain the planning of inventory. 2. Describe the methods of Inventory in Retail. | 1. Evaluate the inventory planning. 2. Find out the methods of Inventory in Retail. | Interactive lecture: Methods of Inventory in Retail. Activity: Visit to retail store and make the methods adopted in the Inventory process. |
| | Session 2: Inventory Management | | | |
| | 1. Identify the essentials of the inventory. | 1. Importance of purchase routine 2. Describe the role of an inventory supervisor | 1. Analyze the better schedule of inventory purchase. 2. Identify the role & responsibility of inventory supervisor. | Interactive lecture: Purchase routine of inventory. Activity: Visit to the retail store and observe the requirements of inventory for merchandising. Group Discussion on the schedule of |

| | | | | |
|---|---|--|--|--|
| | | | | purchase on the basis of time and value. |
| | 2. Describe the objectives of Inventory Management. | 1. Identify the objectives of Inventory Management. 2. Importance of the objective of Inventory Management. | 1. Describe the objectives of Inventory Management. 2. Find out the objective of Inventory Management. | Interactive lecture: Objectives of Inventory Management. Activity: Visit to the retail store and observe the requirements of inventory management. |
| | 3. Identify the role and functions of Inventory Supervisor. | 1. Describe the functions of Inventory Supervisor. 2. Understand the role of inventory supervisor. | 1. Identify the functions of Inventory Supervisor. 2. Find out the specific role of inventory supervisor. | Interactive session: Functions of Inventory Supervisor. Activity: Visit to the retail store and observe the functions performed by the inventory supervisor. |
| Session 3 : Inventory Control System | | | | |
| | 1. Describe the concept of inventory control. | 1. State various concepts of inventory control. 2. Describe the importance of inventory control. | 1. Explain the need of inventory control. 2. Enlist the steps involve in inventory control. | Interactive lecture: Inventory Control Mechanism. Activity: Visit to the retail store and find out the process of inventory control. Study of retail inventory management and its role in the success of retailing. |
| | 2. Identify the methods of inventory control. | 1. Need of inventory control methods. | 1. Identify the various methods of applying inventory control. | Interactive lecture: Inventory control methods. Activity: Visit to the retail store and observe the |

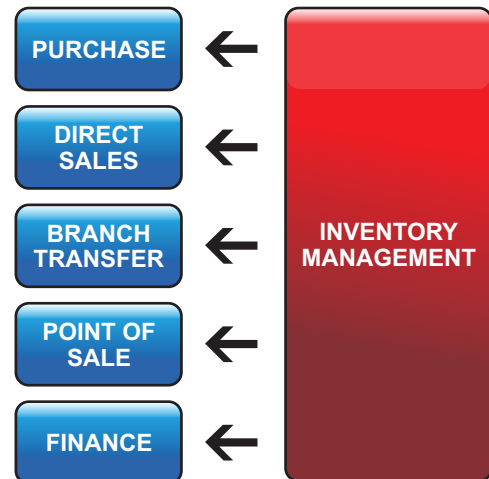
| | | | | |
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| | | 2. Different methods of inventory control. | 2. Explain the merits and demerits of inventory control methods. | methods of inventory control essential for various types of retail stores. |
| 3. Describe the duties and responsibilities of Inventory Control Supervisor. | 1. Describe the duties of Inventory Control Supervisor. 2. State the responsibilities of Inventory Control Supervisor. | 1. Identify the duties of Inventory Control Supervisor. 2. Find out the responsibilities of Inventory Control Supervisor. | Interactive Session: Duties and responsibilities of Inventory Control Supervisor. Activity: Visit to a retail store and observe the responsibilities performed by Inventory Control Supervision. | |
| Session 4 : Stock Valuation and Recording | | | | |
| 1. Identify the inventory valuation in retail. | 1. Describe the FIFO method of valuation. 2. Understand the LIFO method of valuation. | 1. Identify the steps in FIFO method of valuation. 2. List out the process of LIFO method of valuation. | Interactive Session: Inventory valuation in Retail. Activity: On-the-job on inventory valuation. | |
| 2. Describe the Stock recording & accounting systems. | 1. Understand the stock recording system. 2. State the inventory in accounting system. | 1. Identify the Stock recording procedures. 2. Find out how the inventory is posted in accounts. | Interactive Session: Stock recording accounting systems. Activity: Visit to the retail store and observe how to maintain Stock recording & accounting. | |
| 3. Find out the benefits of Inventory Maintenance. | 1. Describe the benefits of Inventory Maintenance. | 1. Identify the benefits of Inventory Maintenance. | Interactive lecture: Benefits of Inventory Maintenance Activity: Visit to the retail store and observe the requirements of inventory for merchandising. | |

Introduction

Inventory is defined as a stock or store of goods. The storage of these goods is done near the location of the business to meet the demands of the customers. Inventory is very important for retailers because if goods are not available the customers will immediately buy the product from other retailer. Generally the retailer has to keep the inventory of finished goods in order to meet the demand of the customers. Inventories are held for various reasons like meeting the seasonal demands, physical necessities, functional purposes etc.

Sometimes a firm may keep larger inventory than is necessary to meet demand and keep the factory running under current conditions of demand. If the firm exists in a volatile environment where demand is dynamic (i.e., rises and falls quickly), an on hand inventory could be maintained as a buffer against unexpected changes in demand. This buffer inventory also can serve to protect the firm if a supplier fails to deliver at the required time, or if the supplier's quality is found to be substandard upon inspection, either of which would otherwise leave the firm without the necessary raw materials. Other reasons for maintaining an unnecessarily large inventory include buying to take advantage of quantity discounts (i.e., the firm saves by buying in bulk), or ordering more to avoid any future price increase.

In this unit, focus is on types of inventory, inventory management, inventory control system and stock valuation recording.



Session 1: Types of Inventory

Relevant Knowledge

Types of inventories are classified according to the type of business. There are mainly three types of organization namely, manufacturing organization, trading organization (retail or wholesale) and service organization. A manufacturing organization has to carry three types of inventories as follows.

A wholesaler and retailer are required to maintain stock of finished goods.

Types of Inventory

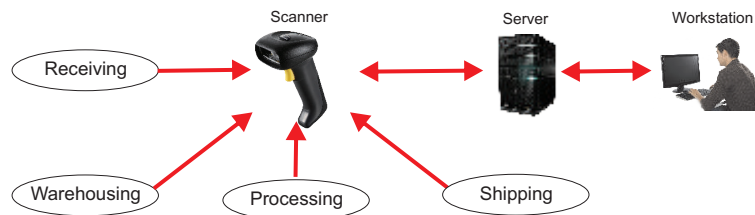
Inventory of materials occurs at various stages and departments of an organization. A manufacturing organization holds inventory of raw materials and consumables required for production. It also holds inventory of semi-finished goods at various stages in the plant with various departments. Finished goods inventory is held at plant, FG Stores, distribution centers etc. Further both raw materials and finished goods those that are in transit at various locations also form a part of



inventory depending upon who owns the inventory at the particular juncture. Finished goods inventory is held by the organization at various stocking points or with dealers and stockiest until it reaches the market and end customers.

| INPUT | PROCESS | OUTPUT |
|---|--|--|
| Raw Materials | Work in Process | Finished Goods |
| Consumables required for processing. For example, fuel stationery, bolts, nuts, etc. required for manufacturing | Production in various stages, lying with various departments like production, WIP Stores, QC, final assembly, paint shop, packing outbound store, etc. | Finished goods at distribution centers throughout supply chain |
| Maintenance items/ consumables | Production waste and scrap | Finished goods in transit |
| Packing Materials | Rejections and defectives | Finished goods with stockiest and dealers |
| Local purchased items required for production | | Spare parts stocks & bought out items |
| | | Defectives, rejects and sales returns |
| | | Repaired stock and parts |
| | | Sales promotion and sample stocks |

Besides raw materials and finished goods, organizations also hold inventories of spare parts to service the products. Defective products, defective parts and scrap also forms a part of Inventory as long as these items are inventoried in the books of the company and have economic value.



There are two basic types of Inventory, merchandising and manufacturing. Manufacturing is further divided into three more components: raw material, work in process and finished goods.

Merchandise Inventory: If you buy items from other artists and crafters to sell in your own gallery or shop, you'll have a merchandise inventory. Remember though any items in your shop on consignment are not part of your inventory.

Manufacturing Inventory: If you make your own arts and crafts, you'll have a manufacturing inventory. The term 'manufacturing' might not seem to fit a hand crafted type of business, but a quick review of the classifications within the term, will make the relationship clearer.

A manufacturing inventory consists of three different parts: raw materials, work in process and finished goods. Using a groundnut oil manufacturing business as example, here are definitions of the three:

1. **Raw materials:** Everything. The oil manufacturer buys to make the product is classified as raw materials. That includes raw groundnut. The raw material inventory only includes items that have not yet been put into the production process.
2. **Work in process:** This includes crushing of groundnut and mixing in with other ingredients. The unrefined oil is produced in this process.
In addition to the raw materials, the work in process inventory includes the cost of the labour directly doing the work and manufacturing overhead. Manufacturing overhead includes any expenses indirectly related to manufacturing of the product. A good example is depreciation of oil making fixed assets.
3. **Finished goods:** After the process of production is completed the refined oil which is ready for sale is finished goods. The finished goods inventory also consists of the cost of raw materials, labor and manufacturing overhead, now for the entire product.

Planning of Inventory

In order to be able to proceed with merchandise planning the method of inventory planning needs to be finalized. Following methods can be used for planning the inventory levels needed.

Methods of inventory planning:

1. The Basic Stock Method
 2. The Percentage Variation Method
 3. The Week's Supply Method
 4. The Stock/Sales Ratio Method
 5. Stock Turnover Rate
1. **The Basic Stock Method:** This method of inventory planning is used when the retailer believes that it is necessary to have a given level of inventory on hand, at all times. Basic stock is the minimum amount of inventory that needs to be maintained for a product, category or store, even during times of low sales.

Basic Stock = Average stock for the season - Average monthly sales for the season,

Where,

Average monthly sales for the season =
$$\frac{\text{Total planned sales for the season}}{\text{Number of months in the season}}$$

Average stock for the season =
$$\frac{\text{Total planned sales for the season}}{\text{Estimated Inventory turnover rate for the season}}$$

Beginning of the month (BOM) stock = Planned Monthly Sales + Basic stock

2. **The Percentage Variation Method:** This method is normally used when the stock turnover rate is more than 6 times a year. The basic premise behind this method of inventory planning is that inventory levels should reflect the actual sales. It is calculated as under.

BOM stock = Average stock for season $\times \frac{1}{2}$ [1 + (Planned sales for the month/ Average monthly sales)].

3. **Weekly Supply Method:** Retailers who plan inventories on a weekly and not on monthly basis and whose sales do not fluctuate substantially, largely follow the week supply method. It is calculated as under:

Number of weeks to be stocked = the number in weeks in the period/ stock turnover rate the period

Average weekly sales = Estimated total sales for the period / the number of weeks in the period

BOM stock = Average weekly sales \times Number of weeks to be stocked

4. **Stock/ Sales Ratio Method:** This method is very easy to use, but it requires the retailers to have a beginning of the month stock/sales ratio. It involves the maintaining of the inventory levels at a specific ratio to sales. This ratio tells retailer how much inventory is needed at the beginning of the month, to support the month's estimated sales.

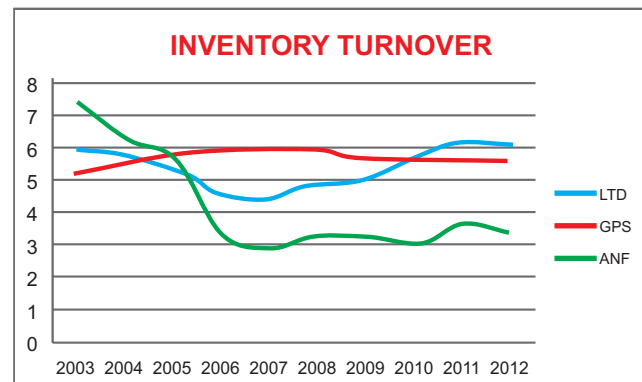
Stock sales ratio = Value of Inventory/ Actual Sales

Planned BOM inventory = Stock sales ratio \times planned sales

5. **Stock Turnover Rate:** An effective measure of the speed with which products or merchandise moves in and out of a retail store for a given period, is the stock turnover rate. It is a measure of efficiency and is usually calculated for a period, of six months or a year. It is calculated using the following formula:

$$\text{Planned sales (for a period)} = \frac{\text{Stock Turnover}}{\text{Planned Average Inventory (for a period)}}$$

The stock turnover rate is a measure of efficiency. Every department usually, has its own stock turnover rate, as different merchandise need different speeds of selling. Form the management's perspective the stock turnover indicates the level of capital usage i.e. turning money to inventory, inventory to money and repeating the process again.



Exercise: Assignment

1. Visit a retail outlet or super market, interact with the owner/store manager and employees and ask the following questions and write their reply in not more than 50 words:

A. Questions for Employers

- (i) What should your employees know about different types of inventories?

- (ii) What is the significance of inventory in retail?

- (iii) What kinds of equipments used for maintaining records of inventory?

B. Questions for Employees

- (i) Is it convenient for you to identify/locate specific products easily?

Employee A: Yes/No

Employee B: Yes/No

Employee C: Yes/No

Employee D: Yes/No

Employee E: Yes/No Employee N: Yes/No

- (ii) What are the safety measures taken by the owner/ manager to protect the inventory from any risks?

- (iii) How often you rearrange the new arrivals for display?

- (iv) What experience do you have using different machines/types of equipment? Which are you most familiar with?

- (v) What are the types of equipment you require to keep the shelves/racks clean?

- (vi) List the different categories of inventory you handle in your job?

Assessment

A. Fill in the blanks

- _____ is a stock of goods.
- Stock turnover rate is a measure of _____.
- Defective products and scrap forms a part of _____.
- Under percentage variation method, the inventory level should reflect the _____.
- _____ items in a shop do not form part of the inventory.

B. Multiple choice questions

Tick the correct answer

- The method which assumes that inventory levels should reflect the actual sales:
 - Basic stock method
 - Percentage sales method
 - Stock to sales ratio
 - None of the above
- Inventories can be considered as:
 - Asset
 - Liabilities
 - Profits
 - Loss
- Which of the following forms part of inventory
 - Raw materials
 - Work-in-progress
 - Defective goods
 - All of the above

C. True or false

- Retailers who plan inventory on weekly basis follow percentage variation method.
- Defective parts and scrap also forms part of inventory.
- Theft by customers is not considered as physical merchandise loss.

Checklist for Assessment Activity

Use the following checklist to check whether your students could meet all the requirements for assessment.

Part A

Student could differentiate between:

- ▶▶ Planning of inventory and significance of inventory

Part B

Students could answer the following questions:

- » What is inventory?
- » What is the need for planning of inventory?
- » What are the types of inventory?
- » What are the different methods of inventory planning?

Part C

Performance Standards

The performance standards may include but not limited to:

| Performance Standards | Yes | No |
|--|-----|----|
| Able to identify the various types of inventory. | | |

Session 2: Inventory Management

Relevant Knowledge

Inventory management can be briefly described as:

- » Acquiring adequate supply of merchandise to avoid over or under stocking.
- » Providing buffer stocks to meet unexpected demand and to avoid delay in procuring inventory in time.
- » Timely maintenance of proper records.

Successful inventory management involves balancing the costs of inventory with the benefits of inventory. Many small business owners fail to appreciate fully the true costs of buying inventory, which include not only direct costs of storage, insurance and taxes, but also cost of money tied up in inventory. This fine line between keeping too much inventory and enough is not the manager's only concern.

Others include:

- » Maintaining a wide assortment of stock
- » Increasing inventory turnover
- » Keeping stock low
- » Obtaining lower prices by making volume purchases
- » Having an adequate inventory on hand.



The degree of success in addressing these concerns varies from one retail organization with the other. The number of times the inventory is converted into sales during a period is known as inventory turnover ratio. Computing the inventory turnover ratio is a simple measure of managerial

performance. This value gives a rough guideline by which managers can set goals and evaluate performance, but it must be realized that the turnover rate varies with the function of inventory and, type of business.

Objectives

Objectives of an effective inventory management system:

1. A controlled level of mark downs.
2. Minimum investment in unnecessary inventory.
3. Proper inventory turnovers (not too high and not too low).
4. Minimum expenses associated with the store of merchandise.
5. Balancing of inventory against sales i.e. inventory should peak prior to sales peak, subside as demand subsides and sold out (or close to it) when demand ceases.
6. Minimal carry over of prior- season merchandise.
7. Maintenance of sufficient breadth and depth of inventory to satisfy customer needs.
8. Minimal merchandise shrinkage (shortage).

Role of an Inventory Supervisor

Inventory supervisor is maintaining the inventory. He should coordinate the program, evaluate the processes and recommend modifications. Conduct analysis and publish reports relative to the measurement of the inventory control and cycle counting programs.

In the small retail business, the inventory supervisor can contribute in bottom line. Though this individual does not sell in the market nor does save the money. Inventory may be the second-highest expense after payroll, and hiring the right person to supervise this aspect of business can help the control costs.

Establishing Check-in Procedures: The inventory supervisor must establish procedures for receiving goods. Many times, vendor invoices do not match the number of goods actually received. The supervisor should have a system in place not only for checking shipments that come in, but also for reporting discrepancies to management.

Establishing Valuation Method: The inventory supervisor must establish either inventory valuation methods or stock inventory in such a way that it complies with the company's inventory valuation methods. If the inventory must be rotated for a first-in-first- out valuation, the supervisor must ensure that older stock is placed in the fronts of shelves. If the company uses a last-in-first-out method, the supervisor should place new stock in the front. Average cost inventory valuation does not require the supervisor to physically arrange the stock in any particular order, but the supervisor should note any increases in purchase price and make management aware of a rising average cost.

Creating Stock Picking Procedures: Inventory employees must be trained and supervised so that they retrieve stock in the proper order. The supervisor must also make sure employees enter the retrieved item in the inventory control software system. This makes sure the software has the data to provide inventory level reports and reordering notices.

Shipping Procedures: The inventory supervisor must ship items in a timely manner as part of order fulfillment. The shipping procedures must include not only retrieval and packing of items, but record keeping informing the sales department items that have been shipped to customers.

Maintaining Minimum Inventory: Perhaps the most vital role of the inventory supervisor is maintaining the least amount of inventory possible. This allows the company to use less cash on excess inventory and apply it elsewhere, such as in marketing and advertising. The inventory supervisor uses sales projections and vendor delivery times to establish an ordering system that replenishes shelves without overstocking them.

Shortages and Overages

Physical inventories at current retail prices are taken at the end of the accounting period. At the same time, the "book stock" at retail is adjusted to agree with the values of physical count. Any discrepancy between the amount of the book stock and the value of the stock determined by the physical count of merchandise on hand is classified as a shortage (or shrinkage) or an overage. As described, shortages exist if physical inventory is lower than book inventory, overages exist if the physical count exceeds the statistical tally.

It is almost impossible to run a merchandise operation with 100% accuracy. Shortages or overages nearly always result and are actually expected to occur.

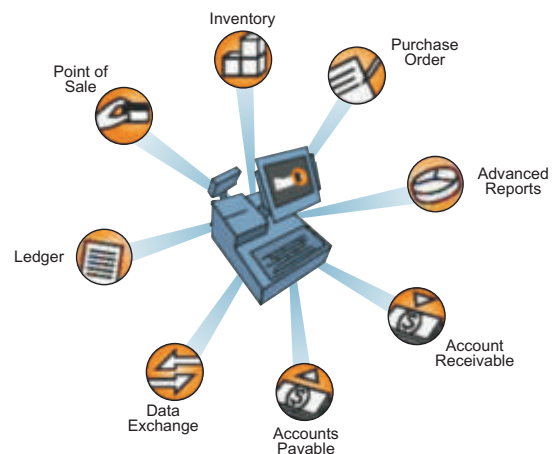
Causes of shortages and overages: Shortages may stem from inaccurate record keeping and /or faulty physical counts. A principal cause of shortages is pilferage which in realistic can never be prevented completely. Overages however can only be caused by faulty record keeping.

The common cause of shortage and overages are:

1. Clerical errors in the calculation of the book and/or physical inventory which include failure to record markdowns properly. Incorrect retailing of invoices, errors in charging invoices to department, errors in recording transfers, errors in recording returns to vendor and errors in recording physical inventory.
2. Physical merchandise losses, which include theft by customers or employees, unrecorded breakage and spoilage, sales clerks, errors in recording sales, over weighting, borrowed merchandise etc.

Inventory management is a very important function that determines the health of the supply chain as well as the impacts the financial health of the balance sheet. Every organization constantly strives to maintain optimum inventory to be able to meet its requirements and avoid over or under inventory that can impact the financial figures.

Inventory is always dynamic. Inventory management requires constant and careful evaluation of external and internal factors and control through planning and



review. Most of the organizations have a separate department or job function called inventory planners who continuously monitor, control and review inventory and interface with production, procurement and finance departments.

Buffer Inventory

Inventory is sometimes used to protect against the uncertainties of supply and demand, as well as unpredictable events such as poor delivery reliability or poor quality of a supplier's products. These inventory cushions are often referred to as safety stock. Safety stock or buffer inventory is any amount held on hand that is over and above that currently needed to meet demand. Generally, the higher the level of buffer inventory, the better the firm's customer service. This occurs because the firm suffers fewer "stock-outs" (when a customer's order cannot be immediately filled from existing inventory) and has less need to backorder the item, make the customer wait until the next order cycle, or even worse, cause the customer to leave empty-handed to find another supplier. Obviously, the better the customer service the greater the likelihood of customer satisfaction.

Anticipation Inventory

Often firms will purchase and hold inventory that is in excess of their current need in anticipation of a possible future event. Such events may include a price increase, a seasonal increase in demand, or even an impending labor strike. This tactic is commonly used by retailers, who routinely build up inventory months before the demand for their products will be unusually high (i.e., at festivals like Diwali, New Year, or monsoon season etc).

The manufacturers generally anticipate the demand and produce goods much before the expected increase in demand so as to maintain the continuous flow of goods. The retailers also stock the products which are likely to have huge demand due to seasonal or festive occasions.

Inventory replenishment in retail: Inventory replenishment is one of the most important aspects of inventory management. For maintaining balanced inventory following questions should be answered:

1. What to order?
2. When to order?
3. How much to order?

The first question what to order can be answered by identifying the fast moving items. If the demand of the product is high, such product requires more stock. The second question when to order can be answered by reviewing the movement of goods on the basis of previous period sales. The previous period can be expressed as 'number of days', weeks or months.

For example: if a grocery store decides to carry 3 days supply of bread, and average daily sales are 10 breads, then the inventory to be maintained are calculated as follows:

$$\begin{aligned}
 \text{Inventory level} &= \text{No. of days supply} \times \text{average daily demand} \\
 &= 3 \text{ days} \times 10 \\
 \text{Inventory level} &= 30
 \end{aligned}$$

If the available stock of bread is say, 14 units, then the grocer will have to purchase $(30 - 14) = 16$ breads. However, if the supply chain management is prompt there is no need to maintain 30 bread as stock. The grocer can purchase 10 breads daily from the wholesaler to meet the demand.

Calculation of Closing Inventory

Inventory levels are constantly changing. As goods are purchased or produced inventories increase. As goods are sold inventories decreases. Closing stock of inventory is calculated as follows:

Opening inventory + Additions during the period – Deductions during the period = closing inventory
For example, a retailer of consumer durable has 150 television sets as inventory on 1st April. During the month 40 units of television sets were sold and 30 units were purchased. The closing inventory will be calculated as follows:

Closing inventory = Opening inventory + Additions during the period – Deductions during the period
Closing inventory = $150 + 30 - 40 = 140$ units

Exercise: Assignment

1. List out five objectives of Inventory management system.

2. Visit a retail outlet or departmental store and identify the causes for shortages in inventory.

3. Explain the importance of buffer inventory.

4. Discuss the methods of inventory valuation.

Assessment

A. Fill in the blanks

1. Successful _____ involves balancing the cost of Inventory.
2. Inventory turnover ratio is a simple measure of _____ performance.
3. Physical inventories at _____ retail price are taken at the end of the accounting period.
4. Shortages from inaccurate _____ or faulty physical counts.

B. Multiple choice questions

1. Successful inventory management involves -
 - (a) Increasing the cost of storage
 - (b) Balancing the cost on inventory
 - (c) Avoiding the taxes
 - (d) None of the above
2. Shortages exists when physical inventory is lower than -
 - (a) Value of stock
 - (b) Physical count
 - (c) Book Inventory
 - (d) None of the above
3. Under percentage variation method, the inventory level should reflect -
 - (a) Actual sales
 - (b) Estimates sales
 - (c) Planned sales
 - (d) None of the above
4. Inventory cushions are also referred to as -
 - (a) Maximum stock
 - (b) Safety stocks
 - (c) Stock outs
 - (d) None of the above
5. Holding of unusually high inventory than the current needs is -
 - (a) Buffer Inventory
 - (b) Anticipation Inventory
 - (c) Optimum Inventory
 - (d) None of the above

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for Assessment Activity.

Part A

- » What is inventory management?
- » List out the objectives of effective inventory.
- » What are shortages and overages?
- » What do you mean by anticipation inventory.

Part B

Discuss in class the following:

- » What is the significance of inventory management? Explain the need for effective Inventory Management. Why shortages and overages occur?

Part C

Performance Standards

The performance standard may include, but not limited to:

| Performance Standards | Yes | No |
|---|-----|----|
| Able to identify and describe the objectives of inventory management. | | |

Session 3: Inventory Control System

Relevant Knowledge

An inventory control system is a set of hardware and software based tools that automate the process of tracking inventory. The kinds of inventory tracked with an inventory control system can include almost any type of quantifiable good, including food, clothing, books, equipment, and any other item that consumers, retailers, or wholesalers may purchase. Modern inventory control systems are almost exclusively based on barcode technology. Though barcodes were initially developed to automate the process of grocery store checkout, their ability to encode a wide variety of alphabetic and numeric symbols makes them ideal for encoding merchandise for inventory applications. Inventory control systems work in real-time using wireless technology to transmit information to a central computer system as transactions occur.

Inventory control systems are employed in a wide variety of applications, but they all revolve around tracking delivery of goods to customers. Inventory control is crucial in retail stores, especially those with a large number or variety of merchandise items for sale. Inventory control is also used in warehouses to track orders and shipments, and for automated order processing. Other important applications of inventory control systems are, in manufacturing, shipping, and receiving.



Inventory control is important to ensure quality control in businesses that handle transactions revolving around consumer goods. Without proper inventory control, a large retail store may run out of stock on an important item. A good inventory control system will alert the retailer when it is time to reorder. Inventory control is also an important means of automatically tracking large shipments. For example, if a business orders ten pairs of socks for retail resale, but only

receives nine pairs, this will be obvious upon inspecting the contents of the package, and error is not likely to happen. On the other hand, say a wholesaler orders 100,000 pairs of socks and 10,000 are missing. Manually counting each pair of socks is likely to result in error. An automated inventory control system helps to minimize the risk of error. In retail stores, an inventory control system also helps track theft of retail merchandise, providing valuable information about store profits and the need for theft-prevention systems.

Duties and Responsibilities of Inventory Control Supervisor

The purpose of the Inventory Control Supervisor is to ensure an adequate inventory of materials and products in accordance with inventory cycles and organizational philosophy. The Inventory Control Supervisor will be working in an ever-changing, fast paced, and high volume environment. The candidate in this role will be analyzing physical inventories, establishing and maintaining inventory discrepancy investigations, and generating reports to maintain adequate inventory levels and appropriate control. This position will support warehouse operations by managing the information flow, movement, storage, delivery, accuracy and control of inventory across multiple sites and sub-inventories.

Duties

- » Coordinate staff, processes and procedures to support the DC in maintaining and exceeding inventory accuracy goals.
- » Analyze data and publish reports.
- » Track performance by area, determine problems and root causes, communicate results and recommend appropriate action.
- » Implement and administer all approved changes to current inventory program.
- » Coordinate functions of the statistical-based cycle counting, estimated statistical sampling, and financial cut-offs.
- » Maintain system data integrity.
- » Ensure that date-sensitive products are checked for expiration, quantities are correct, and exceptions are handled for timely movement of goods.
- » Set up and/or change the stock keeping unit (SKU) in the strategic pick location(s).
- » Ensure that all cycle counts are scheduled and counting is completed timely, accurately, and in compliance with standard operating procedures.
- » Perform process or system testing as required and approved to ensure accurate adjustments and program measurement.
- » Administer slotting optimization software that includes setting of parameters and moving of product.
- » Research and resolve issues regarding variances between perpetual inventory and the general ledger.
- » Monitor and maintain product profiling for optimal distribution center efficiency.

Responsibilities

- » Coordinate and perform physical inventories of daily/weekly cycle accounts and adjust inventory records if necessary.
- » Review and monitor the timely confirmation and accuracy of inbound inventory and outbound shipments.
- » Develop and implement new inventory procedures to improve accuracy.
- » Investigate inventory variances.
- » Monitor the activity associated with customer return shipments including overages, shortages and damages; communicate concealed damages to manufacturer.
- » Perform other related duties as assigned by management.
- » Analyzing physical inventories to establish and maintain inventory discrepancy investigations.
- » Generate reports to maintain adequate inventory levels and appropriate control.

Equipment used for Inventory Control

Automated inventory control systems work by scanning a barcode either on the item. A barcode scanner is used to read the barcode and the information encoded by the barcode is read by the machine. This information is then tracked by a central computer system. For example, a purchase order may contain a list of items to be pulled for packing and shipping. The inventory control system can serve a variety of functions in this case. It can help a worker locate the items on the order list in the warehouse, it can encode shipping information like tracking numbers and delivery addresses, and it can remove these purchased items from the inventory tally to keep an accurate count of in-stock items. All of this data works in tandem to provide businesses with real-time inventory tracking information. Inventory control systems make it simple to locate and analyze inventory information in real-time with a simple database search.



In fact, many small businesses cannot absorb the types of losses arising from poor inventory management. Unless inventories are controlled, they are unreliable, inefficient and costly.

Controlling Inventory

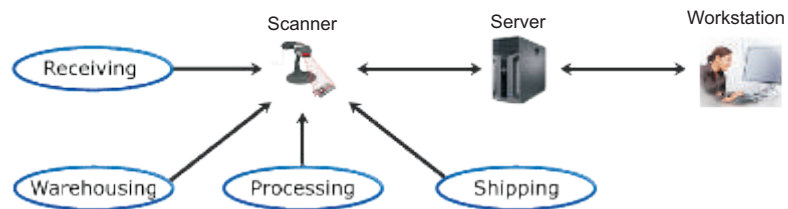
To maintain an in-stock position of wanted items and to dispose of unwanted items, it is necessary to establish adequate controls over inventory on order and inventory in stock. There are several proven methods for inventory control. They are listed below, from simplest to most complex.

- » Visual control enables the manager to examine the inventory visually to determine if additional inventory is required. In very small businesses where this method is used, records may not be needed at all or only for slow moving or expensive items.
- » Tickler control enables the manager to physically count a small portion of the inventory each day so that each segment of the inventory is counted every so many days on a regular basis.
- » Click sheet control enables the manager to record the item as it is used on a sheet of paper. Such information is then used for reorder purposes.

- ▶▶ Stub control (used by retailers) enables the manager to retain a portion of the price ticket when the item is sold. The manager can then use the stub to record the item that was sold.

As a business grows, it may find a need for a more sophisticated and technical form of inventory control. Today, the use of computer systems to control inventory is far more feasible for small business than ever before, both through the widespread existence of computer service organizations and the decreasing cost of small-sized computers. Often the justification for such a computer-based system is enhanced by the fact that company accounting and billing procedures can also be handled on the computer.

- ▶▶ Point-of sale terminals relay information on each item used or sold. The manager receives information printouts at regular intervals for review and action.



- ▶▶ Off-line point-of sale terminals relay information directly to the supplier's computer who uses the information to ship additional items automatically to the buyer/inventory manager.

The final method for inventory control is done by an outside agency. A manufacturer's representative visits the large retailer on a scheduled basis, takes the stock count and writes the reorder. Unwanted merchandise is removed from stock and returned to the manufacturer through a predetermined, authorized procedure.

Exercise: Assignment

1. Prepare a list of equipments used in inventory control system
2. Visit a retail outlet or departmental store and discuss the method of inventory control practiced.
3. Mention five objectives of Inventory Control system:
 - (a)
 - (b)
 - (c)
 - (d)
 - (e)
4. List some of the reasons to have inventory control.

Assessment

A. Fill in the blanks

- (i) Inventory control system is exclusively based on _____ technology.

- (ii) A good inventory control system will alert the retailer when it is the time to _____.
- (iii) An automatic inventory control system also helps to _____ the risk of error.
- (iv) An inventory control system also helps to track theft of _____.
- (v) Barcode _____ is tracked by a Central computer system.

B. Multiple choice questions

1. Stocks must be managed well in order to -
 - (a) Minimize losses
 - (b) Improve efficiency
 - (c) Maximize profits
 - (d) All of the above
2. Visual control enables to examine whether -
 - (a) Reduce the inventory
 - (b) Additional inventory is required
 - (c) To control theft
 - (d) None of the above
3. Use of computer system to control inventory is -
 - (a) Expensive
 - (b) Feasible
 - (c) Non reliable
 - (d) Not justified

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for Assessment Activity.

Part A

- » Explain the concept of inventory control system.
- » Discuss the importance of inventory control system.
- » List out the equipment used in inventory control system.
- » Discuss the benefits of inventory maintenance.

Part B

Discussed in class the following:

- » Why a retail store should have an inventory control system.
- » List out the benefits of bar code scanner
- » Discuss the methods of inventory control.
- » What are the benefits of maintaining balanced inventory level?

Part C**Performance Standards**

The performance standard may include, but not limited to:

| Performance Standards | Yes | No |
|---|-----|----|
| Able to understand the importance and need of inventory control system. | | |
| Able to understand different methods of inventory control system. | | |

Session 4: Stock Valuation and Recording

Relevant Knowledge

Inventory Valuation in Retail Inventory is normally valued at cost. The method of valuation of inventory depends on the type of the product. There are three methods for valuation of inventory.

1. **First-in-First-out (FIFO):** This method is used for perishable goods and goods with expiry date. Under this method the closing inventory is valued on the basis of the cost of goods purchased later. In case of perishable goods like fruits vegetables and food items, the goods purchased first is sold first. i.e. First-in First-out. Therefore, the unsold goods are valued at the latest price.

For example, a retail store purchases 20 kg of apples on Monday at a price of Rs. 100 per kg. On Tuesday 10 kg of apples are purchased at a price of Rs 110 per kg and 22 kg of apples were sold @ Rs. 125 per kg. The valuation of remaining stock (30 -22) 8 Kg will be done at the latest purchase i.e. Rs. 110 per kg.

$$\begin{aligned}
 \text{Value of inventory} &= \text{unsold goods} \times \text{latest purchased price} \\
 &= 8 \text{ kg} \times 110 = 880
 \end{aligned}$$

2. **Last-in First-out (LIFO):** This method is used for non- perishable goods. Under this method the goods which are purchased later are sold first. The category of goods which do not have any immediate expiry date are valued on this basis.

Example: when bags of cement are purchased by the retailer, they are stored one above the other, at the time of sale the bag purchased last is issued first as it is kept on the top. This is Last-in-First-out. Under this method the closing inventory is valued on the basis of the cost of goods purchased earlier.

3. **Weighted Average Method:** Under this method weighted average approach, both inventory and the cost of goods sold are based upon the average cost of all units bought during the period.
4. **Stock Recording:** There are two different methods of recording of inventory in the accounting systems:

- (a) **Perpetual inventory system** updates inventory accounts after each purchase or sale. Inventory subsidiary ledger is updated after each transaction. Inventory quantities are updated continuously.
- (b) **Periodic inventory system** records inventory purchase or sale in "Purchases" account. Purchases account is updated continuously, however, "Inventory" account is updated on a periodic basis, at the end of each accounting period (e.g., monthly, quarterly). Inventory subsidiary ledger is not updated after each purchase or sale of inventory.

Inventory quantities are not updated continuously. Inventory quantities are updated on a periodic basis.

Within Retail industry, periodic inventory method used for inventory valuation at the stores, whereas distributor follows perpetual inventory method to track inventory in their distribution centers.

As a best practice, some of the retail companies are using perpetual accounting method to track inventory available in warehouses and distribution centers.

In an idealistic world, perpetual inventory method can provide the true and real time inventory information, however due to complexities in consolidating all the purchases, sales, shrinkages and other market factors, it is advisable for retail companies to follow periodic accounting method to analyze and review the results before presenting the inventory valuation results to internal and external agencies like Shareholders, Income Tax Authorities etc.

The retailer gets the following benefits of inventory maintenance:

1. **Reduced Inventory:** This is the most obvious benefit of inventory maintenance. The supplier is able to control the real-time component of order point better than a customer with thousands of suppliers they have to deal with. Additionally, the supplier takes on a greater responsibility to have the product available when needed, thereby lowering the need for safety stock. Also, the supplier reviews the information on a more frequent basis, lowering the safety stock component. These factors contribute to significantly lower inventories.
2. **Reduced stock-outs:** The supplier keeps track of inventory movement and takes over responsibility of product availability resulting in a reduction of stock outs, thereby increasing customer satisfaction.
3. **Increase in sales:** Due to less stock-out situations, customers will find the right product at right time. The customers may frequently visit such store, thus it may lead to increase in sales.
4. **Detection of damages, breakages and spoilages:** The proper maintenance of inventory allows quick detection of damages and spoilages.
5. **Reduces clerical carelessness:** Computerized recording of inventory reduces the chances of clerical errors. It prevents errors during valuation of physical stock taking.

Tips for Better Inventory Management

At the time of delivery

- » Verify count: Make sure you are receiving as many cartons as are listed on the delivery receipt.
- » Carefully examine each carton for visible damage: If damage is visible, note it on the delivery receipt and have the driver sign your copy.
- » After delivery, immediately open all cartons and inspect for merchandise damage.

When damage is discovered

- » Retain damaged items: All damaged materials must be held at the point it was received.
- » Call carrier to report damage and request inspection.
- » Confirm call in writing: This is not mandatory but it is one way to protect yourself.

Carrier inspection of damaged items

- » Have all damaged items in the receiving area: Make certain the damaged items have not moved from the receiving area prior to inspection by carrier.
- » After carrier/inspector prepares damage report, carefully read before signing.

After inspection

- » Keep damaged materials: Damaged materials should not be used or disposed of without permission by the carrier.
- » Do not return damaged items without written authorization from shipper/ supplier.

Exercise: Assignment

1. Identify which inventory valuation method is adopted and explain the features of that method.
2. Visit to retail hyper market and observe how to record the inventory and which methods are used to record.

Assessment

A. Fill in the blanks

1. Inventory maintenance contributes to reduction in _____ inventory levels.
2. Inventory maintenance reduces the scope of _____.

B. True or false

1. Proper inventory maintenance leads to less shrinkage of stock.
2. Inventory maintenance enables to identify the need for safety stock.
3. Inventory maintenance increases the cost of forecasting and purchasing activities.
4. Inventory maintenance helps the customers to find right product at the right time.
5. Frequent stock out arises with proper inventory maintenance.

C. Multiple choice questions

1. The method used for valuation of closing inventory of bags of cement is
 - a) FIFO
 - b) LIFO
 - c) Weight average
 - d) All the above
2. The method used for valuation of closing inventory of perishable goods is
 - a) FIFO
 - b) LIFO
 - c) Weight average
 - d) All of the above
3. The method used for both inventory and the cost of goods sold is
 - a) FIFO
 - b) LIFO
 - c) Weight average
 - d) All of the above

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for Assessment Activity.

Part A

- » Discuss the benefits of inventory maintenance.
- » List out different types of errors related to inventory in retail organization.

Part B

Discussed in class the following:

- » What are the benefits of maintaining balanced inventory level?

Part C

Performance Standards

The performance standard may include, but not limited to:

| Performance Standards | Yes | No |
|--|-----|----|
| Able to demonstrate benefits of inventory maintenance. | | |

UNIT-2

SECURITY AND HOUSEKEEPING SUPERVISION IN RETAIL SECTOR

| Unit Code: RS-402 NQ-2012 | Unit Title: Security and Housekeeping Supervision in Retail Sector | | | |
|--|--|--|--|--|
| Location: Classroom Retail or Departmental Store | Duration: 25 Hours | | | |
| | Session 1: Functions and Points of Security | | | |
| | Learning Outcome | Knowledge Evaluation | Performance Evaluation | Teaching and Training Method |
| | 1. Identify the various security points. | 1. Purpose of security points in retail store. 2. State the locations of security points in retail store. | 1. Enlist the various security points. 2. Identify the locations of the security points in retail stores. 3. Analyze multi utility of security points in retail stores | Interactive lecture: Introduction of security points. Activity: 1. Visit a retail store and make the list of security check points. 2. Develop a block model of retail store. 3. Role play at security points. |
| | 2. Describe the types & eligibility criteria of security guard | 1. Types of security guards 2. Describe the essential eligibility of security guards. | 1. Classify the different types of security guards. 2. Identify the eligibility criteria of security guards. | Interactive lecture: Types & Eligibility criteria of security guards. Activity: Visit to a retail hyper market and note down eligibility criteria of security guards. |
| | 3. Identify the role and functions of security/ personnel. | 1. Role of security in retail store. 2. Functions of security in retail store. | 1. Analyze the role of security in each department of retail store. 2. Analyze the functions of security in each department of retail store. 3. Differentiate the role and | Interactive lecture: Knowing the role and function of security. Activity: Group discussion on advancement in security functions in retail store. |

| | | | | |
|--|---|--|---|---|
| | | | functions of security in different departments of retail store. | |
| | Session 2: Safety and Surveillance Equipments | | | |
| | 1. Identify the Safety and Surveillance Equipments. | 1. Essential safety equipments. 2. Describe the essential surveillance equipments. 3. Advantages of safety and surveillance. | 1. Enlist all the safety and surveillance used in retail store. 2. Differentiate between various safety equipments. 3. Differentiate between various surveillance equipments. | Interactive lecture: Safety and Surveillance Equipments. Activity: Visit to the retail store and observe the various safety & surveillance equipments and note down the functions of different safety and surveillance equipments. |
| | 2. Identify the safety rules and regulations in retail store. | 1. State the various safety rules in retail store. 2. Describe the safety regulations for retail store. | 1. Enlist the various safety rules and regulations in retail stores. 2. Analyse the rules and regulations of retail store. | Interactive lecture: Awareness and information about the safety rules and regulation. Activity: 1. Visit to the retail store and list out the rules and regulations followed by them. 2. Group discussion among the students on effective rules and regulations in retail store. |
| | 3. Describe the work ethics and values at work place. | 1. The work based on intrinsic value like honesty, integrity | 1. Differentiate between duties and ethics. 2. Evaluate | Interactive Lecture: Work ethics & values training in communication |

| | | | | |
|--|---|---|---|---|
| | | dedication, determination and commitment | success in the context of motivation passion, stress and pressure. | skills, time management skills and decisions making skills. |
| | | 2. Work ethics and values. | 3. Work independently and to work with the team. | Activity: 1. Group working, task analysis, attitudes and organization skills. 2. Visit retail store and observe the behavior, attitude and characteristics of housekeeping workers. |
| | 4. Evaluate the Work Ethic in day to day work. | 1. Comprehensive range of skills and qualities to interact effectively with customers. | 1. Differentiate attitude and behavior within the office and treatment of customers. | Interactive Lecture: Work ethics & values Activity: 1. Role play and case study of behavior, attitude and handling of people in the team and higher authority. 2. Using of positive language within the organization and with the customers. |
| Session 3 : Handling of Material and Equipment in House Keeping | | | | |
| | 1. Describe the competencies required for Material Handling in Housekeeping | 1. Describe the competencies and skills required for Housekeeping 2. State the effective housekeeping results. | 1. Measuring the Performance in Respect of Knowledge, Duties, Responsibilities & Accountability. 2. Identify suitable competencies | Interactive lecture: 1. Interaction and Exposure in Retail Housekeeping. 2. Teach the Practical Methods of Material Handling. |

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| | | | required for material handling in housekeeping. | <p>3. Practical Teaching of Advantages of Team Work, Policies and procedures of health and safety.</p> <p>Activity:</p> <ol style="list-style-type: none"> 1. Visit a Mall or working place where housekeeping materials are handled in the Retail store & learn from the experience of expert. 2. Visit Retail Organization and interact regarding handling of housekeeping Materials, potential health hazards, handling of safety equipments. |
| | 2. Examine the process of Material Handling. | 1. Procedure to handle the material used in Retail Housekeeping. | 1. Measure the Outcome of How successfully the Material have been handled. | <p>Interactive lecture: Process of Material handling in Housekeeping.</p> <p>Activity: Role plan on cleaning the store.</p> |
| | 3. Learn Housekeeping Policies and safety requirements. | 1. Individual and Team Members should learn by visiting Departmental stores. | 1. Individual responsibilities with the Team, Health and Safety measurement. | <p>Interactive lecture: Housekeeping policies & safety requirements.</p> <p>Activity: Role plan on safety requirements in the store.</p> |

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| | <p>4. Learn how to clean the rooms and furnish the retail store.</p> | <p>1. Cleaning, sweeping, moping, dusting, disinfecting, litter waste management</p> | <p>1. Maintain work areas uncluttered and safety. 2. Maintain the store cleaning & equipment safely. 3. Solve the problems regarding cleaning of particular areas.</p> | <p>Interactive Lecture:</p> <ol style="list-style-type: none"> 1. Cleaning furnishing and the handling of housekeeping equipments. 2. Teaching in class room to learn & handle equipment in retail housekeeping. <p>Activity:</p> <ol style="list-style-type: none"> 1. Visit a Mall or Retail outlet and observe the cleaning procedures. 2. Visit point of sale area, counters, merchandise, store rooms, learns housekeeping equipment handling. |
| | <p>5. Identify and Operate housekeeping equipment in retail departmental stores.</p> | <p>1. The materials and equipments. 2. Techniques of housekeeping and protection of materials.</p> | <p>1. Measure the outcome or result after using the material. 2. For cleanliness, safety, hygiene, hazardous and assess whether it is as per standards and procedures set by the retail industry 3. Identify the equipment 4. Operate the housekeeping equipment.</p> | <p>Interactive lectures: Use of housekeeping equipments in retail industry.</p> <p>Activity:</p> <ol style="list-style-type: none"> 1. Role play on responsibilities of housekeeping work. 2. Visit a Retail Mall and practically learn to operate housekeeping equipments |

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| | 6. Clean and use Equipments in accordance with manufacturers manual. | <ol style="list-style-type: none"> 1. Manufacturer's instructions of cleaning equipments. 2. Use and storage of cleaning chemicals. | <ol style="list-style-type: none"> 1. Differentiate housekeeping equipments with safety equipments. 2. Differentiate between hazardous and non hazardous housekeeping materials. 3. Operate and maintain store cleaning and electrical equipments. | <p>Interactive lectures : Clean & use of equipments.</p> <p>Activity: Visit a Retail store & observe manufactures instructions followed to clean housekeeping equipments.</p> |
| | 7. Identify the Competencies required for housekeeping in retail operations. | <ol style="list-style-type: none"> 1. To describe housekeeping in retail outlets, retail stores and retail malls. 2. Competencies required for housekeeping. | <ol style="list-style-type: none"> 1. Identify the responsibilities taken, involvement in housekeeping and measure the cleanliness and waste recycling. 2. Identify the competencies 3. Operate the housekeeping activity with required competency. | <p>Interactive Lecture:</p> <ol style="list-style-type: none"> 1. Competencies required for housekeeping in retail sector 2. To learn in the class room the procedures and job opportunities in retail sector. <p>Activity:</p> <ol style="list-style-type: none"> 1. By role play the responsibilities & the functions of the house-keeping work in retail store. 2. To visit and experience the housekeeping method in the work place of retail sector. |
| | 8. Applying Housekeeping in the area of cleanliness, hygiene, safety, disposal of waste. | <ol style="list-style-type: none"> 1. Competencies required in cleanliness, hygiene, waste disposal, safety, health hazards. | <ol style="list-style-type: none"> 1. Evaluate the roles, responsibilities and effectiveness of jobs and housekeeping. | <p>Interactive Lecture: On the job opportunities in retail housekeeping.</p> <p>Activity: Visit to a retail store and</p> |

| | | | | |
|--|--|---|---|---|
| | | | 2. Identify the methods for applying housekeeping work. | observe what kind of methods applying for housekeeping of retail store. |
| Session 4 : Duties and Responsibilities of Supervisor | | | | |
| 1. Identify the functions of security and housekeeping supervisor. | 1. Describe the functions of security and housekeeping supervisor 2. Importance of the functions of security and housekeeping supervisor. | 1. Identify the functions of security and housekeeping supervisor 2. Practice the functions in security & housekeeping supervision. | Interactive Lecture: Functions of security and housekeeping supervisor Activity: Visit to a retail store and observe what kind of functions are performed for housekeeping and security supervision. | |
| 2. Describe the duties and responsibilities of security and housekeeping supervisor. | 1. Describe the duties of security and housekeeping supervisor 2. State the responsibilities of security and housekeeping supervisor. | 1. Identify the duties of security and housekeeping supervisor 2. Find out the responsibilities of security and housekeeping supervisor. | Interactive Lecture: Duties and responsibilities of security and housekeeping supervisor Activity: Visit to a retail store and observe the duties and responsibilities of the house-keeping supervisor and of security supervisor. | |

Introduction

Private Security Agencies offer a wide range of services that include providing security to businessmen, industrialist and celebrities, accompanying consignments and cash, monitoring the movement of visitors at shopping malls, construction sites, etc. and helping the police. The person who was still very recently called a Watchman has evolved as a Private Security Guard or Private Security Officer. A Private Security Guard has to



perform several functions, which include observing and monitoring people, access control, responding to security threat or emergency, and using appropriate methods to control illegal or unauthorized entry.

Security industry in India took the steep rise in early 90's when globalization took place in India. The Corporate sector and Multinational Companies created a huge demand of security services. The private security sector in India is growing at the compound average growth rate of 25 per cent annually and generates more than 12 lakh jobs per annum.

Housekeeping refers to the set of activities that are intended for cleaning the house by cleaning dirty surfaces, dusting, disposing of rubbish, vacuuming, etc. Hoover the floor, change the sheets, and clean the windows. All of these activities come under the umbrella term 'housekeeping' and are what most people do a little of from time to time.

Housekeeping involves usage of various tools including brooms, sponges, vacuum cleaners, mops; along with cleaning products like bleaching agent, detergents, and disinfectants. The housekeeping is done not only to make the home look clean but also to make it more hygienic and safer to live in comfortably. A proper housekeeping prevents the growth of mould in wet areas, building of lime scales on taps, toilets stinking, accumulation of cobwebs and bacterial growth on garbage.

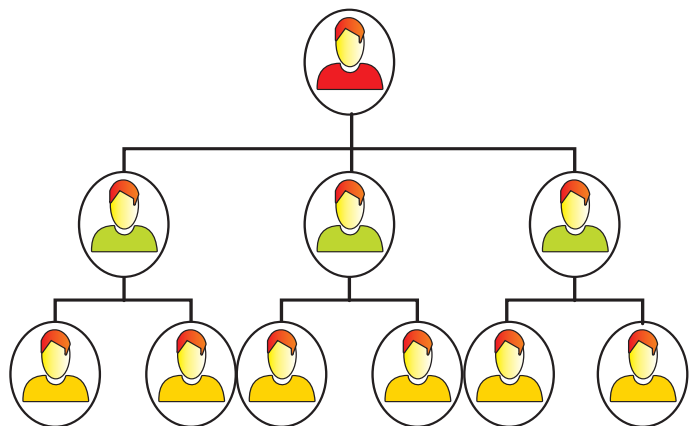


In this Unit, you will learn about the security points in retail store, role and functions of security personnel, material handling in housekeeping and procedures adopted in housekeeping in retail.

Session 1: Functions and Points of Security

Relevant Knowledge

Private security generally covers security of Personnel, Property and Information. The primary aim of private security is to provide a safe and secure environment to the company and its personnel to carry out their duties. While the expectations of the people for security are immense, it is not practically feasible for the government to meet all the requirements. Also all security issues do not require police intervention and can be managed by private citizens if



they are cognizable offences and crimes. The offences under the Indian Penal Code are classified as cognizable (a police officer may arrest without warrant) and non-cognizable offence (a police

officer shall not arrest without warrant). Section 43 of the Criminal Procedure Code of India bestowed power of arrest to the common citizen if a cognizable and non-bailable offence is committed in his or her presence. The section 43 of IPC states “any private person may arrest or cause to be arrested any person who in his presence commits a non-bailable and cognizable offence, or any proclaimed offender, and, without unnecessary delay, shall make over or cause to be made over any person so arrested to a police officer, or, in the absence of a police officer, take such person or cause him to be taken in custody to the nearest police station”.

Security Points

The scope of private security in India does not include policing and law enforcement and is limited to ensuring protection and loss prevention through the following means:

- » **Prevention:** Starting from a simple lock, to boundary walls, gates and the security guards, they are all means of preventing loss and damage to personnel, property and information.
- » **Detection:** An intruder may overcome protective barriers but may still be thwarted in his/her plans by a detection and warning system that can alert the whole security apparatus.
- » **Interference:** Once an intrusion or breach is detected, immediate action is taken to interfere with the designs of the intruder and prevent him/her from executing his/her designs.
- » **Delay:** The stronger the security system, the greater is the delay caused to an intruder, thereby increasing the chances of detection.



Once the assets requiring protection and threats are known, a security plan is worked out. A successful security programme will rely on the honesty, integrity, and loyalty of the persons implementing the security system as well as its employees' responsiveness to the laid down procedures and systems.

Eligibility for Security Guard

A person shall be eligible for employment as Security Guard if he fulfills the standards of physical fitness as specified in the PSARA Act (2005). The specifications are as follows:

- (a) **Height:** 160 cms for male and 150 cms for female.
- (b) **Weight:** According to standard table of height and weight, chest 80 cms with an expansion of 4 cms (for females no minimum requirement for chest measurement).
- (c) **Eyesight:** Far sight vision 6/6, near vision 0.6/0.6 with or without correction, free from colour blindness. He/she should be able to identify and distinguish color display in security equipment.

- (d) **Read and understand displays** in English alphabets and Arabic numerals.
- (e) **Free from knock knee and flat foot.** He/she should be able to run one kilometer in six minutes.
- (f) **Hearing:** Free from hearing defects. He/she should be able to hear and respond to the spoken voice and the alarms generated by security equipments.
- (g) **The candidate should have dexterity and strength** to perform searches, handle objects and use force for restraining the individuals.
- (h) **A candidate should be free from evidence of any contagious or infectious disease.** He should not be suffering from any disease which is likely to be aggravated by service or is likely to render him unfit for service or endanger the health of the public.

Types of Security Guard

1. **Personal Security Guards:** They are appointed for the purpose of providing physical security to their employers. They are also known as black cats or bouncers and accompany their employers everywhere.
2. **Residential Security Guards:** They are employed in residential colonies, apartments, aged homes, and other residential areas for providing security to their clients.
3. **Corporate Security Guards:** They are employed for internal and external security of the business assets. Corporate security includes protection of corporate buildings, shopping malls, private organization, hospitals, etc.
4. **Private Security Guards:** They are employed by businessmen and entrepreneurs for private security services.
5. **Mobile Security Guards:** The mobile security guards keep moving around the perimeter and observe and monitor people for suspicious behaviour or actions.
6. **Static Security Guards:** Unlike mobile security guards, they stay at one place and monitor the movement of the people and materials. They may also use electronic surveillance system to perform the job.

Job Roles and Duties

Security personnel protect the buildings, grounds, assets and occupants, including visitors assigned to them. The main job roles within the Private Security Organisation are Security Guard (Various Types), Security Supervisor, Security Officer, and Manager. A security guard is required to perform the following duties:

Reception Duties

At the reception, the security guard has to perform the following duties:

- » Ensure that all equipments are operational at the beginning of duty.
- » Ensure that all visitors enter their particulars in the visitor book.
- » Ensure that the badges and visitor slips are issued after checking with the visiting officer, if prior information is not available.

- » Ensure that all documentation is available at the start of duty.
- » Ensure that the documents are complete.
- » Ensure that all visitors comply with the company rules and policies with regard to the use of the following:
 - a) Mobile telephone
 - b) Arms and ammunition
 - c) Laptop/pen drive
 - d) Cameras

Gate Duties

A security guard on duty at the entrance to premises is the first point of contact for company, staff and visitors. The gate duties include the following:

- » Ensure that all equipment is operational at start of duty.
- » Ensure that all documentation is available at start of duty.
- » Stop vehicles entering and exiting.
- » Stop personnel entering and exiting.
- » Search vehicles entering and exiting.
- » Search personnel entering and exiting.
- » Record all incidents of stop and search.
- » Ensure that all documentation is completed as soon as possible.

Material Handling

A security guard on duty at the in/out material handling in the organization has to perform the following duties:

- » Ensure that all equipment is operational at start of duty.
- » Ensure that all documentation is available at start of duty.
- » Stop personnel and vehicles entering and exiting.
- » Record all incidents of stop and search.
- » Ensure that the materials are as per the purchase order and challan/invoice.
- » Outgoing material is allowed only after authentication of the authorized signatory.
- » Ensure that all documentation pertaining to incoming/outgoing material is completed as soon as practicable.
- » Maintain separate registers for returnable material.
- » When conducting searches of vehicles or bags get the driver or owner to conduct the physical aspects of the actual search.

Patrolling

The patrolling of premises is one of the most important duties performed by the security personnel. The security patrol falls into two main groups:

- » Mobile Patrol
- » Static Assignment Patrol

Mobile Patrols

- » The security personnel on patrol is one of the most important elements of any security system.
- » Mobile patrol visits are carried out on a client's property at irregular intervals.
- » The patrol may entail a check of the perimeter of premises or may require a comprehensive internal investigation.
- » The number of visits per shift may have to be agreed with the client.

Static Assignment Patrol

- » Patrols on a static site are usually undertaken on a constant basis, checking both internally and externally.
- » Alertness, interest and thoroughness are some of the essential qualities of an effective static security guard.

Control Room Duties

A Control Room is a room serving as an operations centre where a facility or service can be monitored and controlled. A definition or description of a control room for security would be "a facility for the provision or procurement of assistance or advice for guarding, mobile patrol and mobile supervisory staff in routine and emergency situations". The function and duties of a controller therefore would be to provide for the following:

- » Effective monitoring of guards, patrolmen and mobile supervisory staff by strict observance of rules for proper documentation, telephone, radio or other communication procedures.
- » Recording of all appropriate routine and emergency matters to enable management to deal quickly and efficiently with the company's contractual responsibilities.
- » Maintaining a register of all keys held in the facility.
- » Ensure proper surveillance through CCTV.

A copy of security manual or Standard Operating Procedures (SOPs) and assignment instructions must be available within the control room at all times. Records of all incidents reported should contain the following details:

- » Date, time and place of the incident.
- » Date and time of reporting and by whom it was reported.
- » Nature of the incident.
- » Action taken, including onward reporting.



- » Action to be taken.
- » Names and addresses of all relevant persons present.

Assignment Instructions

An important aspect in the execution of the security tasks is that every individual must be aware of his/her duties for which written instructions must exist. They indicate what the security personnel should do on the assignment, where to go, how to respond to different situations, patrol routes and timings, lines of communication, comprehensive details of the assignment, precise instruction in respect of responsibility and accountability, working hours and handing/taking over procedures.

Assignment instructions are the duties and responsibilities of the security staff as agreed with assignment management and will also include the following:

- » Internal Organization Chart: It will give the security guard necessary information as to who is who in the organization. It also gives information in respect of the location of their offices so that when patrolling the premises, adequate attention can be paid to them as required. An internal telephone directory should also be included.
- » Company's Safety Statement: The statement ensures that the security staff is aware of all hazards in respect of safety, health and welfare at work and the management plans for dealing with various types of hazards. The safety statement is also beneficial to contractors and other persons working on the premises. They should be aware of the hazards at workplace and the procedures to overcome them.
- » Standing Instructions: These include day-to-day working and procedural requirements.
- » Emergency Plan: The plan describes the action to be taken in the event of a serious incident such as fire or a disaster, a bomb threat, evacuation of the building, armed robbery or other serious threats to the assignment.
- » Evacuation Instructions: These are the instructions that indicate action to be taken in the event of emergencies. Location of assembly points, name and location of fire warden, list of members of emergency response team and other persons.
- » Name and Address of Key Personnel: It includes the details of the senior personnel so that in the event of an operational incident or a major incident they can be contacted and informed as to the extent of the incident. In such events they may either advise the security personnel on what action to take or opt for attending the incident personally. Telephone numbers of these personnel, including their home phone number, mobile telephone numbers and any other numbers necessary to contact them.

In addition to the assignment instructions, most security supervisors issue post instructions to the guards that are specific to the post assigned to the individual. The Security Guards carry these post instructions in their shirt pockets at all times.

Responding to Emergencies

Security personnel are expected to react to emergency situations and to reduce the impact caused

by an emergency event at a worksite. The training of security personnel should include the following:

- » Monitoring alarm systems and assessing need for response and follow-up.
- » Responding to an emergency alarm.
- » Communicating details of incident.
- » Emergency scene isolation.
- » Managing emergency situations.

Go to any mall, office, factory or institution, and the first thing that catches your eye are the Security Guards. They stand out because of their uniform and also sheer numbers. Security is attaining greater importance day-by-day because of the increase in the value of the assets and the threats to them. As the size of buildings and complexes increase, security operations become more complex and technology oriented.

Functions of Security Personnel

A Security Guard is defined as any person providing private security with or without arms to another person or property or both and includes a supervisor (PSARA Act, 2005). He/she works under the supervision of Security Supervisor. He/she should always maintain a professional appearance, behaviour and exhibit positive attitude.

The job of a Security Guard varies, so it is extremely important for the Security Guard to know exactly what the employer specifically expects of them. The Standard Operating Procedures (SOPs) for a security guard varies with the type of job that the guard is doing. He/she is required to perform the following general role and functions:

- » Wear neat and tidy uniform.
- » Maintain hygiene and proper grooming.
- » Obey and pass on to other Security Guards all orders and instructions received from Supervisor.
- » Talk politely with students, staff, and visitors and assist them to provide any necessary information of the Institute.
- » Prevention or detection of intrusion, unauthorized entry or activity, vandalism or trespass on private property.
- » Be watchful while on night patrol and check all suspicious persons, and allow no one to pass the security gate without proper authorization.
- » Work as a team with other security personnel to ensure optimal safety of the person/organization and communicate frequently with each other.
- » Make proper entry in the visitor log and collect vendor/visitor Photo ID card.
- » Prevent or detect theft, loss, embezzlement, misappropriation or concealment of merchandise, money, valuables, documents or papers.

- » Leave his post only after giving charge to the other Security Guard.
- » Adhere to and enforce established company rules, regulations, policies and practices.
- » Report incidents as per the procedure.

Exercise: Assignment

1. Visit a Security Company and study the organizational structure and the various documents maintained by the company. Also record the role and functions of the key officials of the company.
2. Prepare a comparative chart on the role and functions of private security professionals in the following places:
 - » Malls
 - » Hospitals
 - » Construction sites
 - » Supermarkets
 - » Manufacturing plants
 - » Private home alarm maintenance

Assessment

A. Fill in the blanks

1. Private security generally covers security of _____, property and information.
2. The primary aim of private security is to provide a _____ and secure environment.
3. Section _____ of the Criminal Procedure Code of India bestowed power of arrest to the common citizen if a cognizable offence is committed in his/her presence.
4. The security patrol falls into two main groups i.e. _____ patrol and static assignment patrol.
5. CCTV stands for _____ Television.
6. Instructions related to day-to-day working and procedural requirements are known as _____ Instructions.
7. The plan that describes the action to be taken in the event of a serious incident such as fire or a disaster is known as _____ plan.

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- » Differentiated between role and functions of private security guards.

Part B

Discussed in class the following:

- » What is the scope of private security in India?
- » What are the role and responsibilities of private security guard?

Part C

Performance Standards

Students demonstrate the generic, technical, professional and organizational knowledge and skills in order to perform up to the required standards. The performance standards may include but not limited to:

| Performance Standards | Yes | No |
|--|-----|----|
| Demonstrated the knowledge of security industry. | | |
| Identify the role and functions of private security guard. | | |

Session 2: Safety and Surveillance Equipment

Relevant Knowledge

Security Metal Detectors

There are more number of suppliers and manufacturers of Security Metal Detectors available from India such as:

- (a) Door Frame Metal Detector (Person Counting)
- (b) Door Frame Metal Detector
- (c) Hand Held Metal Detector
- (d) Hand Held Security Metal Detectors
- (e) Walk Through Metal Detector
- (f) Microcontroller Based Door Frame Metal Detector

(a) Door Frame Metal Detector (Person Counting)

Features

- » Detects Ferrous & Non Ferrous Metals

Bar Graph to judge the Volume of carrying Metal through Detector

- » Self balancing at any Temperature
- » WALK/STOP Indicator
- » Instant recovery on detection
- » Continuous Measurement.



LCD Bar graph Facility to display the volume of the metal carried through the detector.

- » User sensitivity levels up to 0-9
- » Highly reliable. (Very high MTBF).
- » Instant recovery on detection.
- » In-built IR sensors (Infrared sensors).
- » 6 Digital IN & OUT and NET Count Display.
- » Wooden platform attachment for stability.

Technical Specification

- » Passage Clearance: 27"x 24"x 75" (W x D x H)
- » Sensitivity: Small – Big Metal Objects
- » Supply: 240 V AC, 50 Hz, 2 Amp
- » Weight = 30 Kg (Approx)

Areas of Application

- » Banks, Theatres, Stadiums, Embassies, Malls,
- » Govt. Buildings, Airports, Docks, Power plants,
- » Refineries, Exhibitions and Events, Hotels & Auditoriums.

(b) Door Frame Metal Detector

Features

- » Detects Ferrous and Non-Ferrous Metals
- » Bar Graph to judge the Volume of Carrying Metal through

Detector

- » Self balancing at any Temperature
- » WALK/STOP Indicator
- » Instant recovery on detection
- » Wooden platform attachment for stability

Technical Specification

- » Passage Clearance: 27"x 24"x 75" (W x D x H)
- » Sensitivity: Small – Big Metal Objects
- » Supply: 240 V AC, 50 Hz, 2 Amp
- » Weight = 30 Kg (Approx)

Areas of Application

- » Banks, Theatres, Stadiums, Embassies, Malls,
- » Govt. Buildings, Airports, Docks, Power plants,
- » Refineries, Exhibitions and Events, Hotels & Auditoriums.

(c) Hand Held Metal Detector

Hand Held Metal Detector Remarkable (Imported)
Terascan Make Model ESH-10

- » Detects items of all types of metal: Ferrous and non-ferrous.
- » Choice of sound alarm or silent vibration alarm
- » Easy to use, 3 position switch for power, sound and vibration
- » Sensitivity setting at optimum level-no tuning required
- » uses one 9 volt battery
- » Low battery indicator
- » manufactured in gray, Flame resistance
- » Quick-change battery compartment
- » Charger jack



(d) Hand Held Security Metal Detectors

Features

- » Ultra high sensitivity
- » Detects ferrous & non ferrous metals
- » Rechargeable battery with in-built charger
- » Audio / visual alarm
- » Low battery indication
- » Light weight

(e) Walk Through Metal Detector

Features

- » Detects ferrous & non ferrous metals
- » Bar graph to judge the volume of carrying metal through detector
- » Self balancing at any temperature
- » Walk/stop indicator
- » Instant recovery on detection



(f) Microcontroller Based Door Frame Metal Detector

Features

- » Detects Ferrous & Non Ferrous Metals

- » Bar Graph to judge the Volume of carrying Metal through Detector
- » Self balancing at any Temperature
- » WALK/STOP Indicator
- » Instant recovery on detection
- » Continuous Measurement.

LCD Bar graph Facility to display the volume of the metal carried through the detector.

- » User sensitivity levels up to 0-9
- » Highly reliable. (Very high MTBF).
- » Instant recovery on detection.
- » In-built IR sensors (Infrared sensors)
- » 6 Digital IN & OUT and NET Count Display
- » Wooden platform attachment for stability

Technical Specification

- » Passage Clearance: 27"x 24"x 75" (W x D x H)
- » Sensitivity: Small – Big Metal Objects
- » Supply: 240 V AC, 50 Hz, 2 Amp
- » Weight = 30 Kg (Approx)



Safety Jacket

Includes Safety jackets like reflective jacket, roadway safety jacket reflective jacket and traffic baton.

Reflective Jacket

Wide range of Roadway Safety Jacket like Reflective Jacket, which is widely used by people engaged in road construction works. Manufactured using superior quality material, the jackets are durable and weather resistant. These can be washed easily and are light in weight.

Security Equipments

Extension Search Mirror: Security mirror like Extension Search Mirror

Features

- » Light Weight
- » Search Overhead & Underneath
- » Telescopic rod (Expendable up to 5 ft)
- » Size: 9 Inch x 6 Inch



Area of use: Parking area of Malls, Movie Hall, Hotels, Office, Theaters and Cargo Terminals.

Fire Alarm Systems: A Fire Alarm Systems is an active fire protection system that detects fire or the effects of fire, and as a result provides one or more of the following: notifies the occupants, notifies persons in the surrounding area, summons the fire service, and controls all the fire alarm components in a building. Fire alarm systems can include alarm initiating devices, alarm notification appliances, control units, fire safety control devices, annunciators, power supplies, and wiring.



Stand Alone DVR: Stand Alone DVR (Surveillance Equipment), are capable of storing high quality video and audio. These equipment help to capture videos and assist in its playback both to and from the disk. Moreover, these equipment facilitate powerful network transmission with fast and superior picture quality and are easy to install.



Hand Held Search Light: Hand Held Search Light (surveillance Equipment), which features single integrated handle for better grip. Designed using SMD technology, these lights provide super bright dazzling night vision. These are manufactured using extra tough glass filled nylon material, which is 3mm in thickness.



The salient features of Hand Held Search Light (Surveillance Equipment) are listed below:

- » Beam distance of 350 meter (minimum) so as detect group of person
- » Excellent paralyzing effect
- » Sharp signaling effect
- » Special dimming feature for indoor use
- » Emergency lighting effect for indoor use
- » Fully keypad operation
- » LCD display to show parameters
- » Keypad for controls
- » Suitable for 35w/55w halogen lamp
- » Operating range of about 1000mt. (i.e. 1 km)

Under Vehicle Search Mirror: Under-vehicle Search Mirror (surveillance Equipment), is light in weight and is easy to use. These equipment are used to search overhead and check the

underneath vehicles. Some of the salient features of these Under-vehicle Search Mirrors (surveillance Equipment) are listed below:

- ▶▶ Telescopic rod (expendable up to 5 ft)
- ▶▶ Size: 9 inch x 6 inch

Surveillance Equipments

Dome Camera: Dome Camera (Surveillance Equipment), is compact in size. These cameras are easy to install and can be mounted at any place where large cameras cannot be fitted. These cameras finds wide application in banks, malls, commercial establishments, and offices.

Security & Surveillance Equipments includes-

- (a) Safety Signages
- (b) Reflective Safety Jackets
- (c) Safety Harness
- (d) CCTV Camera
- (e) Metal Detector
- (f) Safety Helmets



- (a) **Safety Signages:** A photo luminescent material which emits a clear and visible glow when there is power failure. This material did not require battery – power or any other source for emission of the glow. In view of this, it is one hundred percent safe and does not involve any heat, flame, electric shocks or pollution. Upon exposure to light, natural or artificial, this photo luminescent material absorbs and store light energy and then in absence of light, this captivated light is released to give off a luminous glow by non-toxic chemical. They have long life and no maintenance is required. It requires no external or internal wiring. When the lights go out, Safety Signs start glowing immediately, and it becomes the best way to lead people out to safer places.



- (b) **Reflective Safety Jackets:** When working at night, it is extremely important that you take a few safety precautions and always be on the lookout for any potential hazards. No matter the hour, day or night, visibility is the key to your safety. You can optimize your visibility with reflective jackets. Reflective jackets designed to fit your body in motion so you can run with confidence knowing that the world sees you just as clearly, illuminative visibility, and guarding you against the possible hazards that come with night time, outdoor activities.



- (c) **Safety Harness:** Global standards reveal that the most dangerous hazards (risk of occurrence of an event) are associated with people working at heights. These hazards vary according to the critical location and nature of work being carried out.

A safety harness works by spreading the force applied by a fall arrest system over as much of a worker's body as possible. The harness is connected to an anchorage point via a decelerator such as a shock-absorbing lanyard or a retractable lifeline. The harness specifically helps minimize internal injuries. It also allows workers to attempt self-rescue in the event of a fall, since it provides freedom of movement.



Inspection and Care: Safety harnesses must be visually inspected before each use for damaged, defective or excessively worn components. Check for frayed or pulled fibers on the webbing and stitching. Also watch for discoloration; this may indicate chemical damage. Look for cracks, rough edges and distortion of any metal components. Clean the harness with a damp sponge and a mild soap and water solution. Wipe it down with a clean towel to remove excess moisture. Allow the harness to air dry away from sunlight and high temperatures. Store this equipment where it will not come into contact with corrosive or contaminating substances.

Warning: It is not safe for a worker to remain suspended in a safety harness after a fall. Rescue by trained personnel should begin immediately to avoid suspension trauma. Harnesses provides the highest performance, is critically proven across diverse industry applications.

Relevant Industries

- ▶▶ Construction
- ▶▶ Steel

- » Mining
- » Transmission
- » Defense
- » Public works
- » Telecommunication

(d) **CCTV Camera:** CCTV cameras that can be placed where there is maximum chance of theft or in corners of important places for meeting the demands of effective surveillance. These can be offered in ceiling or wall mounted dome camera. Moving in 360 rotations with variable speeds of 0-250 per second, these cameras allow seamless tracking of moving subjects.

Features

Lenses: (Fixed /Manual & Auto Iris/Zoom Motorized)

- » Lenses are specifically designed to meet vigorous continuous duty specifications like even in low light vision lenses & lenses for medical applications (e.g., endoscopies, heart surgery etc.)



Monitors

- » Extremely affordable & very easy to work with.
- » Small rack-mountable monitors are also designed to deliver great picture in tight spaces to large-format monitors that knows how to deal with today's demanding multiplexes & quad display.

Automatic Sequential Switches

- » These switchers are handy when there are many cameras & only one monitor
- » These are programmed in a manner that they automatically switch over from one camera to other in 5 seconds (or as desired)
- » These save not only cost of monitors but also space

Quads

- » For standard surveillance CCTV system, four cameras can be connected to single quad unit
- » The advantage of having squad is that it helps in viewing and recording (4-8) cameras simultaneously on single monitor
- » These are highly cost effective in this respect

Multiplexers

- » These are functionally same as quad but with advantage that in quad only 4-8 cameras can be viewed & recorded simultaneously whereas in this 16 cameras can be handled

Time Laps VCRS

- ▶▶ These videocassette recorders are unique in sense that these can record happenings speed over 24 hrs. (up to 40 days) on single normal 180 min. cassette.

Digital Video Recorder

- ▶▶ From 4 cameras, 8 & 16 cameras, with dynamic IP Address that can be viewed at remote locations.

Other Advantages

- ▶▶ 24 hrs Surveillance
- ▶▶ Low power consumption
- ▶▶ Based on advanced electronic technology
- ▶▶ Cost effective
- ▶▶ Very easy to operate as well as maintain
- ▶▶ Eliminates pilferage
- ▶▶ Enhances production



(f) Metal Detector

Metal Detector (Hand Held Metal Detectors & Door Frame Metal Detectors): These include door frame metal detectors and hand held metal detectors. Designed using advanced sensor technology, these help in achieving maximum target discrimination.

Door Frame Metal Detector

- ▶▶ Maximum target discrimination
- ▶▶ Lower power consumption
- ▶▶ Instant recovery on detection
- ▶▶ Easy to operate as it does not require specially skilled personnel to operate
- ▶▶ High reliability and long life performance
- ▶▶ High sensitivity & accuracy
- ▶▶ Detects all metals including magnetic stainless steel
- ▶▶ Robust & user friendly controls as well as features
- ▶▶ Audio/Visual alarm on detection



How it Operates

- ▶▶ Door Frame Metal Detector create high frequency electromagnetic field that acts as a passage through which all persons should pass.
- ▶▶ Presence of any metallic particles cause reaction in this field that is sensed by detector and signal is amplified & processed as required.

- ▶▶ Security is absolute with this metal detector as these door frame metal detectors are designed to detect both Ferrous as well as Non Ferrous Metals that are passed through aperture vicinity in any conceivable manner.
- ▶▶ Being highly sensitive, these are used in jewellery manufacturing units as well as other manufacturing units to protect various unavoidable pilfering activities
- ▶▶ This Metal Detector is also ideal for customs, factories as well as all high security sires.
- ▶▶ This Metal Detector has Phase sensitive detection circuits that allow users to enhance sensitivity for certain group of metals as well as reduces it for others to large extent.

Hand Held Metal Detector: Hand Held Metal Detectors are designed to meet exact requirements of security industry. Typical uses will include conducting body search for offensive weapons in crowd control, airport & border security, checking parcels & letters for metal objects and for the detection of hidden metal that need to be detected.

(g) Safety Helmets

Good quality helmets that come with fitted spot light (6 volt) with charger and battery setup. The safety torch used in these helmets is fire proof with 3 cell as well as 2 cell.



Exercise : Assignment

Go to the security organization and understand about all kinds of equipments used for security surveillance and capture a shop of all types of security surveillances equipments. Prepare an assignment on security surveillances equipment and write 50 words about each with pictures.

Assessment

A. Fill in the blanks

1. Door frame metal detector is featured with continuous _____.
2. LCD bar graph facility to display the volume of user sensitivity level up to _____.
3. Hand held metal detector uses one _____ volt battery and _____ battery indicator.
4. _____ can record simultaneously 16 cameras.
5. Quads helps in viewing and recording _____ cameras _____ monitors.

B. True or false

1. Video-cassette recorders can record happening speed over 48 hrs.
2. According to global standards, the most dangerous hazards are associated with people working at heights.
3. Safety harnesses need not be visually inspected before each use.

RETAIL OPERATIONS - II

4. A photo luminescent material does not require battery-power or any other sources for emission of the glow.
5. Dome Cameras can be mounted at any place where large cameras cannot be fitted.

C. Short answer questions

1. Explain the security surveillances equipments available in private security.

2. Write short note on the following:

(a) Control room

(b) Patrolling

(c) Access control system

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- » Differentiate between different types of security surveillance equipment.

Part B

Discussed in class the following:

- » Security surveillance equipment
- » Hand hold metal detector
- » CCTV camera
- » Safety harnesses

Part C

Performance Standards

The performance standard may include, but not limited to:

| Performance Standards | Yes | No |
|---|-----|----|
| Able to identify security surveillance equipment. | | |

Session 3: Handling of Materials and Equipments in Housekeeping

Relevant Knowledge

Effective housekeeping can eliminate some workplace hazards and help get a job done safely and properly. Poor housekeeping can frequently contribute to accidents by hiding hazards that cause injuries. If the sight of paper, debris, clutter and spills is accepted as normal, then other more serious health and safety hazards may be taken for granted.

There are many different types of household chemicals used for disinfection, removing the dust and dirt and maintaining surface. The products are available in various forms such as powder, liquid or spray form. Depending on the type of cleaning tasks, the basic ingredients of various household chemicals may differ. Some of commonly used applications of household chemicals are polishing furniture, oven cleaning, lime scale removal and drain clearing.

Housekeeping is also a word used in retailing to indicate that the floors have indeed been polished, the carpets swept and the displays are kept looking shipshape. It is a broad term that is used for both indoor cleaning as well as outdoor chores like washing windows and sweeping doormats. Store cleanliness is an important part of retail. Customers want to shop in a clean, well-lighted store so they have confidence that the merchandise purchased there is also clean and of good quality. Dirt and trash have no place on the sales floor, and grimy windows and grubby walls and counters detract from this perception. Housekeeping is an ongoing task.

Housekeeping includes keeping work areas neat and orderly; maintaining halls and floors free of slip and trip hazards; and removing of waste materials (e.g., paper, cardboard) and other fire hazards from work areas. It also requires paying attention to important details such as the layout of the whole workplace, aisle marking, the adequacy of storage facilities, and maintenance. Good housekeeping is also a basic part of accident and fire prevention.

Good safety housekeeping can significantly reduce accidents and injuries in any type of work environment. By developing good safety habits, and by being aware of their work environment and any hazards associated with it, employees can help to create a much safer workplace.

Effective housekeeping results in:

- » Reduced handling to ease the flow of materials.
- » Fewer tripping and slipping accidents in clutter free and spill-free work areas
- » Decreased fire hazards
- » Lower worker exposures to hazardous substances
- » (e.g. dusts, vapours) Better control of tools and materials, including inventory and supplies
- » More efficient equipment cleanup and maintenance
- » Better hygienic conditions leading to improved health
- » More effective use of space
- » Reduced property damage by improving preventive maintenance

RETAIL OPERATIONS - II

- » Less janitorial work
- » improved morale
- » improved productivity (tools and materials will be easy to find)

Housekeeping tasks can be grouped into a number of areas, including:

- » Occupational Health and Security
- » Safety Cleanliness (sanitation) controls
- » Damage avoidance
- » Fire prevention and protection
- » Safe, secure storage systems
- » Regular inspections
- » Stock control
- » Personal hygiene and appearance
- » Maintenance and storage of housekeeping equipment

Common housekeeping tasks are:

- » Vacuum cleaning
- » Painting
- » Weeding
- » Maintenance
- » Waste removal

Material Handling

Material handling is any transporting or supporting of a load by one or more workers. It includes the lifting, holding, putting down, pushing, pulling, carrying or moving of a load.

While handling the material one should ensure that the material is stacked securely, blocked or interlocked. All storage areas are marked. All workers understand material storage and handling procedure. Materials are stored in areas that do not interfere with workers or the flow of materials. Hazardous materials are stored in approved containers and away from ignition sources.

A person has to see that equipment is in good working order, with all necessary guards or safety features operational or in place. All the tools and machinery are inspected regularly for wear and leaks. These machines and tools are cleaned regularly.

Maintaining the work area in a tidy, clean and safe way reflects a positive store image and helps create an environment that is pleasant for all customers and conducive to sales.

Retail stores vary considerably from large department stores to much smaller specialty stores, therefore the housekeeping policies and procedures can also vary considerably. Team members must be familiar with their store's policies and procedures and occupational health and safety requirements as this will ensure the store looks its best and the correct image is being projected to customers.

There are many areas in a store that need to be considered, including:

- » point of sale area
- » counters
- » walkways/aisles
- » merchandise
- » fittings and fixtures
- » storerooms
- » fitting rooms
- » receiving docks

Housekeeping Materials

Maintenance of Housekeeping Equipment

All housekeeping equipment must be stored safely and securely and according to the manufacturer's instructions where appropriate. This will ensure a safe environment for staff, customers and any other visitors to the store. Cleaning equipment varies from store to store. However, some equipment is used in all retail outlets. Common equipment includes:

| | |
|---------|-----------------------|
| Mops | Window Cleaner |
| Buckets | Cleaning Chemicals |
| Brooms | Floor Polishers |
| Cloths | Hazard Warning Signs |
| Dusters | Dust Pans and Brushes |
| Bins | Ladders |
| Blades | Trolleys |
| Spray | Cleaner Vacuums |

Cleaning chemicals often are hazardous and can be identified as such from the label. Many tools or items of equipment requiring cleaning are equipped with guards to protect the operator. Equipment should never be operated without the guard in place and the manufacturer's guidelines must be followed to ensure safe use of equipment.

A clean place to work is necessary for safety. Good housekeeping is a part of your job. In order to have a pleasant and safe work place, everyone must do his/her part to keep the plant orderly and clean. Good housekeeping will protect you and your fellow employees against slipping, tripping and other hazards.

1. Immediately clean up any paint, grease, oil, water, etc. that has spilled on the floor. Someone could slip causing serious injury.
2. Pick up any banding, scrap metal or other metal debris and put in scrap metal bins.
3. Pick up any scrap lumber, saw dust etc. and put into scrap lumber bins.
4. Put any scrap papers, boxes, etc., into the proper garbage containers or recycling bins.

RETAIL OPERATIONS - II

5. Put cans into bins marked for cans.
6. Clean up debris and organize tables and work stations that you have been using, so that the next person can start with a clean work area.
7. Clean any machine and surrounding area after use.
8. Return all hand tools to their proper places after use or at end of your shift.
9. Keep all walkways, aisles, roadways, and areas in front of fire extinguishers, electrical panel boxes free of obstruction.
10. Keep your rest rooms and lunchrooms as clean and neat as possible. Put all garbage into garbage cans, not beside them. Do not put paper towels in the toilets.
11. Keep your forklift cab area clean and do not transport or store items in cab.
12. Immediately sweep up any Blast Machine shot that you notice on the floor. Shot on the floor is very dangerous, as it is a slipping hazard.
13. Never leave hooks or hangers on the floor always put them in their proper place.
14. Before end of shift, empty garbage cans into the garbage bins and haul the bin outside and dump into the "Loraas" bin.
15. Always put all brooms and shovels back to their proper areas and places after use.
16. Keep the office and the surrounding area clean and clear of parts, junk, etc.
17. Clean the computers at least once a week by wiping them with computer cleaning fluid.
18. Stack pallets, boxes, baskets, etc. neatly to avoid them falling over.
19. Organize your work station as neatly and efficient as possible. Avoid over clutter.
20. Keep stairway and platforms clear of obstruction.
21. Keep storage areas neat and organized.
22. Clean up any air lines, extension cords, etc. after use.
23. Keep area clear around safety eye wash fountains and showers, safety spill kit, emergency switches, etc.
24. Keep you locker and change area clean and neat.
25. Keep walk through doors and overhead doors clear and free of snow etc.
26. Keep desks and filing cabinets clean and well organized.
27. Clean office, computer and printer areas at the end of every shift.
28. Clean as you go. (Continually clean your work area as you work.)
29. Remember, A Safe Shop is a Clean Shop!

When applying housekeeping procedures to your counter area, five key points must be considered.

1. Clean
2. Safe

3. Uncluttered
4. Well organized
5. Customer friendly

Keeping these five key points in mind at all times will ensure that your counter area contributes to the overall professional and positive image that your store presents.

Waste Removal and Disposal

In a busy retail environment it is common to accumulate general waste materials. General materials might include:

- » Packaging materials
- » Rubbish
- » Broken or damaged merchandise
- » Paper
- » Glass
- » Plastic

If the retailer deals with food, other food or liquid waste materials might include:

- » Food substances
- » Fats
- » Oils

All waste must be removed safely and disposed of in an environmentally friendly way. Policies on waste removal and disposal will vary from store to store depending on current housekeeping policies and procedures. The Environment Protection Authority in NSW can work with retailers to assist them in designing and implementing appropriate waste disposal strategies.

When removing general waste it is important to:

- » Use correct lifting techniques
- » Wear gloves or other personal protective equipment as required move steadily – don't rush
- » Remove waste from customers' sight
- » Separate waste in accordance with store policies and procedures to ensure effective recycling.

Another important consideration is the environment - naturally, you want to ensure that you are following "environmentally-friendly" waste disposal procedures.

Most waste ends up in land-fill areas around the country. These areas occupy a lot of space, and in some cases the waste pollutes the ground so that the whole area cannot be used for many years.

It is estimated that over 50% of the waste currently occupying space in land-fill areas could have been recycled or reused, if people had followed responsible waste removal and disposal procedures.

Exercise: Assignment

A. Questions for Shop/ Retail Industry

1. What are the cleaning procedure that should be carried out in shopping arcade?

2. What should be worn when picking up broken glass?

3. Name 8 types of general waste.

4. List at least 6 different machines that you may come into contact with in the Retail Industry.

5. Decide whether the tasks in the list below should be carried out daily, weekly or monthly.

Cleaning any glass

Cleaning counters

Cleaning displays

Cleaning EFTPOS equipment

Cleaning point of sale area

Cleaning the fridge

Cleaning windows

Clearing walkways

Washing walls

Dusting displays

Polishing

Removing waste

Stock returns
Tidying shelves
Vacuuming

Sweeping
Tidying storeroom
Washing fixtures & fittings

| Daily | Weekly | Monthly |
|-------|--------|---------|
| | | |
| | | |

6. Visit a Mall or Supermarket or an Industry, interact with the employer and employees of the organization/industry and ask the following questions and write their reply in not more than 50 words:

B. Questions for Employers

- (i) What should your employees know before handling and storing materials?

- (ii) What are the potential hazards for workers in retail?

- (iii) What kinds of equipments are needed for store?

- (iv) Prepare a checklist of the housekeeping equipment that is generally used in retail store for housekeeping activities.

- (v) Visit Mall or departmental store and use the checklist prepared by you, check the housekeeping equipments that exist in the mall/departmental store for housekeeping in retail.

- (vi) List any 05 equipment that are used for routine housekeeping.

C. Questions for Employees

- (i) Are you happy with the provisions made for taking care of your physical and safety requirements at the workplace?

Employee A: Yes/No

Employee B: Yes/No

Employee C: Yes/No

Employee D: Yes/No

Employee E: Yes/No Employee N: Yes/No

- (ii) Which are the hazardous chemicals that the employees think are affecting their physical well being at the workplace?

- (iii) What are the safety requirements for material handling?

- (iv) What experience do you have using different machines/types of equipment? List those you are most familiar with.

- (v) What types of items or equipment have been required by you to keep clean?

- (vi) What types of items have you handled in your job? Were any of these items dangerous?

- (vii) Name 5 key points to consider when applying housekeeping procedures to your counter area.

Assessment

A. Fill in the blanks

1. Housekeeping is an _____ task.
2. Effective _____ can eliminate some workplace hazards.
3. _____ materials are stored in approved containers and away from ignition sources.
4. Good safety housekeeping can significantly reduce _____ and _____.
5. A material is hazardous if it can _____ a person's health, either long or short term.
6. Good housekeeping efforts are a part of the retail _____ prevention and _____ prevention program.
7. Slips, trips and falls are _____ accidents in the retail workplace and they often lead to serious injury.

B. Multiple choice questions

Tick the correct answer

1. The short distance movement of material between two or more points refers to:
 - a. Warehousing
 - b. Transportation
 - c. Material Handling
 - d. Materials management
2. Each of the following is a question associated with materials handling, except:
 - a. How will the product be handled?
 - b. What kind of equipment is needed to handle the material?
 - c. In what form will the product be?
 - d. How much is the product worth?

3. Which of the following activity comes under housekeeping?
 - a. School admission
 - b. Hoover the floor
 - c. Purchase of material
 - d. Sale of flat
4. Which of the following would you check to see if a material is considered 'hazardous'?
 - a. The product label
 - b. Purchasing record
 - c. Material safety data sheet
 - d. Hazardous material inventory

C. True or false

1. Materials handling deals with the short distance movement of the material between two or more points.
2. Equipment should not be placed where it could easily fall or be pulled off the counter.
3. The quick and easy jobs such as mopping and scrubbing to be done before the shop opens or end of day.
4. All housekeeping tasks must be performed to the standard outlined in the store policy and procedure manual.
5. Whilst undertaking housekeeping duties, team members must not ensure the safety of themselves and customers.
6. It is not important that all employees perform their tasks in accordance with store policy and procedures, ensuring minimum disruption to customers and other business activities. Standards are the same in every retail store.
7. It is the employer's responsibility, as far as possible, to provide a safe working environment.
8. Safe work procedures should be prepared by employers with the help of employees to care for the special needs of young and inexperienced workers.

Checklist for Assessment Activity

Use the following checklist to see if you've met all the requirements for Assessment Activity.

Part A

- » Differentiated between different types of materials.
- » Differentiated between hazardous and non-hazardous materials.
- » Differentiated between different types of hazards and chemicals.
- » Described the procedure in housekeeping.
- » Differentiated waste removal and disposal.

Part B

Discussed in class the following:

- » What is housekeeping?
- » What is the importance of effective housekeeping?
- » Why do we need to exercise daily for housekeeping?
- » What is material handling?
- » What are the different types of hazardous materials?

Part C**Performance Standards**

The performance standards may include, but not limited to:

| Performance standards | Yes | No |
|---|-----|----|
| Able to identify the various types of housekeeping materials & equipment. | | |
| Able to demonstrate standard procedure in housekeeping. | | |

Session 4: Duties and Responsibilities of Supervisor

Relevant Knowledge

Duties and Responsibilities of Security Supervisor

A security supervisor oversees guards who protect private property against theft and vandalism. Security officers also ensure the safety of people on their employer's premises. Security personnel work in office buildings, retail stores and other public buildings. They also work in public transportation venues, such as airports and bus terminals. Depending on the size of his staff, the security supervisor might do patrol duty, or his job may be primarily administrative.

A security supervisor must have experience as a security guard, police officer or military police officer. Many employers require the supervisor to have training and experience working with electronic monitoring systems. Education requirements vary. Some employers require only a high school diploma or GED, while others require supervisor candidates to have a bachelor's degree in electrical engineering or computer science. Qualified candidates should have a valid driver's license and no criminal record.

A security supervisor monitors his staff by patrolling with them by jeep or on foot. The supervisor is also responsible for monitoring the electronic surveillance equipment used on the premises. Each day the supervisor assigns areas for his officers to patrol and presents a list of potential problems his officers should be on the lookout for. If someone is caught trespassing or committing another crime, the supervisor oversees the transfer of the accused person to the custody of local law enforcement personnel. The supervisor works with staff to develop safety plans for the buildings he monitors. He leads periodic safety drills for employees and patrons in the business.

He requires good communication skills, both oral and written, which are essential for the position of security supervisor so subordinates know how to do their jobs and what to be on the lookout for. Supervisors must have a good working knowledge of management practices and principles so he can efficiently perform his job. The job requires someone with critical thinking skills who can quickly observe a situation and make the appropriate response.

Functions of Security Supervisor

Under direction, performs work of considerable responsibility in planning and directing a 24-hour security operation and armed security staff. He trains subordinate personnel; conducts inspections, identifies potential security problem areas and provides technical advice; performs other duties as required. This is a competitive classification.

- » Programs and maintains data in the building access control computer in order to authorize appropriate employee access level for entry into facilities.
- » Assesses security needs and controls employee and visitor access to buildings and property and ensures only authorized entry.
- » Receives visitors and employees in order to provide assistance.
- » Monitors and operates multiple CCTV monitors and cameras in order to conduct video surveillance and record activities at varied locations from a central station.
- » Assigns tasks and supervises the work activities of subordinates.
- » Patrols buildings and grounds; responds to and reports unusual incidents or occurrences in order to minimize or deter the development of hazardous or dangerous situations.
- » Monitors and controls all alarm systems statewide.
- » Documents information on unusual incidents; establishes, creates, updates and maintains manual and automated filing systems and controls access to confidential information.
- » Provides job training to new security personnel and evaluates staff training needs.
- » Evaluates and documents employees' performance and provides feedback.
- » Operates and maintains a two-way communications system in order to remain in constant radio contact with other security personnel.
- » Evaluates special security requirements of high risk areas and provides technical advice.
- » Patrols buildings and grounds; responds to and reports unusual incidents or occurrences in order to minimize or deter the development of hazardous or dangerous situations.
- » Maintains proficiency in the use of assigned weapons and equipment.
- » Interviews security officer applicants in order to select the best qualified candidate.
- » Prepares shift schedules and approves leave and overtime use, in order to ensure continuous coverage.
- » Screens hand-delivered envelopes and packages in order to inspect for hazards.

Security Supervisor Job Description

Before appointing a new Site Security Supervisor to any property it is essential to assess the expectations and requirements of the role. Below is a general Security Supervisor job description for a vacancy at a large commercial property.

To ensure the smooth and effective day to day running of site based security teams. To keep line Manager informed of incidents, and to ensure that agreed levels of service and contractual requirements are achieved as a minimum.

Accountabilities/Responsibilities

- » To ensure that all officers on the shift are present, booked on and assigned to positions.
- » To ensure that all staff are dressed appropriately for their duties at the start of each shift.
- » To ensure shift staff do not carry personal mobile phones or chewing gum and do not lean on buildings.
- » To manage the rotations of staff so that all positions are covered and all staff receives designated breaks each day.
- » To help train and assess staff to ensure familiarity with and implementation of the site procedures. Providing refresher and update training as and when necessary and maintain accurate records of the same.
- » Maintain staff knowledge of assignment instructions.
- » To monitor all electronic security systems including fire alarms, CCTV and patrol management. To immediately report any systems malfunction.
- » To record all daily occurrences in the book provided. To carry out any investigations as required and to ensure reports are completed for line Manager.
- » Provide assistance for staff that experiences any welfare difficulties. When unable to resolve report to line Manager.
- » To initiate company disciplinary procedures as required and to ensure line Manager is made aware.
- » To record and process data from the Patrol Management System.
- » To ensure all site records are maintained and that all information required for monthly reports is completed.
- » To deputize for the Security Site Manager as required.
- » To act as a first line support for shift officers who encounter incidents or difficulties and escalate as appropriate to management.

Specific Duties

- » Daily inspection of all shift team members and completion of new uniform requests.
- » Complete the daily Site Assignment Log.
- » Record all lateness and absenteeism.

- » Book on staff on shift accurately.
- » Account for the issue and return of all keys.
- » To undertake fire alarm tests as required.
- » To regularly assess team members knowledge and expertise.
- » To assist with site training of all new staff.
- » Report all systems faults.
- » To collect all the required data for management reports.
- » To manage communications between Team Members on site and maintain up to date contact lists.
- » To complete a shift handover report for each shift and arrive at least 15 minutes before shift start.
- » To allocate staff to duties and evenly distribute demand for extra work among the team.
- » To carry out any reasonable additional tasks as requested by the customer.

Knowledge/ Skills/ Experience

Essential

- » Microsoft Office
- » Leadership and management
- » Communications
- » Appraising Staff
- » Disciplinary procedures
- » Customer Focus

Desirable

- » Previous experience in leading large security teams
- » Training experience
- » Health & Safety Experience

Behavioural Competencies

- » Team developer
- » Calm under pressure
- » Process management, improvement & Quality

Security Supervisor/ Head Guard

Supervisor is a person in the first-line management who monitors and regulates employees for their performance with regard to assigned or delegated tasks. Normally a security supervisor is placed on 15 security personnel deployed at a site. However, one person with experience and capability is appointed as 'Head Guard' to perform the duties of a supervisor in a shift involving less than 10 persons.

The role and responsibilities of Security Supervisor include the following:

- » Supervise the security staff as per the company's policies and rules.
- » Educate the security staff on the various procedures and systems approved by the management.
- » Conduct training activities for the security staff.
- » Maintain security equipment and gadgets.
- » Deploy security personnel for optimum use so as to ensure total security of the institute/ organization/residential colony.
- » Ensure the maintenance of entry and exit log.
- » Update and sign all Daily Security Report.
- » Monitor inward and outward loading of goods, provision and other materials.
- » Report all violation of Institute's rules and regulations and special orders to the Head of Security/Management.

Field Officers/Inspectors

These are the persons responsible to the management of the security company to enforce and implement the policies.

Assignment Officer

He in general terms a person who monitors and regulates employees for their performance of assigned or delegated tasks.

Assistant Security Officer

Assistant security officer is on the pay roll of the security company deployed at the site to monitor and regulate employees for their performance of assigned or delegated tasks. Normally ASO is placed when the deployment exceeds 15 persons or more in each shift. He coordinates and liaises with the principal employer and the security company and performs a customer care role.

Carry Home Emoluments and Benefits in the Private Security Industry

Pay and Allowances: In the security sector, your pay depends on the level of the position and the company. In general, the pay is governed by the Minimum Wages Act of the State.

Provident Fund (PF): An employee saves 12% of the basic wages and equal amount is contributed by the employer (8.33% towards pension fund & 3.67% towards contribution of Provident Fund). On completion of 10 years contribution to the fund all employees are entitled to pension on attaining the superannuation age of 58 years.

Pension depends on the total subscription made in the fund. Some of the benefits accrued are as follows:

- (a) Lump sum payment of accretion with interest on retirement / leaving the job.
- (b) Partial withdrawal during job for specified purposes.
- (c) Provision of taking early pension but not before attaining the age of 50 years.

- (d) Deposit Linked Insurance Scheme: Upon death while in service, an additional payment in lump sum equal to average P.F. accretion subject to maximum of Rs. 60,000 is given.
- (e) Employees' Pension Scheme: Pension to member on retirement/invalidity.
- (f) Pension to Family members on member's death.

Employees State Insurance Scheme (ESIC) Coverage: Under the scheme employee's contributory insurance cover is available at a marginal contribution of 1.75% of basic wages. The following benefits are available:

Medical Benefit: Medical care is provided to the Insured person and his family members from the day he/she enters insurable employment. There is no ceiling on expenditure on the treatment of an Insured Person or his family member. Medical care is also provided on payment of a token annual premium of Rs. 120/- to the retired and permanently disabled insured persons and their spouses.

Sickness Benefit (SB): Cash compensation at the rate of 70 per cent of wages is payable to insured workers during the periods of certified sickness for a maximum of 91 days in a year. In order to qualify for sickness benefit the insured worker is required to contribute for 78 days in a contribution period of 6 months.

- (a) Extended Sickness Benefit (ESB): ESB extendable up to two years in the case of 34 malignant and long-term diseases at an enhanced rate of 80 per cent of wages.
- (b) Enhanced Sickness Benefit: Enhanced Sickness Benefit equal to full wage is payable to insured persons undergoing sterilization for 7 days and 14 days for male and female workers, respectively.

Maternity Benefit (MB): Maternity Benefit for confinement/pregnancy is payable for three months, which is extendable by further one month on medical advice at the rate of full wage subject to contribution for 70 days in the preceding year.

Disablement Benefit

- (a) Temporary disablement benefit (TDB): This benefit is available from day one of entering insurable employment and irrespective of having paid any contribution in case of employment injury. Temporary Disablement Benefit at the rate of 90% of wage is payable so long as disability continues.
- (b) Permanent disablement benefit (PDB): The benefit is paid at the rate of 90% of wage in the form of monthly payment depending upon the extent of loss of earning capacity as certified by a Medical Board.

Dependants' Benefit (DB): It is paid at the rate of 90% of wage in the form of monthly payment to the dependants of a deceased Insured person in cases where death occurs due to employment injury or occupational hazards.

Other Benefits

Funeral Expenses: An amount of Rs. 10,000/- is payable to the dependents or to the person who performs last rites from day one of entering insurable employment.

Confinement Expenses: An insured woman and an insured person in respect of his wife shall be paid a sum of rupees one thousand per case as "confinement expenses" (earlier termed as medical bonus), provided that the confinement occurs at a place where necessary medical facilities under the ESI scheme are not available. i.e., where facility for confinement is not available in the ESI institution. Also confinement expenses shall be payable for two confinements only.

Rajiv Gandhi Shramik Kalyan Yojana 2005: An Insured Person who become unemployed after being insured three or more years, due to closure of factory/establishment, retrenchment or permanent invalidity are entitled to:

1. Unemployment Allowance equal to 50% of wage for a maximum period of up to one year.
2. Medical care for self and family from ESI Hospitals/Dispensaries during the period IP receives unemployment allowance.
3. Vocational Training provided for upgrading skills - Expenditure on fee/travelling allowance borne by ESIC.

Workman Compensation: In case a personal injury is caused to a workman by accident arising out of and in the course of his employment, his employer is liable to pay compensation in accordance with the provision of the Act within 30 days from the date when it fell due otherwise he would also be liable to pay interest and penalty.

Bonus Payment: Any employee on a salary or wage not exceeding [three thousand and five hundred rupees] per month in any industry to do any skilled or unskilled manual, supervisory, managerial, administrative, technical or clerical work for hire or reward, whether the terms of employment be express or implied is eligible for bonus up to a maximum of "ten thousand rupees"

Leave: All employees are governed by the company policy and the labor laws prevalent in the states.

Duties and Responsibilities of Housekeeping Supervisor

The main duties of an average housekeeper are to clean or organize a specific area. Housekeepers may be hired on either a full- or part-time basis by private home owners, hotels, hospitals or nursing homes. While the specific duties of each individual position will vary depending upon the employer's needs and the contract that is worked out between the employer and the housekeeper, there are certain routine duties that most housekeepers will be required to perform regardless of where or for whom they work. The following are the instructions:

- » Start your housekeeping duties in the bathrooms. Bathrooms often require allowing cleaning products such as shower and toilet bowl cleaners to "soak in" for a period of 10 to 15 minutes. Applying cleaning products in the bathrooms first will streamline your housekeeping duties by allowing you to move on and complete other areas of the home or room while the cleaning products do their job.
- » Clean or dust furniture and other hard surfaces such as counter tops. Complete this step before cleaning or vacuuming floors. Imagine vacuuming a rug and then having a large clump

of dust, crumbs or dirt fall onto the freshly cleaned area. Check with your employer to find out if any furniture item or surface is fragile or has special cleaning needs. Generally, you should use a standard wood furniture polish for coffee tables, picture frames and fireplace mantles. Use either a standard or non-ammonia, eco-friendly glass cleaner to clean mirrors and glass table tops. A disinfectant cleanser containing bleach or an antibacterial agent should be used on kitchen and bathroom counter tops and sinks. Use a feather duster or Swiffer duster to remove dust from ceiling fans and blinds.

- » Return to the bathroom and clean the shower, toilet, counters and mirrors. Pay special attention to hard water spots, soap scum or lime buildup in the shower. Your employer will expect that you will remove these blights from shower walls and tubs. Use a sponge or a Magic Eraser in addition to traditional shower cleaning products. When cleaning the toilet, be sure to wipe around the bottom base of the fixture in addition cleaning out the inside with toilet bowl cleaner and a brush.
- » Empty all trash cans throughout the home or room. Check the kitchen, bathrooms, bedrooms and home office. Replace trash bags in all garbage cans and discard waste appropriately in a dumpster, outside trash container or recycling bin.
- » Clean all floors by vacuuming or sweeping and mopping. This step should be the last duty that you perform before you leave. It doesn't make sense to clean floors first and then track additional dirt and mud across them while you perform the rest of your cleaning duties. Your employer may have specific equipment such as vacuum cleaners, carpet shampooers or special floor cleaning products on site for you to use. If this is not the case, you will need to provide your own supplies. Before you begin any floor-cleaning task which involves cleaning solvents or chemicals, discuss which products should be used with your employer. Certain flooring surfaces such as Pergo, hardwood, and certain natural tiles will be altered or eroded by the use of chemical cleaners.

How to Organize Housekeeping

Good housekeeping is a combination of many tasks. It can be helpful to organize all the necessary cleaning duties in your household so that certain tasks are always performed on specific days of the week, every week. This way you will be better equipped to keep up with your chores, as you will know exactly what needs to be done each day. The instructions for organized housekeeping are as under:

- » Make a list of all of the cleaning tasks that need to be completed in your home on a weekly basis. Include only those tasks that need to be performed frequently, such as cleaning the bathrooms, vacuuming and mopping the kitchen floor. Cleaning tasks that only need to be completed periodically, such as organizing your closets or cleaning the oven, do not need to be included on this list because they are not performed weekly.



- » Decide which days of the week you are willing to perform cleaning duties. You can spread them out so that you do a little bit of cleaning every day, or you can designate a few specific days each week to get your cleaning done. Write down which days you decide to complete your cleaning duties. Take your list of weekly cleaning tasks and spread them evenly among your designated cleaning days.
- » Post the cleaning schedule on a highly visible spot as a reminder that these chores must be done on their designated days. Follow the schedule that you have created in order to keep up with your regular housekeeping tasks.

Good Housekeeping Cleaning Tips

Many people aspire to maintain their homes to a level of perfection worthy of gracing the pages of Good Housekeeping magazine. When jobs, activities, children and pets are juggled, however, keeping a neat home can become more of a tedious chore than work performed through the pride of keeping a tidy house. By following a few simple tips, even homes that are consistently messy can become less cluttered and more organized and clean in the future.

Clean and Straighten Every Day: Clean the areas of the house that you use most often every day. Upon rising, make your bed and wash a load of clothes. After work or in the afternoon, dry and put away the washed load of clothes. Retrieve your mail and immediately sort it into three piles: junk to toss in the trash, urgent to address right away and to-be-read to review when time allows. Before bedtime each evening, empty your sink, wipe down your kitchen and bathroom countertops, put away toys or other items taken out during the day and place dirty clothes in a hamper.

Set a Timer for Cleaning: Set a timer before tackling a tough cleaning or straightening task, or to keep you on track when you are performing light cleaning in multiple rooms. A timer allows you to stay on track instead of becoming distracted by areas not a part of what you are currently addressing. Because many people also work better under deadlines, a timer can help you to perform more chores in less time.

Deep Clean by Zones: Split your house into multiple zones and attack one zone per week by addressing areas specific to the zone on a daily basis. By rotating between multiple zones to deep clean, you can ensure that your entire home is always at a higher level of organization and cleanliness.

Declutter Once Per Season: Every time the season changes, spend a block of time addressing the clutter that has accumulated in the home over the prior three months. Sort into four piles: unnecessary items to donate, recycle or toss; seasonal items to store away until they are needed; "test" items to put away until your next decluttering session to determine if you actually need them or not; and keeper pieces for which you need to find a more-permanent place in your home. By decluttering your home routinely, you avoid having boxes of miscellaneous junk in your attic that takes up unnecessary space, you'll ensure that you can find important items that you regularly use and you'll keep your house tidier throughout the entire year.

Housekeeping Supervisor Responsibilities

Housekeeping supervisors manage the housekeeping department of a company. They work in hotels, hospitals, apartment buildings, offices and nursing homes. They supervise the housekeepers and ensure that the job is done safely and correctly.

Hire and Train New Employees: In some cases, the housekeeping supervisor would have to review job applications, interview candidates, hire and train them. The supervisor would also show the new employees the different tasks that must be completed by the end of the day and answer any questions they may have.

Tour the Area: Housekeeping supervisors also check their employees' work by visiting the assigned rooms and making sure that the tasks were completed correctly. For example, the supervisor in a hotel may inform an employee that some of the toilets weren't cleaned thoroughly.

Cleaning Duties: The housekeeping supervisor also performs cleaning duties. For example, a hotel housekeeping supervisor may spend part of the day washing towels and bringing clean ones back to the rooms, then spend the rest of the day replacing trash bags.

Training: A housekeeping supervisor usually has a high-school diploma and often starts out as a housekeeper but gets promoted to this position after a few months on the job. The supervisor may be required to take company-sponsored courses that focus on housekeeping techniques.

Duties of a Housekeeper Supervisor

Housekeeping supervisors do more than simply observe the employees under their watchful eye. Housekeeping supervisors, like housekeepers themselves, work in various settings, such as hospitals, hotels and nursing homes.

Housekeeping supervisors should be hardworking and dependable, as well as maintain good health and get along with others, all while completing the following duties:

Assign Duties and Inspect: Housekeeping supervisors are usually responsible for assigning duties to other housekeepers. They may assign duties such as cleaning bathrooms, cleaning lobby areas of hotels or resorts, or taking out the trash.

After work is completed, they inspect the work to be sure that it is up to proper standards as per the place of employment.

Schedule and Supervise: Housekeeping supervisors schedule other housekeepers in the work they will be doing each day and in which part of the building they may be working, if they're working in a large setting, such as a resort hotel or corporation.

Another very important duty of a housekeeping supervisor is to be sure that the other cleaners are paying attention to their work and are ensuring a clean and orderly building.

Maintain Inventory and Hire: Housekeeping supervisors usually keep track of cleaning supplies and equipment and reorder items when there is a shortage. They must keep up with the inventory on a regular basis to ensure proper delivery of cleaning service in a timely and efficient manner.

Most housekeeping supervisors are also in charge of interviewing prospective applicants, training new employees and dismissing employees if the need arises.

Other Duties: Housekeeping supervisors working in hotels or resorts may receive a list of rooms that must be cleaned immediately and must keep track of which rooms are clean and ready to be offered to guests.

They may make recommendations to their supervisors on how to improve the cleaning service or other issues that may result in more efficient cleaning operations.

Most of the time, another duty of housekeeping supervisors is to know the cleaning duties and be able to perform them in the event of an emergency or short staff.

They may also set their own standards and work procedures for their housekeeping staff.

Exercise: Practice Session

- a) Visit a security organization and observe the security supervisor for a day. If you have any query, clarify with supervisor. Write a report on the basis of your observation and unstructured questionnaire about duties, responsibilities, knowledge skills and how does experience matter in this profession. Explain all these with real life example (case and try to include your suggestion as per situation).
- b) Go to a mall/store and observe the housekeeping supervisor executive. Further prepare an assignment with real picture and try to cover duties, responsibilities, organization of housekeeping activity and tips for good housekeeping.

Assessment

A. Fill in the blanks

1. In Rajiv Gandhi Shramik Kalyan Yojana 2005 the bonus payment amount is up to maximum of _____.
2. Maturity benefits for confinement/pregnancy is payable for _____ which is extendable by further _____ month on _____ advice.
3. Employees State Insurance Scheme (ESIC) coverage is available at a marginal contribution of 1.75% of _____.
4. Under sickness benefits cash compensation at the rate of _____ % of wages is payable to insured workers.
5. On completion of _____ years contribution to the fund all employees are entitled to _____ on attaining the superannuation of _____ years.
6. Main duties of an average housekeeping are to clean or _____ a specific area.
7. _____ all floors by vacuuming or sweeping and mopping, this step should be the _____ duty that housekeeper performs before he/she leave the duty.

8. To organize housekeeping activity, housekeeping need to _____ out all the tasks.

B. Multiple choice questions

Tick the correct answer

1. Personal security guards are also called -
 - a) Black Cats
 - b) Bouncers
 - c) Both a and b
 - d) None of the above
2. Bouncers are -
 - a) Move around
 - b) Private security
 - c) For external and internal business
 - d) Personal security
3. Security guards stay at one place and may use electronic surveillance system to monitor people -
 - a) Static people
 - b) Personal security
 - c) Private security
 - d) Corporate security
4. Employee State Insurance Scheme does not covers -
 - a) Medical benefits
 - b) Workman compensation
 - c) Sickness benefits
 - d) Confinement expenses

C. Short answer questions

1. Explain the career opportunities available in private security.

2. Write short note on the following:

(a) Control room

(b) Patrolling

(c) Access control system

(d) Organising housekeeping activity

(e) Good housekeeping cleaning tips

3. Discuss duties and responsibilities of housekeeping supervisor.

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- ▶▶ Differentiated between the types of security guard.

Part B

Discussed in class the following:

- ▶▶ What are the eligibility criteria for appointment to the post of security guard in India?
- ▶▶ What are the basic emoluments and benefits that a security guard gets during the service?

Part C

Performance Standards

The performance standards may include, but not limited to:

| Performance Standards | Yes | No |
|---|-----|----|
| Able to identify the role and functions of security supervisor in retail environment. | | |
| Able to find out the functions, duties and responsibilities of housekeeping supervisor. | | |

UNIT-3

SUPPLY CHAIN MANAGEMENT IN RETAILING

| Unit Code: RS-405 NQ-2012 | Unit Title: Supply Chain Management in Retailing | | | |
|--|--|---|--|--|
| Location: Classroom Retail or Departmental Store | Duration: 25 Hours | | | |
| | Session 1: Introduction to SCM | | | |
| | Learning Outcome | Knowledge Evaluation | Performance Evaluation | Teaching and Training Method |
| | 1. Acquainted with terms and concept of Supply Chain Management. | 1. Concept of Physical distribution 2. Concept of Logistics 3. Concept of SCM 4. Evolution of Supply Chain Management. | 1. Identify the steps in physical distribution 2. Classify Logistic in SCM 3. Find out the processes of supply chain management (SCM). | Interactive lecture: Introduction to Supply Chain Management Group discussion: On every area of Logistics and SCM Activity: Visit to a Logistic company and observe the work going on and make a report on distribution channels. |
| | 2. Describe the Importance, advantages and Limitations of SCM. | 1. Explain the importance of SCM 2. List out the benefits of SCM in Retailing 3. Importance and Advantages of SCM in retailing. | 1. Why SCM is necessary in an organisation? 2. List out the limitations of SCM. | Interactive lecture: Introduction to Supply Chain Management Group discussion: On every area of Logistics and SCM Activity: Visit to a Logistic company and observe the work going on and make a report on distribution channels. |
| | Session 2: Principles of Supply Chain Management | | | |
| | 1. Identify the principles of SCM | 1. Seven principles of Supply Chain Management | 1. Scrutinize the seven principle of SCM | Interactive Lecture: Highlight the seven principles of SCM with the help of PPT in Interactive Session |

| | | | | |
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| | | 2. Process of SCM. | 2. Practice the principles of SCM. | Activity: Visit to logistic centers of retail outlets and observe how to practice the seven principles of SCM. |
| | 2. List out the parameters of direct and indirect distribution. | 1. Parameters of direct and indirect distribution 2. Factors influencing the direct and indirect distribution of SCM. | 1. Investigate the Parameters of direct and indirect distribution 2. Identify the factors which influence the direct and indirect distribution. | Interactive Lecture: Parameters of Direct and Indirect distribution. Activity: Visit an On-the-job logistic center of SCM and find out which factors influence the direct and indirect distribution of goods and services. |
| Session 3: Participants in the Process of SCM | | | | |
| | 1. Categorize the types of intermediaries | 1. Information about intermediaries. 2. Types of Intermediaries & their job roles. | 1. Scrutinize the information about intermediaries 2. Find out the various Types of Intermediaries 3. Identify the job roles of different intermediaries. | Interactive Lecture: Intermediaries and Channels of distribution Activity: Visit to a logistic center and companies to observe the types of intermediaries & their job roles Pragmatic work: 1. Assign the work to the students, eg., make a project on any one type of intermediaries. 2. Take an interview of any one intermediary and find out his lifestyle. |

| | | | | |
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| | 2. Choose the Channels of distribution for industrial and Consumer Goods. | 1. Channels of distribution for Industrial Goods 2. Channels of distribution for Consumer Goods. | 1. Spot out the various channel of distribution for industrial goods 2. Identify the Channels of distribution for consumer Goods 3. Identify the job roles of different intermediaries. | Interactive Lecture: Intermediaries and Channels of distribution for Industrial & Consumer goods Activity: play act in the classroom as various intermediaries and tell the students to recognize their types. |
| | 3. Find out the Channel of distribution for services. | 1. Channel of distribution at services level. | 1. Evaluate the Channel of distribution at services level 2. Identify the steps in Channels distribution services. | Interactive Lecture: Channel of distribution for services Activity: Visit to logistic centers and companies to find out the suitable channels of distribution for services. |
| | Session 4: Steps in Supply Chain Management | | | |
| | 1. Indentify Steps in SCM | 1. Steps and Process of SCM 2. The proper process of SCM | 1. Elucidate the various Steps in the SCM 2. Practice how to compete at each and every step. | Interactive Lecture: Steps includes in the SCM Play Game: Keep one student on each step and they will demonstrate steps included in SCM. |
| | 2. Five basic Components included in the process of SCM | 1. Demand, planning & Forecasting 2. Source of Procurement 3. Production or Assembly step 4. Distribution of Goods/ Services | 1. Examine the five components included in the steps of SCM 2. Practice each and every component to fulfill the distribution of goods & | Activity: Students should visit to Logistic centers and find out five components. Role Play: Five students can play a role of |

| | | | | |
|--|--|---|-----------|---|
| | | 5. Sales return- Defective or excess goods. | services. | Plan, Source, Make, Deliver and Return with the help of posters & other related material. |
|--|--|---|-----------|---|

Introduction

Channels are the organized structure of buyers and sellers that bridge the gap of time and space between manufacturer and customers. There are hundreds of ways goods and services can be distributed to customers. No single distribution satisfy the needs of every firm so different channel are used to reach different market segments.

Logistic and Supply Chain Management is an art of managing flow of materials and products from the source of production to the end user. This system includes the total flow of material right from the stage of acquisition of raw materials to the delivery of finished product to the customers. Logistic system includes physical distribution and physical supply of goods and services but the difference is physical distribution is outward movement of goods and services while physical supply is inward movement of the goods and services to the delivery point. The effective logistic management can improve both cost and customer service performance of the company.

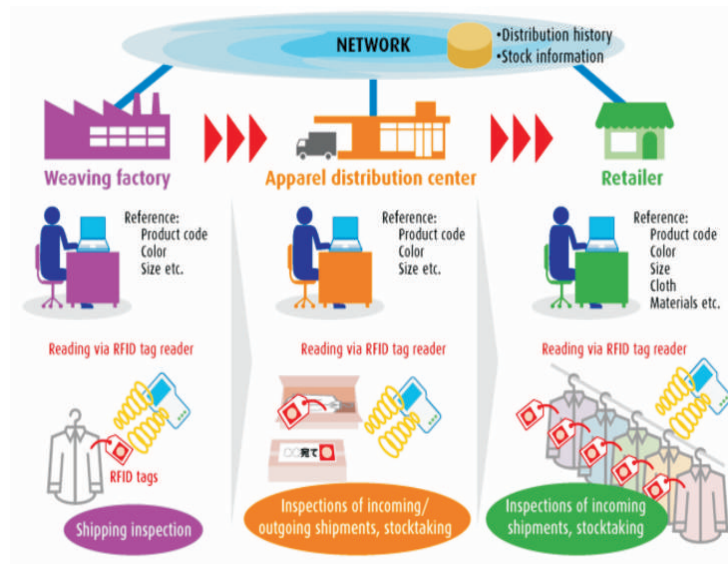
In simple words channels of distribution/ logistic and supply chain of management is important for providing products or services up to the ultimate customers.

Marketing channel performs the work of moving goods from producers to consumers it overcomes the time, place and possession gaps that separate goods and services from those who need or want them. Channel of distribution affect the price of the product and makes easy availability of product in vicinity.

Supply-Chain Management (SCM) is another aspect of Advanced Planning and Scheduling. It administers the flow of supplies, logistics, services and information through the supply-chain, from suppliers, manufacturers, sub-contractors, stores and distributors to customers and end-users. It involves business strategy, information flow and systems compatibility.

Benefits that can be accrued from supply-chain management include:

- ▶ Improved visibility of information between suppliers and customers: quicker response to changes in demand.



RETAIL OPERATIONS - II

- » Shared knowledge: reducing waste and inventories, improving product quality and services throughout the chain.
- » Development of a longer term “learning network” for the benefit of customers, suppliers and individuals.

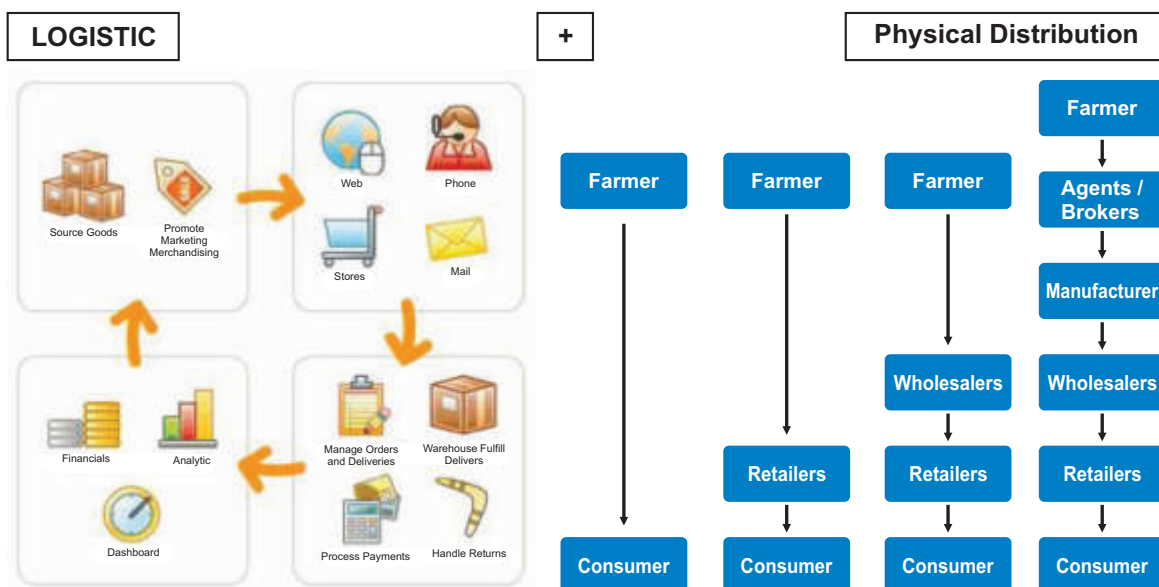
Supply Chain Management includes services such as:

- » Operational Analysis and Design Materials Handling
- » Distribution Strategy
- » Operational Improvements, Distribution Management
- » Computer Systems
- » Warehouse Design
- » Project Management
- » Seminars and workshops

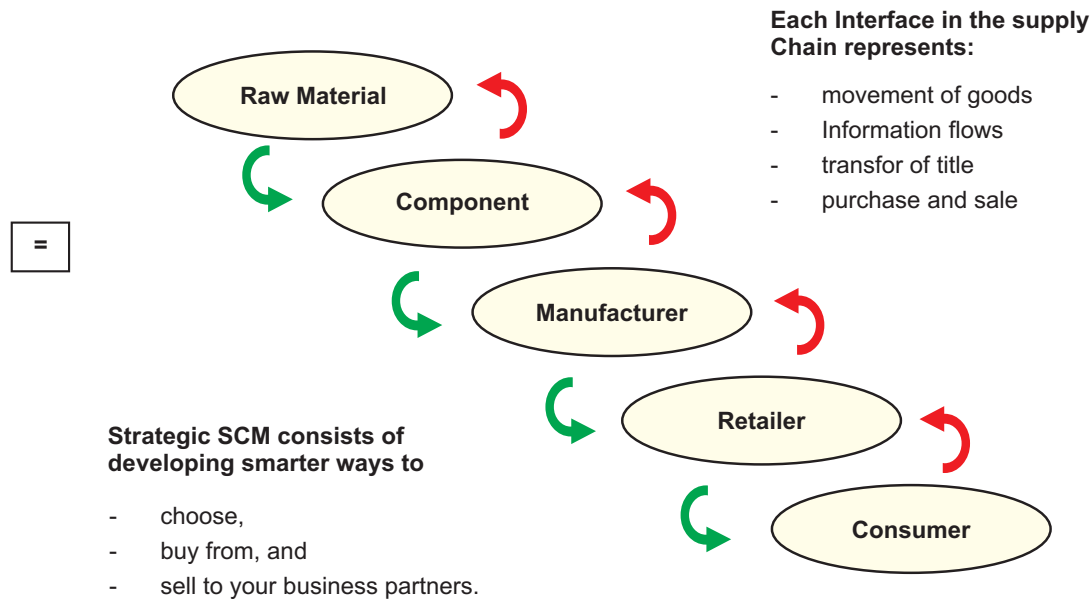
The Elements of SCM

- » Distribution
- » Physical distribution
- » Logistics
- » Business logistics
- » Integrated logistics
- » Materials management
- » Value chains

In this unit, you will learn about the introduction to supply chain management, principles of supply chain management, participants in the process of supply chain management and steps in supply chain management.



Key SCM Concepts



Session 1: Introduction to SCM

Relevant Knowledge

According to Philip Kotler "Channels are sets of interdependence organization involved in the process of making a product or service available for use or consumption".

When comparing the early vision of physical distribution and logistics with the current one for Supply Chain Management, there is little difference.

Smykay pointed out that: "Physical distribution can be broadly defined as that area of business management responsible for the movement of raw materials and finished products and the development of movement systems".

Although physical distribution is usually associated with outbound product movements from a firm, this definition indicates a broader concept that includes both inbound and outbound movements.

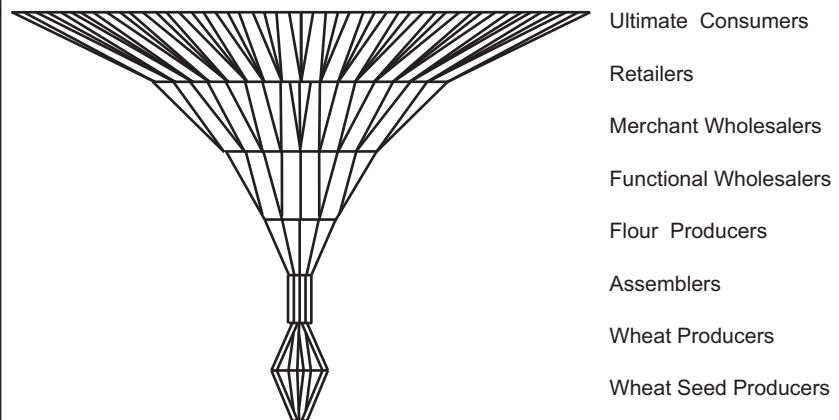


So **Heskett** pointed out that: "Business logistics in terms of both physical supply and physical distribution, but they also recognized that logistics takes place throughout the supply channel, from producer to end consumers".

On the other side, production claimed logistics activities as part of the product function.

According to Timms and Pohlen "one can conceive of production as a function directly concerned with providing form, time and place utilities in the product".

Figure 2 : Multiple Echelons of a Logistics Channel for Flour Supply and Delivery.



Source : Heskett, J.L. Robert M.Ivie. and Nicholas A. Glaskowsky, Jr., (1964)
Business Logistics : Management of Physical Supply and Distribution (New York Ronald Press)

Time and place utilities are usually referred to as physical distribution or logistics activities. Although marketing and production were established functions within business, and they laid claim to physical distribution, but their lack of attention led physical distribution (logistics) to be developed as a separate entity and as a new function within a firm's organizational structure.

According to G. Davis: "The management of resources to supply the product and service needs of the end consumer, encompassing the supply chain of any physical products and the exchange processes involved".

Supply Chain Management is a broader concept which includes physical distribution as well as logistics.

Importance of Supply Chain Management

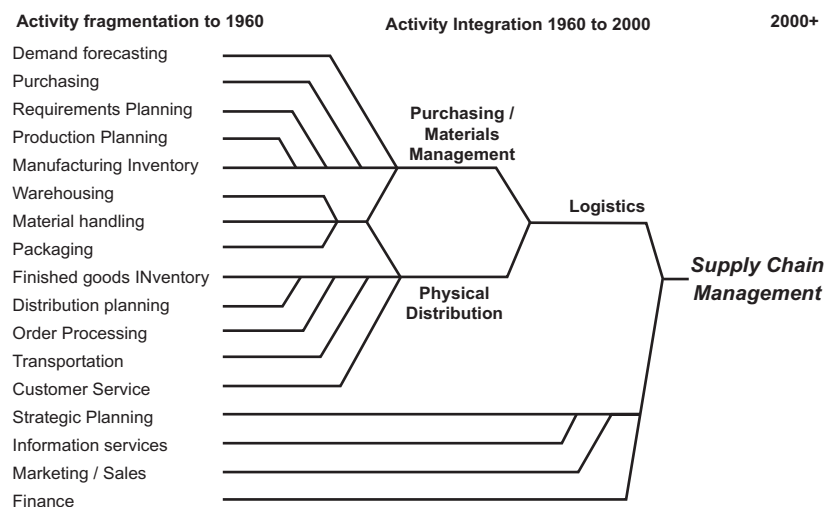


Figure 3: Evolution of Supply Chain Management.

Element of any channel or logistic can be eliminated or substituted but their functions cannot be eliminated. They can be moved forward and backward in the chain exercised by the others.

Advantages of SCM are:

1. Market coverage, specialization, customer contacts and lower costs.

2. Facilitates the creation and implementation of effective marketing strategies.
3. Effective marketing knowledge, market segmentation and selling skills.
4. Effective delivery, customer service (pre and post purchase) and manufacturer services.
5. SCM when use effectively, the middlemen can add tremendous value and thus should be selected and managed to maximize their contribution via exploiting their specialist skill and facilities.
6. It is important to create valuable relations between every participant in business chain.
7. This inter-organizational supply network can be acknowledged as a new form of organization.
8. Due to SCM customers get goods and services at their door-step as quick as possible.
9. It helps to provide corporate image to the organization.
10. SCM create efficiencies by reducing the number of transactions necessary for goods to flow from many different manufacturers to large numbers of customers.

Limitations:

1. It is time consuming if the chain is large.
2. The possibility that the intermediaries will extract rather than add value.
3. From a systems perspective, a complex network structure can be decomposed into individual component firms.
4. It is expensive structure if the organizer selects large or wrong chain for supplying products and services.

Simply stated, "The supply chain encompasses all of those activities associated with moving goods from the raw-materials stage through to the end user."

Exercise: Assignment

1. If you are the producer of apparel and situated at Mumbai, which distribution channel and SCM you will follow.
2. Studying the above case answers the following questions in not more than 50 words:
 - (i) Explain your channel of distribution.

- (ii) Why you are applying these channels?

- (iii) What are the problems you will have to face?

(iv) What problems will you face procuring raw material?

(v) What problems will incur while transporting?

(vi) What are the problems faced by the producer at the time of warehousing?

Assessment

A. Fill in the blanks

1. SCM ensures a _____ and _____ flow from raw material to finished goods into the hands of consumers.
2. The supply chain encompasses all of those activities associated with moving goods from the _____ stage to the _____.
3. SCM when used effectively, the _____ can add tremendous value in this process.
4. _____ and _____ utilities are usually referred to as physical distribution or logistics activities.
5. A buying for retail organization means dealing with a large number of products and a _____ number of suppliers.

B. Multiple choice questions

Tick the correct answer

1. The management of _____ to supply the product and service, needs of the end consumer, encompassing the supply chain of any physical products and the exchange processes involved
 - a) Raw material
 - b) Finished goods
 - c) Resources
 - d) Manpower
2. The possibility that the _____ will extract rather than add value.
 - a) Labourer
 - b) Manager

- c) Supervisor
- d) Intermediaries
- 3. The lack of attention by producer led _____ to be developed as a separate entity.
 - a) Physical Distribution
 - b) Advertising
 - c) Standardization
 - d) Market Research
- 4. It is important to create valuable relations between every participant in _____.
 - a) The product label
 - b) Business chain
 - c) Material handling
 - d) Inventory management

C. True or false

- 1. SCM is different from physical distribution and logistics.
- 2. SCM is important only at level of distribution of products.
- 3. In logistics warehousing will be done by producer.
- 4. SCM is time consuming if the chain is large.
- 5. Business logistics in terms of both physical supply and physical distribution.

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- » State the relation between physical distribution/ logistic and SCM.
- » Give importance of SCM in the organization.
- » What are the benefits of SCM to the organizer?
- » State the element of SCM.
- » Explain the model of SCM.
- » Explain the various concepts of SCM.

Part B

Discussed in class the following:

- » What do you mean by SCM?
- » What are the advantages and limitations of SCM?

Part C

Performance Standards

The performance standards may include but not limited to:

| Performance Standards | Yes | No |
|---------------------------------|-----|----|
| Identify the advantages of SCM. | | |
| Find out limitations of SCM. | | |

Session 2: Principles of SCM

Relevant Knowledge

| The Seven Principles of SCM | |
|-----------------------------|---|
| Principle 1 | Segment customers based on the service needs of distinct groups and adapt the supply chain and serve these segments profitably. |
| Principle 2 | Customize the Logistics network to the service requirements and profitably of customer segments. |
| Principle 3 | Listen to market signals and align demand planning accordingly across the supply chain, ensuring consistent forecasts and optimal resource allocation. |
| Principle 4 | Differentiates product closer to the customer and speed out version across the supply chain. |
| Principle 5 | Manage sources of supply strategically to reduce the total cost of owning materials and services. |
| Principle 6 | Develop a supply chain-wide technology/strategy that supports multiple level of decision making and gives a clear view to the flow of products, services and information. |
| Principle 7 | Adopt channel-spanning performance measures to gauge collective success in reaching the end-user effectively and efficiently. |

Successful Supply Chain Management is a complex method of distribution of product to the ultimate consumer. Within a broad supply chain management there can be a number of small supply chains which need to be managed. It includes suppliers, manufacturers, distributors and customers behave as if they are part of the same company. Only this way they can enhance performance significantly across the chain.

There are seven principles of Supply Chain Management:

1. **Customer is the king:** Organisers must consider about customers because without them

business operations are meaningless if you don't meet their requirements. Segment customers based on the product/service needs of the distinct groups.

2. **Management of logistics:** Customize the logistic network to the service/ product requirement and also manage the profitability. It requires great planning implementation and execution across the whole chain. It involves determination of locations for distribution, management of inventory, transportation etc.
3. **Customer management:** According to market signals it may require aligning all the supply chains under the command so that their combined output meets the specific demand of the customer. This needs to be properly organized so that the customer gets the desired service.
4. **Process integration:** Time and speed is most important. For success it requires real time information sharing among the chain partners and planning together for aspects such as forecasts etc. across the chain.
5. **Leveraging of manufacturing and sourcing:** Through the strategic management they can reduce the cost of production. It is not possible for the firms, even in a supply chain environment to manufacture in-house everything instead; outsourcing, lean manufacturing, Just in time (JIT) etc need to be followed. All these need proper linking with each other to produce the desired effect.
6. **Strategic alliances and relationship management:** Every chain partner shall look from its own perspective in a supply chain leading to strategic alliances across the chain. Once formed these partnerships need to be developed through effective relationship management.
7. **Develop performance measures:** Performance measures are basically development of standards of performance and method and their measurement across the chain so that suitable action can be initiated to see that the performance of the entire chain remains optimum.

To sum it up the principles of supply chain management revolves around customer and chain's efficiency in satisfying the customer.

The main objective and intention behind a smooth SCM operation is to stimulate buying the right things at the right time at the right price – reducing the order cycle and ensuring flexibility. Large retail chains, such as Wal-Mart, Safeway and The Gap, have strategically implemented SCM and have grown because of that. Proper and committed implementation of SCM can result in sustainable competitive advantages. Supply chain management leads to fewer stock outs and to the availability of merchandise and assortments that customers want. This implies a high-perceived value of the retail store in the minds of the customer. In financial terms, SCM can result in better sales and lower markdowns for retailers.

The SCM is having various principles which are followed by the intermediaries to supply their products and services upto the customers without barriers. Those are as follows:

1. The product- characteristics and consumer recognition.

RETAIL OPERATIONS - II

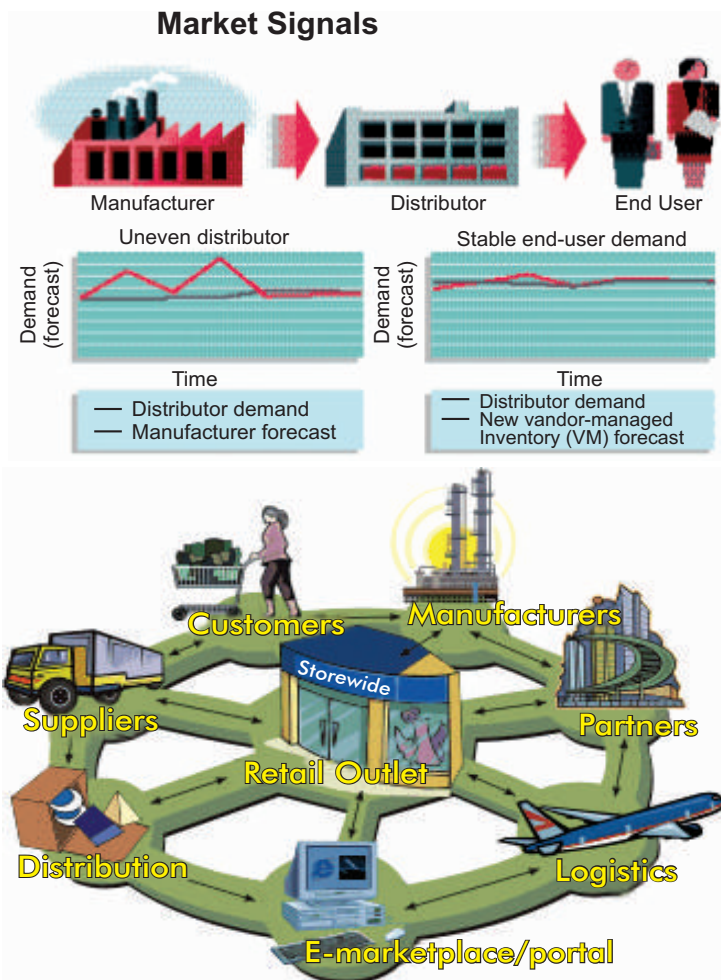
- Size and value of sales extent of sales realization
- Market area-consumer coverage, retailer and other traders.
- Existing methods of distribution impact, merits and demerits.
- Needed efforts - consumer approachability, appealing to distributors, cost effectiveness and sales realization.

In implementing distribution strategy the company should make comparison of direct versus indirect distribution on the basis of following parameter

- Cost:** The factor includes distribution cost, opportunity cost incurred in the process of distribution in case of the non-availability of the product, inventory holding and shipping costs.
- Product characteristics:** The product attribute may be measured in terms of replacement rate, gross margin, service requirement and the time involved in search of the product.
- Degree of control:** The degree of control is generally greater when direct distribution is followed.
- Other factors:** Adaptability, technological changes, social and cultural values should be considered.

Beside these there are three critical lead times that must be managed by the organization that seek to compete successfully in the retail business.

- Time to Market:** The time that it takes to a business to recognize a market opportunity and translate this into a product or service and bring it to the market.
- Time to serve:** The time that it takes to capture a customers' order and to deliver the product to the retail customer's satisfaction.
- Time to react:** The time that it takes to adjust the output of the business, in response to the volatile demand



Exercise: Assignment

1. Visit to an any Super-Shoppy/ Mall to find out the parameters followed by them- cost, product characteristics, Degree of control, Technology etc.

(a) Cost

(b) Product characteristics

(c) Degree of control

(d) Technology

2. Visit an organization or departmental store and find out the principles followed by them in day-to-day transactions.

Assessment**A. Fill in the blanks**

1. Cost factors include _____ and _____ incurred in the process of distribution in case of the non-availability of the product.
2. _____ the time that it takes to capture a customers' order and to deliver the product to the retail customer's satisfaction.
3. _____ is generally greater when direct distribution is followed.
4. _____ needs to be properly organized so that the customer gets the desired service.

B. Multiple choice questions

1. Following is not the principle of SCM:
 - a) Customer as a king
 - b) Management logistic
 - c) Customer management
 - d) Services to owner

2. _____ is the most vital part, the fulcrum on which success of the whole Supply chain exercise rests.
 - a) Process integration
 - b) Branding
 - c) Assembling
 - d) Advertising
3. Supply Chain Management is a _____ method of distribution of product to the ultimate consumer.
 - a) Simple
 - b) Liberal
 - c) Complex
 - d) Expensive
4. _____ may require aligning all the supply chains under your command so that their combined output meets the specific demand of the customer.
 - a) Labour management.
 - b) Customer management
 - c) Service management
 - d) All of the above

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- » Explain the shortest distribution channel?
- » What are the advantages of appointing dealers/distributors in SCM?
- » How does cost factor affect SCM?
- » Role of Wholesaler in SCM?
- » What are the three lead principles responsible for successful retail business?
- » How is warehouse management done?
- » Explain seven principles of SCM?

Part B

Discussed in class the following:

- » What are principles of SCM?
- » Explain the implementation distribution strategy.

Part C

Performance Standards

The performance standards may include but not limited to:

| Performance Standards | Yes | No |
|--|-----|----|
| Identify the advantages of appointing distributor in self. | | |
| Able to explain the seven principles of SCM. | | |

Session 3: Participants in the Process of SCM

Relevant Knowledge

Large producers with the extensive capabilities and resources have a lot of flexibility in choosing intermediaries and also have great deal of bargaining power with the middlemen and are also willing or capable to perform certain distribution function. Such options are more limited for small producers with capability and resource constraints. The function that requires to be performed in moving products from producer to end user includes various channel activities such as storage, servicing and transportation. Studying these functions is useful in choosing the types of intermediaries that are appropriate for a particular product or service.

In Supply Chain Management there are various participant involved, from production level to distribution level.

Supply chain management is the combination of the enterprise strategies, business process and information technologies that integrates the suppliers of raw materials or components, the manufacturers or assemblers of the finished products, and distributors of the products or services into one cohesive process to include demand forecasting, materials requisition, order processing, order fulfilment, transportation services, receiving, invoicing, and payment processing.

Participants in a Supply Chain

Suppliers: Supplier provides goods and/or services to a manufacturer or a distributor for production purpose or for trading purpose. It is often used synonymously with vendors but may also refer to an internal company resource.

Manufacturers: They are the organisers or businessman, engaged in the original production and assembly of raw materials, equipment, labours or services. Even they are buyers of such products or services manufactured or assembled in accordance with company specifications.

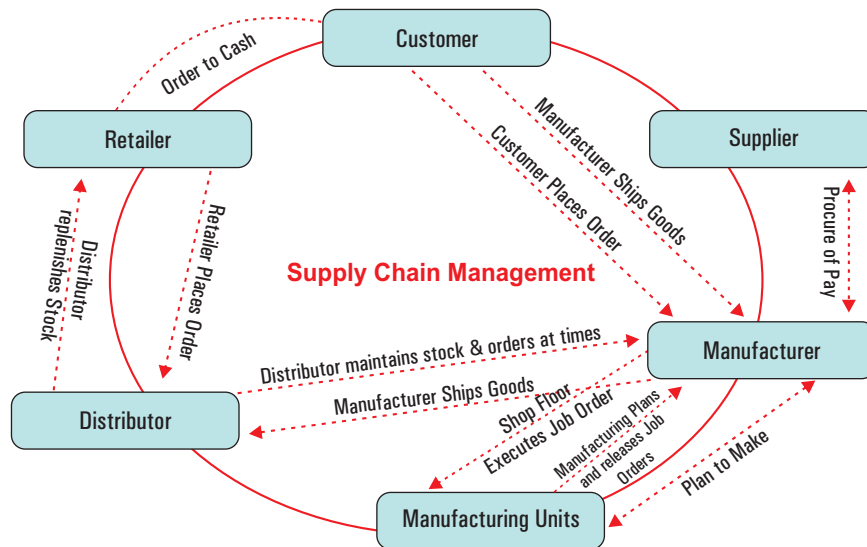
Manufacturing units: In those units manufacturers produce the products and with help of other factors like man, machine, money, materials etc.

Distributors: Distributors provide help to suppliers or manufacturers directly for selling their goods or services in the market and often collect all payments from customers and maintains an inventory of the supplier's or manufacturer's products.

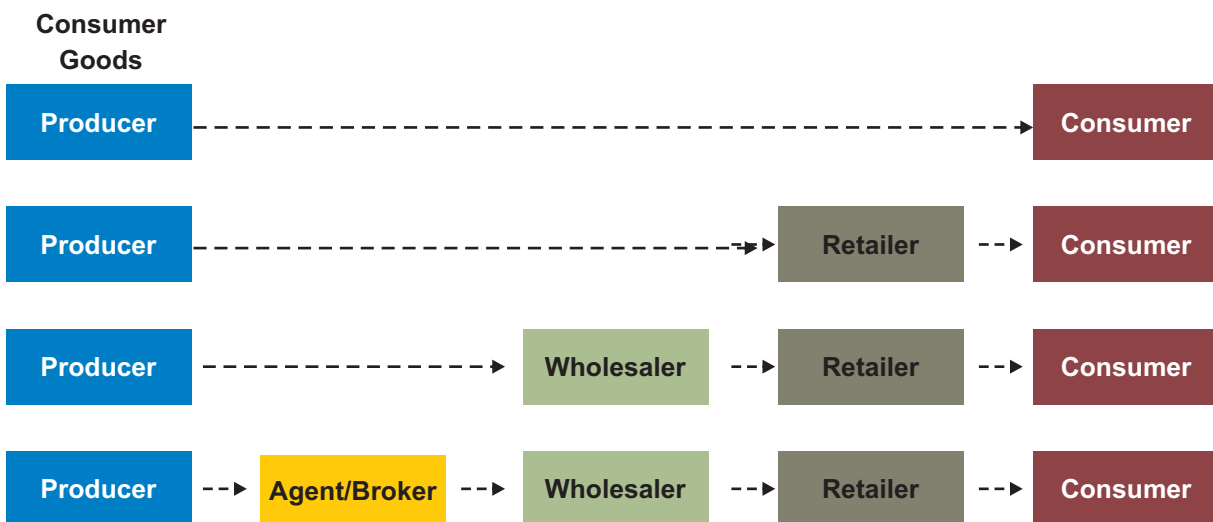
Wholesalers: Wholesaler is one of the important channels in physical distribution. Wholesaler may be defined as the middlemen who operates between the producers (from whom they purchase goods) and the retailers (to whom they sell goods). These people purchase material, finished products or services on bulk amount and sell to the retailers so it can reach to the ultimate customers.

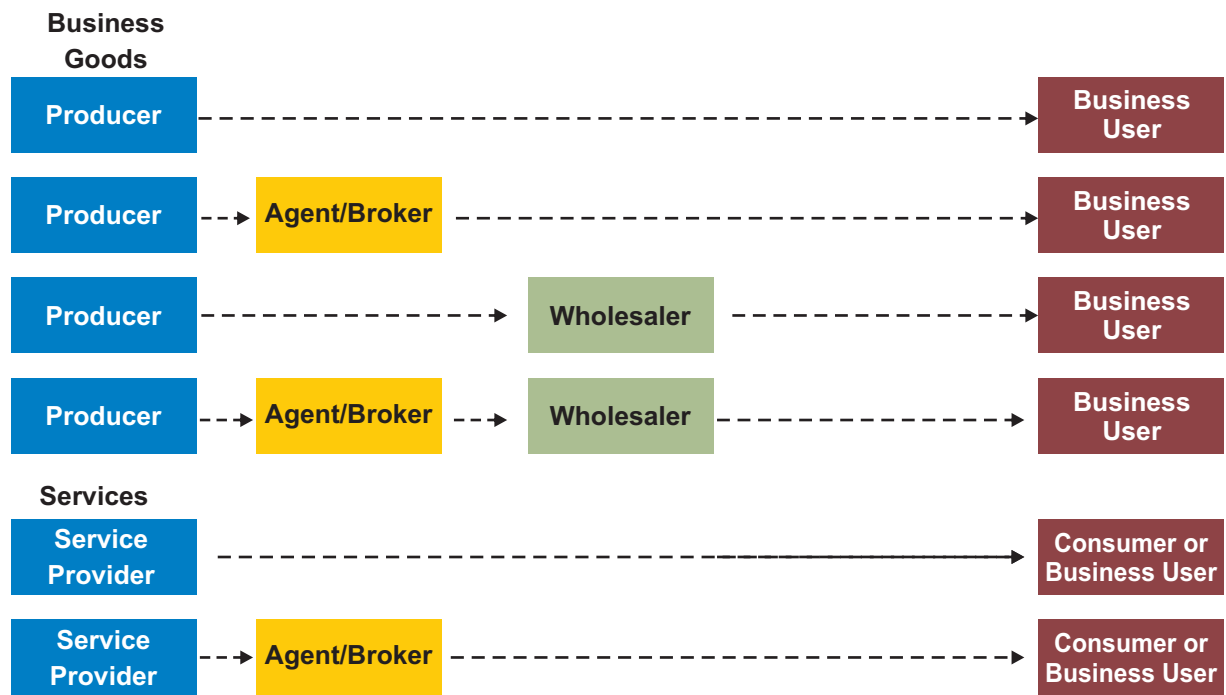
Retailers: This is a last person in the chain who sell his products and services to the customers. Retailers are part of an integrated system called the supply chain. A retailer purchases goods or products in large quantities from manufacturers or directly through a wholesaler, and then sells smaller quantities to the consumer for a profit. Retailing can be done in either fixed locations or online. Retailing includes subordinated services, such as delivery.

Participants in SCM



Channel of Distribution





Alternative Marketing Channels

Exercise: Assignment

1. Prepare a list of the skills and qualities required for retail sale agents.

a) Retailer

b) Wholesaler

2. Prepare a questionnaire for interview.

Assessment

A. Fill in the blanks

1. The function that requires to be performed in moving products from _____ to _____ includes various channel activities.

2. _____ provide help to suppliers or manufacturers directly for selling their goods or services in the market.
3. _____ are the organisers or businessman, engaged in the original production and assembly of raw materials, equipment, labours or services.
4. In Supply Chain Management there are various participant involved, from production level to _____ level.
5. A retailer purchases goods or products in _____ from manufacturers or directly through a wholesaler, and then sells _____ to the consumer for a profit.

2. Multiple choice questions

1. Supplier is often used synonymously with _____ but may also refer to an internal company resource.
 - (a) Vendors
 - (b) Wholesaler
 - (c) Retailer
 - (d) Producer
2. _____ are those units manufacturers produce the products and with help of other factors like man, machine, money, materials etc.
 - (a) Management
 - (b) Procedures
 - (c) Manufacturing units
 - (d) Co-workers
3. _____ collect all payments from customers and maintains an inventory of the supplier's or manufacturer's products.
 - (a) Manufacturer
 - (b) Retailer
 - (c) Wholesaler
 - (d) Distributor
4. _____ is a last person in the chain who sell his products and services to the customers.
 - (a) Agent.
 - (b) Retailers
 - (c) Dealer
 - (d) Manufacturer

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- » Explain the SCM for service industry.
- » What functions are involved in moving products from producer to end users?
- » What difficulties are faced while material/finished products handling?
- » How is warehouse management done?
- » Give principles of inventory management.

Part B

Discussed in class the following:

- » Who are the participants in SCM?
- » What are the alternative marketing channels in SCM?

Part C

Performance Standards

The performance standards may include but not limited to:

| Performance Standards | Yes | No |
|---|-----|----|
| Identify the participants involved in SCM. | | |
| Identify the alternative marketing channels in SCM. | | |

Session 4 : Steps in SCM

Relevant Knowledge

Supply Chain Management or SCM begins with 'bargaining' with suppliers and longterm relationships. Marketing departments analyse customer needs and demands for specific products, which insures the right negotiations with suppliers. Supply management aims at the procurement and purchasing of specific products, based on partnerships with suppliers. Logistics refers to the actual movement or delivery of products. It includes movements of goods into the retail distribution centre, movements within the centre and movements out of the centre and into the retail stores. Operations are the activities involved in converting the products supplied by the supplier into products sold to the retail customer.

Processes of Supply Chain Management

One could suggest other key critical supply business processes which combine these processes stated by Lambert (2004) such as:

- a) Customer service management
 - b) Procurement
 - c) Product development and commercialization
 - d) Manufacturing flow management/support
 - e) Physical distribution
 - f) Outsourcing/partnerships
 - g) Performance measurement
 - h) Warehousing management
-
- a) **Customer service management process:** Customer Relationship Management concerns the relationship between the organization and its customers. Customer service is the source of customer information.
 - b) **Procurement process:** Strategic plans are drawn up with suppliers to support the manufacturing flow management process and the development of new products.
 - c) **Product development and commercialization:** Here, customers and suppliers must be integrated into the product development process in order to reduce time to market.
 - d) **Manufacturing flow management process:** The manufacturing process produces and supplies products to the distribution channels based on past forecasts. It must be flexible to respond to market changes and must accommodate mass customization.
 - e) **Physical distribution:** In physical distribution, the customer is the final destination of a marketing channel, and the availability of the product/service is a vital part of each channel participant's marketing effort.
 - f) **Outsourcing/partnerships:** This is not just outsourcing the procurement of materials and components, but also outsourcing of services that traditionally have been provided in-house. The logic of this trend is that the company will increasingly focus on those activities in the value chain where it has a distinctive advantage, and outsource everything else
 - g) **Performance measurement:** Supplier capabilities and supply chain perspective in customer relationships can both be correlated with firm performance. As logistics competency becomes a more critical factor in creating and maintaining competitive advantage.
 - h) **Warehousing management:** In case of perfect storing at company level, it will help to reduce manpower cost, dispatching authority with on time delivery, loading & unloading facilities with proper area, area for service station, stock management system etc.

Supply Chain Management (SCM) is the combination of art and science that goes into improving the way your company finds the raw components it needs to make a product or service and deliver it to customers. The following are five basic components included in the steps of SCM.

1. **Plan** - Plan is the first step in SCM. It is demand Planning and forecasting: Accurate demand forecasting is considered one of critical success factors in Supply Chain Management. Companies need a strategy for managing all the resources that go toward meeting customer demand for their product or service. A big piece of SCM planning is developing a set of metrics to monitor the supply chain so that it is efficient, costs less and delivers high quality and value to customers. Demand forecasting is an ongoing process. Supply Chain Management systems can generate alerts at the frequencies of user preference, whether it's on a weekly or monthly basis.
2. **Source** - Source is also called Procurement. Which is the process of choosing the suppliers that will deliver the goods and services you need to manufacture or assembly your products or to create your services. Therefore, supply chain managers must develop a set of pricing, delivery and payment processes with suppliers and create metrics for monitoring and improving the relationships. It involves price negotiation, receiving, and verifying the shipments, transferring them to the manufacturing facilities and authorizing supplier payments.
3. **Make** - Make is the manufacturing and assembly step. Raw components are assembled into final products or raw materials which are manufactured into finished goods. Supply chain managers schedule the activities necessary for production, testing, packaging and preparation for delivery.
4. **Deliver**: Products or services are delivered to consumers. Distribution involves warehousing, delivering, invoicing and payment collection this is the part that many SCM insiders refer to as logistics, develop a network of warehouses, pick carriers to get products to customers and set up the system to receive payments.
5. **Return**: Return and refund are important parts and also the problem parts of Supply Chain Management. Supply chain planners have to create a responsive and flexible network for receiving defective and excess products back from their customers and supporting customers who have problems with delivered products.



Exercise: Assignment

1. Name the various steps in SCM?

RETAIL OPERATIONS - II

2. Prepare a Module of SCM for Big Bazar.

3. Explain the Lambert process for SCM with the help of any one business model

Assessment

A. Fill in the blanks

- _____ aims at the procurement and purchasing of specific products, based on partnerships with suppliers.
- Accurate _____ is considered one of critical success factors in Supply Chain Management.
- _____ involves warehousing, delivering, invoicing and payment collection this is the part that many SCM insiders refer to as logistics.
- _____ must develop a set of pricing, delivery and payment processes with suppliers and create metrics for monitoring and improving the relationships.
- _____ will help in reducing manpower cost, dispatching authority with on time delivery.

B. True or false

- Plan is the first step in SCM.
- Delivery is the last step in SCM.
- Every organization should follow the steps involved in SCM.
- Elimination of any one chain in the channel will disturb Physical distribution system.
- Source is also called Procurement.

C. Match the column

- | A | B |
|-------------------------|------------------------------------|
| 1. Delivery | (i) Physical distribution of goods |
| 2. Sole agent | (ii) Logistics |
| 3. Warehouse | (iii) Steps in SCM |
| 4. Time | (iv) Direct chain |
| 5. Producer to consumer | (v) Principle of SCM |

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- » What is supply chain management?
- » Explain steps taken in product development.
- » How demand analysis is done?
- » What steps are taken in order fulfillment of customer?
- » Need of study of buyers behaviour in SCM.

Part B

Discussed in class the following:

- » What are steps involved in SCM?
- » What are the components covered in SCM?

Part C**Performance Standards**

The performance standards may include but not limited to:

| Performance Standards | Yes | No |
|--|-----|----|
| Identify the steps in SCM and explain the process of each step. | | |
| Identify the components of SCM and analyse features of components. | | |

UNIT-4 BILLING AND ACCOUNTING PROCEDURES IN RETAILING

| Unit Code: RS-408 NQ-2012 | Unit Title: Billing and Accounting Procedures in Retailing | | | |
|--|---|---|---|--|
| Location: Classroom Retail Shop or Departmental Store | Duration: 25 Hours | | | |
| | Session 1: Billing Procedures | | | |
| | Learning Outcome | Knowledge Evaluation | Performance Evaluation | Teaching and Training Method |
| | 1. Describes the Basic Understanding & Competencies for Billing Personnel | 1. State various types of Billing and Accounting Heads 2. Understanding basic accounting terminologies related with Billing & Accounting Procedures. Example: Service Tax, Sales Tax, VAT, Other Duties etc. | 1. Calculate the routine Accounting and Billing Transactions 2. Explain the various taxes and duties related with Billing to Customer | Interactive lecture: Understanding Basic Accounting and Billing Procedures. Activity: Role Plays and Activities based on Billing and Accounting Procedures. |
| | 2. Handle the various Modes of Payments during Billing Process | 1. Describe various Modes of Payment. 2. State the precaution to be taken while handling the modes of Payments 3. Understanding uses of Various Equipments used in Payment Process | 1. Differentiate between various modes of Payments 2. Collect and Operate various Payment Modes 3. Operational Knowledge of Various Equipments in Payment Process | Interactive Lecture: Based on Modes of Payment Activity: On-the-job to handle payments in retail organization. |
| | Session 2: Fundamentals of Accounting | | | |
| | 1. Understand the objectives, characteristics and types of accounting | 1. Describe the objectives of accounting procedure in retailing | 1. Apply the fundamental accounting procedure | Interactive lecture: Objectives, Characteristics and types of Accounting |

| | | | |
|---|---|---|---|
| 5. Analyze the applicability of the accounting principles and explain the advantages and limitations of accounting. | <ol style="list-style-type: none"> 1. Describe the accounting principles. 2. State the advantages and limitations of accounting | <ol style="list-style-type: none"> 1. Adopt the suitable accounting principles as per the retail business. 2. Identify the advantages and limitations of accounting | Interactive lecture: Accounting Principles and advantages & limitations of accounting Activity: Visit to retail store and observe what kind of accounting principles adopted in the retail business. |
| Session 3: Journal, Ledger and Subsidiary Books | | | |
| 1. Describe the features, contents of journal | <ol style="list-style-type: none"> 1. Describe the features of journal 2. State the contents of journal | <ol style="list-style-type: none"> 1. Identify the features of journal 2. Select the suitable contents of journal | Interactive lecture: Features and contents of journal Activity: Visit to retail hyper market and on-the-job to prepare journal based on giving retail transactions. |
| 2. Explain how to posting the entries in the ledger and what are the formalities followed for preparation ledger | <ol style="list-style-type: none"> 1. Describe the features of ledger 2. Understand the formalities followed for preparation of ledger | <ol style="list-style-type: none"> 1. Identify the features of ledger 2. Select the formalities followed for posting, entries in the ledger | Interactive lecture: Preparation of ledger Activity: Visit to retail hyper market and on-the-job to posting retail accounting entries in the ledger. |
| 3. Classify the subsidiary books and explain how to prepare them | <ol style="list-style-type: none"> 1. Describe the meaning of subsidiary books 2. Procedure to record the transaction in subsidiary books | <ol style="list-style-type: none"> 1. Appreciate the important of subsidiary books 2. How to record the transaction in subsidiary books 3. How to posting entries in | Interactive lecture: Preparation of subsidiary books Activity: Visit to the retail store and on-the-job training to preparation of |

| | | | | |
|--|--|---|--|---|
| | | 3. Procedure to posting entries in ledger account from the subsidiary books | ledger account from the subsidiary books | subsidiary books from the giving retail business transactions. |
| | 4. Explain the types of cash book and how to prepare different cash books | 1. Describe the types of cash book. 2. Procedure to prepared different types of cash books. | 1. Identify the types of cash book. 2. Prepare different types of cash books. | Interactive lecture: Preparation of different types of cash books. Activity: Visit to retail hyper market and on-the-job to preparation of different types of cash books and balancing correctly. |
| | 5. Describe the features of bank reconciliation statement and explain the procedure for reconciled the cash and pass books | 1. Describe the features of bank reconciliation statement 2. Procedure for reconciled the cash and pass books transactions | 1. Identify the features of bank reconciliation statement 2. Prepared the bank reconciliation statement. | Interactive lecture: Preparation of bank reconciliation statement Activity: Visit to the retail store and on the-job to preparation of bank reconciliation statement. |
| Session 4: Trading, Profit & Loss Account and Balance Sheet | | | | |
| | 1. Describe the Procedure involve in preparation of trading account | 1. State the various terms to be entered in trading account 2. Explain the steps of preparation of trading account | 1. Differentiate between trading and profit and loss account 2. Prepare a trading account from the given balances of trial balance. | Interactive Lecture: Preparation of the Trading account Activity: Prepare a trading account from a given trial balance of a retail firm. |
| | 2. Describe the Procedure involve in preparation of profit & loss account | 1. State the various terms to be entered in profit & loss account 2. Explain the | 1. Demonstrate the items coming under profit & loss account 2. Prepare a | Interactive Lecture: Preparation of the profit & loss account |

| | | | | |
|--|---|---|--|---|
| | | steps of preparation of profit & loss account | profit & loss account from the given balances of ledger. | Activity: Prepare a profit & loss account from a given trial balance of a retail firm. Activity: Prepare a trading account from a given trial balance of a retail firm. |
| | 3. Appreciate the balance sheet and how to prepare a balance sheet in retailing | 1. State the items to be entered on the assets and liability side of balance sheet 2. Use fullness of balance sheet. | 1. Differentiate between balance sheet & trading and profit & loss account 2. Different between current assets and fixed assets 3. State the importance of preparation of balance sheet. | Interactive Lecture: Balance sheet Activity: Visit to the retail store and observe how to prepare trading profit and loss accounts and balance sheet from given balances and prepare a report. |

Introduction

We all know that “cash is king” is the mantra of any well run business. Cash is the fuel that drives growth when times are good, and the cushion that helps weather the storm when times are rough. Yet few companies focus on optimizing all the business processes that get cash “in the door”. To start, let’s look at the process of “getting cash in the door” in more detail. First, many steps are involved in the process. A customer has to initiate the process, compelling products and services with pricing that attract attention need to be available and easy to understand, the order needs to be created and fulfilled, billing preferences need to be established, and payment collected.

Billing automation and an integrated, end-to-end customer life-cycle management solution approach help to minimize the risks by providing seamless work flows and a unified 360° view of a customer’s current and past interactions with your business. With complete, accurate information available to your customer service representative, or to your customer directly, customer satisfaction can be maximized.

Whatever kind of mercantile activity be there, it needs the basic knowledge of retail accounting. Retail market is one of the busiest place and buzzing whole day long with financial and marketing transactions taking place rigorously. It is practically impossible to keep track of all the product

inventories, retail accounting, and other business transactions happening rapidly. Professionals handling the accounting should be efficient enough to keep the record and monitor the transactions on day to day basis without any interruption and errors. Retail accounting experts are capable and experienced enough to keep sharp look at all the records and account maintenance with the years of expertise supporting them. Credit book, inventory, defaulter book, monthly profit and loss records with sales book require extra attention, which retail accounting experts handle efficiently and complete the reports with complete error free data.

Internal controls for a business are similar to checks and balances in the government; they are processes put in place to make sure things stay on the right track. Internal controls are useful for every business but are critical for companies with employees, especially employees who handle valuable assets. Retail businesses in which customers have direct access to small products can also benefit enormously from internal control procedures. While internal controls are crucial for helping you detect dishonesty, they can also help you reduce the risk that simple mistakes will keep you from seeing your company's true financial picture.

Keeping in view of great importance of Billing and Accounting in the retail business we introduce this module. In this module we cover the aspects billing procedures in retailing and accounting procedures in retailing such as fundamental of accounting, preparation of journal and ledgers, trading account, profit & loss account and balance sheet.

Session-1: Billing Procedures

Relevant Knowledge

We all know that “cash is king” is the mantra of any well run business. Cash is the fuel that drives growth when times are good, and the cushion that helps weather the storm when times are rough. Yet few companies focus on optimizing all the business processes that get cash “in the door”. To start, let's look at the process of getting cash in the door” in more detail. First, many steps are involved in the process. A customer has to initiate the process, compelling products and services with pricing that attract attention need to be available and easy to understand, the order needs to be created and fulfilled, billing preferences need to be established, and payment collected.

While this process seems basic, it can vary widely from one type of business to another. More or less complexity can impact one or several steps in the process. Self service, call center, or in person order processes might vary.

Credit policies and payment options might vary by type of customer or size of order. All of these things and others can impact the customer experience at any stage in the process and kill the transaction, leave a bad taste with the customer, or hopefully, create a loyal and satisfied high-value customer.

For purposes of this white-paper, we call this overall process - Customer Life-cycle Management (CLM). It is the end-to-end integrated workflow processes that are involved in any customer interaction. This broad definition is key because optimizing the complete “customer life cycle” from the point at which a customer interaction is initiated, to the point in time when the business has

access to the cash from that interaction, is an area of critical importance and often overlooked or not well understood.

A Competitive Advantage since customer interactions often involve multiple steps, moving from one step to the next involves risk that something might go wrong and negatively impact the customer experience. Billing automation and an integrated, end-to-end customer life-cycle management solution approach help to minimize the risks by providing seamless work flows and a unified 360° view of a customer's current and past interactions with your business. With complete, accurate information available to your customer service representative, or to your customer directly, customer satisfaction can be maximized.

This is critically important in recurring revenue/subscription-based business models where an on-going series of interactions form the customer experience, and ultimately, the business' ability to reliably "get cash in the door". These businesses must manage customers in terms of interactions rather than transactions. Effective order, billing, and payment processes enable organizations to optimize their most frequent communications with their customers in a whole new way. In other words, the billing process is no longer simply a routine, isolated back-office activity, but rather an integrated business strategy that provides competitive advantage.

All Too Common Billing

Misperceptions even in this hyper-competitive day and age, where the Internet has made customer choice easy to attain and bad experiences are broadcast far and wide, order management, billing, and payment processes are often an afterthought. Anyone responsible for the success of a recurring revenue/subscription-based business knows the cost of not executing well can be significant. No one can afford to lose valuable customers because of order, billing, or payment problems.

Worse still, a business' growth potential could be limited or even hampered if it can not adapt and offer flexible billing and payment methods to attract new customers. Who wants to tell the CEO the new product launch will be delayed or the new pricing strategy will not work because "we can't bill for it". Unfortunately, there are several common misperceptions and mistakes companies make when hosing and implementing a billing solution.

A back office system is put in place and while it might meet one critical need (order management, processing credit cards, simple invoice generation, etc.) it does not meet the end-to-end requirements of the total customer life-cycle - customer self service, activation & provisioning, usage processing, delivery, billing options and processing, payment processing, credit and collections, etc.

This "wrong tool for the job" problem often occurs because businesses think a complete solution would be too costly to acquire as well as integrate, customize and then modify, as the business needs change. It is not uncommon to see "home grown" systems built when the business was small that struggle with scale and flexibility, extensive customization to make multiple systems "talk" to each other, or extensive manual processes and spreadsheets used to hold the entire process together.

Success Requires a Plan. For many companies, the back office consists of a plethora of individual point solutions including accounting software, a merchant account, spreadsheets, paper based fulfillment, and lots of notes. Not surprisingly, these systems don't scale as the business grows or form a seamless workflow process. A real plan for scalability and interoperability is need to be part of the initial product/service requirements. Volume of transactions and invoices, complexity in pricing, taxation, inventory, workflow, payments, or sales channels, and integration with complimentary systems all need to be considered in advance and the underlying billing must be able to be configured to support these key customer oriented processes, now and into the future.

The maximum number of customer interaction that one faces in a retail store is the cash counter. Hence it becomes very important to keep the cash counter very efficient and manned at all times. An effective and neat cash counter is a sign of a very professionally managed store.

It's the responsibility of the cash counter in-charge or the head cashier to see to it that each and every cash counter is managed properly. At start of the trading it's important that the cashier assigned to a specific cash counter needs to look into the following points:

- » The cash counter is neat and tidy
- » To ensure the cash till/POS machine is working
- » To check all telephone lines and EDC machines are working
- » To ensure stationery is available
- » To ensure returns are sent back

Cashiers should ensure that Q-managers are in place in front of the cash counter to avoid crowding of customers in front of the cash desk.

The head cashier should ensure this is practiced religiously every day. Usually a head cashier is expected to generate a report which shows the total number of transactions done in all the cash counters, a detail SKU wise report, a detail tender wise report and a detail report in all individual cash counters which will reflect all the cancellations done, refunds made, and any other specific transaction made apart from the billings made. Based on these reports the head cashier has to submit his daily submission report to the store manager. Also all investigations are done based on these reports. Some software also has the efficiency to generate report period wise, apart from date wise, and also time wise, i.e. between a specific time periods in a day, individually in all cash counters. The more the reports are detailed the easier it becomes for a head cashier to investigate a case.

This highly loaded POS is capable of integrating with all types of POS accessories.

Users reduce the waiting time of their customers at billing counters. They also prevent shrinkage loss at the front end of the store by eliminating chances for malpractices & mistakes. The Key Features retail billing is as under:

- » Provisions to capture additional information in invoice helps better tracking in cases of home delivery

- » Easy to use Product search interface helps in quick & efficient product search based on different parameters like product code, name, product alias & barcode
- » Supports EAN, UPC, GTIN, QR and custom designed bar code scan
- » Hold bill is great feature to hold a particular bill & resume it after some time
- » Facility to maintain scanned copies of important documents in the software for parcel entry tracking
- » Supports Exchange feature which allows setting of multiple exchange prices for the same product
- » Supports Exchange scheme in billing. Multiple exchange price can be defined for the same product based on condition
- » Supports retail & tax invoice
- » Quotation/Proforma/Sales Order/DN to Sales Bill conversion
- » Fix price of the product depending on purchase price or as per demand. This results in fixing optimum selling price if same product is purchased at different rates
- » Swipe card readers interface to reduce credit/debit card tender time
- » Supports all types of payment modes like Cash, Card, Coupon, Gift voucher, mixed payment tender type such as part cash, part credit card, etc
- » Auto recovery & Offline billing possible if connection with server is disturbed
- » Supports Till Management which facilitates recording of all sales, purchase details & cashing up
- » Supports exchange dues
- » Due bill payment feature allows processing of unsettled bills
- » Facility to maintain manufacturer, supplier & your own product code



Solution Highlights

Easy, Fast & Robust Billing

Enhance billing through the integration of barcode scanners and weighing scale to the POS. The cashier just needs to scan the products & print the bill. In some cases, they can even hold a bill and recall the same thereby serving the long queue of customers faster.

Re-order based on Sales/Stock

Our comprehensive re-order features help you plan replenishment wisely based on previous PO, purchased quantity and item sold quantity for a particular period. You can also generate supplier-wise PO by analyzing last 'N' day, weekly, monthly & yearly sales details.

Purchase Formula & Price Level

Simplify purchase entry for each one of your supplier using our PURCHASE FORMULA with discounts, taxes, freight, etc. It takes one time configuration that helps you to do inward process entry easily without any mistakes & effortlessly.

Effective Day-end Process

You need to have control over the billing counter staff to prevent pilferage. Achieve this by using snapshot, session management, till management & cash hand over features in your POS. In-fact, day-end report will reflect counter-wise excess or shortage of cash accurately.

Repacking, Split & Kit items

Inventory of grocery items which are purchased in bulk quantity and later repacked in small quantities are manageable. Items can also be bundled as a KIT item like gift pack.

Home Delivery & Due Bill

Orders which need to be delivered at the doorstep can be billed as Due bill. Type of payment by customer can be captured later with delivery status.

Credit Card & Coupon Tracking

Entire cycle of debit or credit card and coupon transactions are trackable in detail. Apart from that, you can also trace coupons collection, deposit and reimbursement details.

Swipe Card Reader Interface

By integrating swipe card readers, the job of cashier becomes much more easy. Card payments get captured directly without manual entry and ensures accuracy.

Check Actual & Analyze Status on the go to Support Decision Making

Go-Frugal's report tool is very flexible, easy to use, fully customizable. It provides MIS reports that help decision making, analyzing the trends & competition. This helps you to know the current status of the stores, keeping track of various transactions, etc. This reporting tool includes more than 350 pre-defined reports & designed to take care of all reporting needs of any business. Go-Frugal's Web reporter, an add on product gives you the ability to see reports on the Internet via browser from remote locations. The Key Features of this Web reporter is as follows:

- » Report personalization allows you to configure the reports i.e. grouping fields in a report, customizing columns display order, related reports can be grouped/mapped & report filters can be customized.
- » Reports can be added to "My report" for frequently viewed reports.



- » All reports can be exported to Excel, HTML, PDF & mail formats.
- » Comprehensive stock, sales & purchase analysis based on product, distributor, manufacturer, category & returned transaction.
- » Supports generation of Inventory Analysis reports such as age analysis, product margin, category-wise stock & excess stock.
- » Master data analysis like newly created customers list for a given period.
- » Salesman commission analysis based on total value of sales, sales return, commission slab based or product age based.
- » Generates list of Top N customer for month, non-regular customers, fast & slow moving products, dead stocks/non-billed products, inventory transaction, etc.
- » Supports report scheduler & report security (reports can be configured by each user).
- » Supports Day end report for filtering the records on a given date for given bill types & choose the bill to edit (in Bill Entry Screen).
- » Generates other reports like Sales & Purchase tax, Price level, Price drop, repack, current stock, stock re-ordered, stock ledger, stock movement, etc.
- » Users can create customized report templates by defining & selecting fields.

Telecom Retail Billing

When we talk about telecom billing then by default it is about retail billing. As defined earlier telecom retail billing is defined as follows:

Telecom Billing is a process of collecting usage, aggregating it, applying required usage and rental charges and finally generating invoices for the customers.

Telecom billing process also includes receiving and recording payments from the customers.

Retail billing deals directly with the end customer and comes with lot of challenges to meet end customer expectations and regulatory obligations. A billing is assumed to be successful as long as it is fulfilling following criteria:

- » **Timely Billing:** End customer's invoice is being generating on time i.e. nominal date. There may be some circumstances when end customer does not get their invoices on time because of some logistic issues. But it is IT's responsibility to generate all the due bills on due date.
- » **Billing Accuracy:** This is most important factor for the customer satisfaction and from regulatory obligation point of view. If billing system is not generating accurate bills then it can lead to serious business issue from legality point of view as well as leaving a customer in unhappy state.

Retail Vs Wholesale Billing

Retail billing deals with end customer and billing an individual customer where as wholesale billing dealing with billing to the following entities depending on situation and nature of business:

- » Billing resellers associated with a telecom operator.

- » Billing interconnects partners for providing interconnection to make calls to other operators' customers.
- » Billing roaming partners for providing services to their customers when they roamed in an operator's coverage area.

Wholesale billing is easy in comparison of retail billing and allows a big level of threshold of tolerance where as retail billing always needs to be 100% accurate. Wholesale billing can never if 100% accurate because of various reasons like difference in prices configured in two operators systems or difference in number of calls rated because some of the calls may got missed at any network element.

There are specialized billing systems which are being used to handle retail billing like Convergys and Amdocs Billing systems are famous for retail billing where as ASCADE and INTEC billing systems are famous for wholesale billing.

Wholesale billing can also be settled using retail billing systems by using simple reports because they do not deal with to many discounts and promotion types where as retail billing needs all these complications and can not be handled using wholesale billing systems.

All the concepts discussed so far in this tutorial was related to retail billing and subsequent chapters will discuss about interconnect billing, roaming billing and other billing types.

Exercise: Assignment

1. List any five key features of retail billing is as under.

2. List out five features of Go-Frugal's Web reporter.

3. What is wholesale billing?

4. Visit two malls or stores of your nearest area observe the billing procedure and write your report comparing of two stores for billing procedure and summarize with suggestions to improve billing in the store.

Note: For this assignment you can gather to 10-20 customers of each store, suggestions on billing procedure of each store.

Assessment

A. Fill in the blanks

1. It's the responsibility of _____ to see that every cash counter is managed properly.
2. _____ features which allows setting of multiple exchange prices for the same product.
3. Auto recovery and _____ is possible is connection with server is distributed.
4. Telecom billing process includes _____ and _____ payments from the customers.
5. Wholesale billing can also be settled using _____.

B. Multiple choice questions

1. Placed cashier is expected to generate report which shows that-
 - a) Total number of transaction done
 - b) Detail SKU wise report
 - c) Detail tender wise report
 - d) All the above
2. Orders which need to be delivered at the doorstep can be billed as-
 - a) Due bill
 - b) Received bill
 - c) Accepted bill
 - d) None of the above
3. Billing accuracy is most important factor for-
 - a) Customer satisfaction
 - b) Reseller satisfaction
 - c) Purchase satisfaction
 - d) None of the above
4. Go-Frugal's report provides-
 - a) Comprehensive stock analysis
 - b) Sales & purchase analysis based on product,
 - c) Distributor, manufacturer, category & returned transaction.
 - d) All the above

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- » Describe billing procedures.
- » Responsibilities of billing in-charge.

Part B

Discussed in class the following:

- » What is the billing procedure?
- » What are the responsibilities of billing in-charge?
- » What are the key factories of retail billing?
- » Effective billing solutions.
- » Wholesale and telecom billing.

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

| Performance Standards | Yes | No |
|---|-----|----|
| Able to identify billing procedure in retail. | | |
| Able to identify key features of retail billing. | | |
| Able to identify responsibility of billing in-charge. | | |

Session 2: Fundamentals of Accounting

Relevant Knowledge

Accounting is an ancient art as old as money itself; however the role of accounting has been changed with the economic development. Until recently accounting was regarded as an art of recording, classifying and summarizing accounting transactions. But accounting now a days regarded as a science activity, the function of which is to provide information for decision making purposes. It includes several branches such as Financial Accounting, Cost Accounting and Management Accounting

Accounting is the art and science of recording, classifying and summarizing and analyzing of financial transaction of an organization. The need for recording the transactions arises because it is not possible to remember all the transactions taken place over a period of time. The main objective of accounting is to keep a record of financial transactions so as to ascertain the profit made or Loss incurred on account of carrying out the business during a specified period and also to know the financial position of a business as on a particular date.

Accounting deals with the collection, recording, classification, summarizing and presentation of financial data for the benefit of various users viz. Managers, owners / shareholders, creditors, bankers, customers, government, etc.

R. N. Anthony, 'Accounting is a system of collecting, summarizing, analyzing and reporting the information of the business in monetary terms'.

Smith and Ashburne define Accounting as 'Accounting is the science of recording and classifying business transaction and events, primarily of a financial character and the art of making'.

Objectives of Accounting

The following are the main objectives of accounting:

1. **To maintain the records of a business:** The main objective of accounting is to maintain the records of an organization in a systematic manner. This is known as **Book-keeping**.
2. **To ascertain Profit or Loss:** The profit earned or Loss incurred during a specific period (usually for a period of one year) can be calculated from the accounting books.
3. **To ascertain Financial Position:** By preparing financial statements like Profit and Loss account and Balance sheet the financial position can be ascertained easily. From these statements it is possible to know the profit or loss and the assets owned by the firm and liabilities of the firm.
4. **To communicate financial information:** Accounting is called the language of business. It communicates the financial information to various interested parties

Characteristics of Accounting

Accounting has the following characteristics:

Understandability: Accounting information is to be presented in such a way that it is understandable to the users.

Relevance: Accounting information helps the user in decision making. The information so provided is relevant to that particular situation.

Consistency: There should be consistency in the application of accounting policies adopted by a firm.

Comparability: The accounting information provided by a firm must be comparable to that of similar firms over a period of time.

Reliability: The accounting should provide the true and fair picture of the operations of a firm.

Objectivity: An important feature of accounting is that it is not biased. And the accounting reports are neutral.

Functions of Accounting

Accounting is useful to the management as well as to other users such as owners, creditors,

investors, government and others. It provides information regarding the status of the organization and results of its operations. The following are the functions of accounting:

1. **Recording of information:** Accounting is an art of recording financial facts of an organization. As it is not possible to remember each and every transaction of the business it is necessary to supplement human memory. The information is recorded in various books. The books to be maintained in an organization may be purchase book, sales book, purchase returns book, sales returns book, cash book etc.
2. **Classification of data:** The classification data means that the data of one nature is placed at one place. This is done in a book which is called 'Ledger' For example Salaries, Rents, interest, Assets, Liabilities etc. These accounts will be opened in the ledger under various heads relating to these accounts and entries will be posted into these accounts.
3. **Making summaries:** Another function of financial accounting is to summarize the recorded data. The classified data is used to prepare final accounts i.e. profit and loss account and balance sheet. The profit and loss account is the summary of various revenue items and expenditure items and the balance sheet is the summary of various assets and liabilities.
4. **Dealing with financial transactions:** Only those transactions which can be measured in terms of money are recorded. Anything which can not be measured in terms of money does not form a part of financial accounting.
5. **Interpreting Financial Information:** Accounting information is modified in such a way that it is interpreted by the users for drawing conclusions. The users such as creditors investors, bankers shareholders are able to form an opinion about the profitability and financial position of the business
6. **Communicating Results:** Financial accounting is not only concerned with the recording data but also concerned with communication of results. The profitability and financial position of the organization are communicated through profit and loss account and balance sheet. This information is supplied at regular intervals.
7. **Providing Reliable Information:** Another important function of financial accounting is to make the information more reliable and useful.. This is done by adopting internationally accepted accounting standards for the preparation of accounts.

Functions of an Accountant

The job of an accountant involves the following types of accounting work:

1. **Designing work:** It includes the designing of the accounting system, basis of identification and classification of financial transactions and events, forms, methods and procedures etc.
2. **Recording work:** The financial transactions are identified, classified and recorded in appropriate books of accounts. This is known as book-keeping.
3. **Summarizing work:** The recorded transactions are summarized into various statements viz. profit and loss account, balance sheet, funds flow statement and cash flow statement.

4. **Analysis and interpretation work:** The financial statements are analyzed by using the tools of analysis such as Ratios analysis, Break-even-analysis, comparative statements, common size statements etc.
5. **Reporting work:** The summarized statements along with analysis are communicated to various users' creditors, shareholders, investors, government etc.
6. **Preparation of budget:** Another important function of an accountant is to prepare various budgets like cash budget, capital budget, purchase budget, sales budget.
7. **Taxation work:** The accountant has to prepare various statements and returns pertaining to income-tax, sales tax, excise and customs duties etc., and file the returns with the concerned tax authorities.
8. **Auditing:** The accountant has to verify the books of accounts, statements and reports in order to ensure the accuracy.

Bookkeeping and Accounting

The terms book-keeping and accounting are used interchangeably, but they differ from each other.

Book-keeping involves the chronological recording of financial transactions of an organization in a set of books in a systemic manner. The main function of a book keeper is to maintain the books of original entry i.e., Journal, Ledger, etc.

Accounting is on the other hand is much wider term which includes recording, classifying and summarizing of financial transactions and also making interpretations of the results of the business and report to the users.

Double Entry Book Keeping System

It is a scientific system of recording transactions in the books of accounts. Under double entry book keeping system both the aspects of a transaction are recorded. "Double entry" means, recording of the two fold aspects of a transaction. A transaction affects two accounts in opposite direction. If one account is debited another account will be credited with the same amount. So, every debit will have corresponding credit and a vice-versa.

1. Two parties are necessary.
2. Transaction should have the effect of receiving the benefit and giving of such benefit which is measurable in terms of money.
3. Every account will have two sides debit side credit side. Benefit received is recorded on debit side and benefit given is recorded on the credit side.
4. Both the effect of transaction are recorded simultaneously.
5. Result of each account can be ascertained.

Classification of Accounts

In the double entry book keeping system the accounts are classified into the following three categories:

1. **Personal Accounts:** These accounts are relating to the names of individuals, firms, companies, bank, co-operative societies, etc.
2. **Real Accounts:** These are accounts of business assets like Plant and machinery, furniture, land and building, cash and goods, etc.
3. **Nominal Accounts (fictitious account):** These are the accounts of expenses, incomes, losses and gains.

Rules of Double Entry

1. Personal Account – Debit the receiver of benefit Credit the giver of benefit
2. Real Account – Debit what comes in Credit what goes out
3. Nominal Account – Debit the expenses and losses Credit the incomes and gains

Steps in Application of Rules:

1. Find out which are the two effects/accounts affected in the transaction.
2. Find out to which class above accounts belong to (Personal, Nominal, Real).
3. Apply the respective rules and decide which account is to be debited and which account is to be credited.

Types of Accounting

The important branches of accounting are Financial Accounting, Cost Accounting and Management Accounting.

1. **Financial Accounting:** The purpose of financial accounting is to ascertain the financial results of a firm i.e. the profit made or loss incurred in the operations during a specific period. It is also aimed to know the financial position i.e. the assets and liabilities position as on a particular date. It also provides relevant information to the management for decision making purposes. It is helpful for planning and controlling the operations of the business.
2. **Cost Accounting:** The purpose of cost accounting is to analyze the expenditure so as to ascertain the cost of various products manufactured by the firm and fix the prices. It also helps in controlling the costs by providing the necessary cost information to the management for decision making purpose.
3. **Management Accounting:** The purpose of management accounting is to assist the management in taking rational decisions. For example, pricing decisions make or buy decisions, capital expenditure decisions etc. This branch of accounting is primarily concerned with providing necessary accounting information about funds, costs, profits etc., to the management.

Systems of Accounting

The following are the three main systems of accounting:

1. **Cash System of Accounting:** In this system, accounting entries are made only when cash is

received or paid, No entry is made when a payment or receipt is merely due. Government system of accounting is maintained on this system. Generally, non-profit organizations particularly professionals prepare Receipts and Payments Account on this basis.

2. **Mercantile System of Accounting:** This is also known as accrual system of accounting. Under this system entries are made on this basis of amounts having become due for payment or receipt. This system attempts to record the financial affects of the transactions, events and circumstances of the firm in the period in which they occur. The objective of this system is to relate the revenue in terms of cost so that reported net income measures a firm's performance during a period instead of merely listing its cash receipts and payments.
3. **Fixed System:** This system is the combination of cash system and mercantile system. Under this system Income are recorded on cash basis and expenses are recorded on accrual basis. The net income is ascertained by matching expenses on accrual basis with incomes on cash basis.

Users of Accounting Information

Different categories of users need different kinds of information for various purposes. The users of accounting information can be divided into two categories viz. internal users and External users.

1. Internal Users

- a) **Managers:** These are the persons who manage the business at various levels i.e., top level, middle level and lower level. Their requirements of information are different because they take different types of decisions.
- b) **Employees:** The employees are interested to know about the financial position of the company to demand for higher salaries and other benefits.

2. External Users

- a) **Investors:** Those who are interested in buying shares of a company are interested in the financial statements to know about the safety of their investments already made and how safe are the proposed investments.
- b) **Creditors:** Lenders are interested to know whether their loan, principal amount and interest will be paid as and when due. Suppliers and creditors are also interested to know the ability of the firm to pay their dues on time.
- c) **Government:** Governments all over the world are the financial statements for preparing Nations Income accounts. The financial statements are useful for tax authorities for calculating taxes.
- d) **Public:** The public at large is interested in the functioning if the enterprise because it may make a substantial contribution to the local economy in many ways.
- e) **Researchers:** The financial statements are very much useful to the researchers to undertake research in various aspects.
- f) **NGO's:** NGO's may also be interested in various aspects like corporate social responsibility etc.

Accounting Principles

The Accounting principles are broadly classified into two categories.

1. Accounting Concepts

- » Business entity concept
- » Going concern concept
- » The cost concept
- » Dual aspect concept
- » Money measurement concept
- » Accounting period concept
- » Realization concept
- » Matching of costs and revenues concept
- » Historical record concept

2. Accounting Conventions

- » Disclosure
- » Materiality
- » Consistency
- » Conservatism

Accounting Concepts

The following concepts are usually observed at the time of recording stage.

1. **Business Entity Concept:** According to this concept the business is distinct from the persons who own it. The accounting concept differentiates between business and the owner. Business is established by law and becomes a corporate entity and the equity contributors are individuals. Accordingly, transactions related to persons and business are recorded and treated differently. If the owner takes any cash or goods from the business the drawings account is debited and cash or goods account is credited.
2. **Going Concern Concept:** This principle of accounting assumes that the business will continue for ever. With this assumption the fixed assets are recorded in the books of account at their original cost. Keeping this in view, the pre paid expenses are not treated as the expenses of the year in which they are incurred. It is assumed that the business derives benefit of it over a period of time.
3. **The Cost Concept:** Usually all the transactions will be recorded at cost of in the books. However, at the end of every year the Accountant shows the reduced value of the asset, after providing for depreciation. This approach is preferred because it is difficult and time consuming to ascertain the market values.
4. **Dual Aspect Concept:** This concept throws light on the point that each transaction as two folds affect such as receiving and giving of the benefit. The receiving aspect is termed as 'debit' and the giving aspect is termed as 'credit'. Therefore, for every debit, there will be

corresponding credit. Every transaction in a business has a double effect necessitating maintaining two accounts for each transaction. For Example, goods sold for cash reduces the quantity of goods and value but increases the cash balance.

5. **Money Measurement Concept:** While recording the business transactions we do not record them in terms of kilograms, quintals, meters liters etc. We record them in a common denomination so as to see that they become homogeneous and meaningful. Money does this function. All money or money's worth transactions form an important part of the business. All types of transactions are treated as money and recorded accordingly. It is adopted as the common measuring unit. Hence, recording is done in terms of standard currency of the country where the business is set up.
6. **Accounting Period concept:** Accounting period is the period followed by a business concern for maintaining accounts to know profit or loss. Usually, one year will be the accounting period starting from 1st April and ending 31st March (Financial Year) or 1st January to December 31st (Calendar Year). The profit or loss for such period is ascertained. While measuring the profit, incomes or expenses of that period only are to be considered.
7. **Realization Concept:** This concept is related to the realization of revenues. The revenue is realized either from the sale of goods or rendering of services. The accrual system is a method whereby revenue and expense are identified with specific periods of time like a month, half year or a year. It implies recoding of revenues and expenses of a particular accounting period, whether they are received/paid in cash or not. Under cash system of accounting, the revenues and expenses are recorded only if they are actually received/ paid in cash irrespective of the accounting period to which they belong. But under accrual method the revenues and expenses relating to that particular accounting period only are considered. From this concept of accounting, one chief problem arises viz., the segregation of 'capital' and 'revenue' items. Any increase in the Owner's Equity resulting from business operations is called 'revenue' items. Any increases in the Owner's Equity resulting from business operations are called 'revenue' and any decrease is called 'expense'. Therefore, excess of revenues over expenses is called 'Income' and if the expenses exceed revenues it is 'Loss'.
8. **Matching of Costs and Revenues Concept:** According to this principle, the expenses incurred in an accounting period should be matched with the revenues recognized in that period. For example, if revenue is recognized on all goods sold during a period, cost of those goods sold should also be charged to that period. In determining net income from business operations, all costs which are applicable so revenue of the period should be charged against that revenue. All other charges like losses from fire, sale of capital assets etc., even though not associated with production of that period's revenue, must be deducted from revenue before a final measurement of net income is made. In other words, all incomes earned during the period should be compared with all expenses incurred during the same period to find out the profit or loss.
9. **Historical Record Concept:** The Accountant shows only those transactions which have actually taken place and not those which may take place in future. All transactions in accounting are to be recorded in the books in chronological order. This means preparation of

a historical record for all transactions. Hence, this concept is called as the historical record concept.

Accounting Conventions

Conventions are the customs or traditions guiding the preparation of accounting statements. They are adapted to make financial statements clear and meaningful.

1. **Disclosure:** This deals with the convention that all information which is of material importance should be disclosed in the accounting statements. The companies Act, 1956 makes it compulsory to provide all the information in the prescribed form. The accounting reports should disclose full and fair information to the proprietors, creditors, investors and others. This convention is especially significant in case of big business like Joint Stock Company ownership and management is in different hands.
2. **Materiality:** Under this the trader records important facts about the commercial activities in the form of financial statements. If any unimportant informations to be given for the sake of clarity, it will be given as footnotes.
3. **Consistency:** The methods or principles followed in the preparation of various accounts should be followed in the years to come. It means that there should be consistency in the methods or principles followed. Or else the results of one year cannot be conveniently compared with that of another. For example, a company may adopt straight line method, written down value method, or any other method of providing depreciation on fixed assets. But it is expected that the company follows a particular method of depreciation consistently.
4. **Conservatism:** This convention warns the trader not to take unrealized income into account. That is why the practice of valuing stock at cost or market price, whichever is lower is in vogue. This is the policy of “playing safe”. It takes into consideration all prospective losses but leaves all prospective profits. The convention of conservatism should be applied cautiously so that the results reported are not distorted. Some degree of conservatism is inevitable where objective data is not available. Following are the examples of application of conservatism:
 - a) Making Provision for doubtful debts and discount on debtors.
 - b) Not providing for discount on creditors.
 - c) Valuing stock in trade at cost or market price whichever is less.

Advantages and Limitations of Accounting

Advantages of Accounting

The role of accounting has changed from that of a mere recording of transactions in the books of accounts to the present stage of analyzing, presentation and reporting. Now a day it is accepted as an information system which is very much useful for decision making purposes. The following are the advantages of accounting:

1. **Maintain records:** Since all the financial transactions are recorded in the books, one need not rely on memory. Any information required is readily available from these records.

2. **Preparation of financial statements:** The financial statements such as Profit and loss account and balance sheet can be easily prepared with the help of the information which is available in the records. This enables the trader to know the net result of business operations during the accounting period and the financial position of the business at the end of the accounting period.
3. **Provides control over assets:** The accounting provides information regarding cash in hand, cash at bank, stock of goods, accounts receivables from various parties and the amounts invested in various other assets. As the trader knows the values of the assets he will have control over them.
4. **Provides the required information:** Interested parties such as owners, investors, creditors etc., can get necessary information at frequent intervals.
5. **Comparative study:** It facilitates the comparison of the present performance of the organization with that of its past. This enables the managers to draw useful conclusions and make proper decisions.
6. **Less scope for fraud or theft:** It is difficult to conceal fraud or theft etc., because of the balancing of the books of accounts periodically. As the work is divided among many persons, there will be check and counter check.
7. **Tax Aspects:** Properly maintained book-keeping records will help in the settlement of all tax matters with the tax authorities.
8. **Ascertaining value of business:** The accounting records will help in ascertaining the correct value of the business. This helps in the event of sale or purchase of a business.
9. **Documentary evidence:** Accounting records can also be used as evidence in the court to substantiate the claim of the business. These records are based on documentary proof. Every entry is supported by authentic vouchers. As such, Courts accept these records as evidence.
10. **Helpful to management:** Accounting is useful to the management in various ways. It enables the management to assess the achievement of its performance. The weaknesses of the business can be identified and corrective measures can be applied to remove them with the help of accounting.

Limitations of Accounting

The following are the limitations of accounting:

1. **Does not record all events:** Only financial transactions are recorded.
2. **Does not reflect current values:** The data available under book-keeping is historical in nature. So they do not reflect current values.
3. **Estimates based on Personal judgment:** The estimates used for determining the values of various items may not be correct. For example, debtors are estimated in terms of collectability, inventories are based on marketability, and fixed assets are based on useful working life. These estimates are based on personal judgment and hence sometimes may not be correct.

4. **Inadequate information on costs and Profits:** Book-keeping only provides information about the overall profitability of the business. No information is given about the cost and profitability of different activities of products or divisions.

Exercise: Assignment

1. What are the three main systems of accounting?

2. List out conventions of accounting.

3. Visit to a near by retail store and observe how the records are maintained.
4. Visit to a shopping mall and identify the ledgers maintained.
5. Visit to an Electronics shop and list out the accounting statements prepared.

Assessment

1. Short answer questions

1. Define Accounting?
2. List out the functions of accounting.
3. State the advantages of accounting.
4. List out the limitations of accounting.
5. What is going concern concept?

2. Multiple choice questions

1. Which of the following is not an accounting concept?
 - a) Going concern concept
 - b) Money measurement concept
 - c) Consistency concept
 - d) Profit concept
2. Which of the following is an advantage of accounting?
 - a) Provides information
 - b) Provides data
 - c) Generates financial statements
 - d) All of the above
3. Which of the following is not a function of accounting

- a) Classification of accounts
 - b) Preparation of financial statements
 - c) Decision making
 - d) Analysis of financial statements
4. The important branches of accounting are:
- a) Financial Accounting
 - b) Cost Accounting
 - c) Management Accounting
 - d) All of the above

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for Assessment Activity.

Part A

- » Differentiate between different types of accounts.
- » Discuss any two concept of accounting.

Part B

Discussed in class the following:

- » What is accounting?
- » What are the functions of accounting?
- » What are the advantages of accounting?
- » What are the limitations of accounting?

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

| Performance Standards | Yes | No |
|--------------------------------------|-----|----|
| Able to adopt accounting procedures. | | |
| Able to follow accounting Principles | | |

Session 3: Journal, Ledger and Subsidiary Books

Relevant Knowledge

The size of business concerns decides the number of books of accounts to be maintained by it. Mainly there are two books of account generally maintained by an organization. They are Journal and Ledger.

Journal

It is a book of daily record. The transactions will be recorded for the first time in this book. Therefore, it is called as “Book of original entry or prime entry”.

Important Features of Journal

1. Transactions of every day are recorded chronologically - i.e. as per the date in this book.
2. Both the aspect of a transaction are recorded at one place.
3. Narration, which is an explanation of transaction in brief, is given at the end of each entry.
4. It facilitates cross checking of transactions.
5. Date wise entries facilitate quick reference.

Proforma of a Journal

| Date | Particulars | LF | Dr. Amount | Cr. Amount |
|------|-------------|----|------------|------------|
| | | | | |

Contents of the Journal

1. Date column : Year should be written first, then month and dates can be written in chronological order
2. Particulars column : Account to be debited written first ending with abbreviation Dr. leaving some space in the second line-starting with ‘To’ account to be credited is written
3. Narration summary : It is a brief explanation of the transaction regarding which the entry is made. The brief explanation is written starting with ‘being’ or ‘for’ restricting only particular column. Two lines are drawn to mark the completion of entry
4. Ledger folio column : When entry is posted to respective ledger account, the page number of such account in the ledger book is recorded
5. Amount column : On both debit and credit column same amount is recorded
6. Journalizing : It is a process of recording the transactions, following the rules of debit and credit in a book called journal
7. Journal entry : When the transaction is entered in the journal it is called journal entry

Example 1

Journalize the following transactions:

2012

| | | | | |
|-------|----|--|-----|----------|
| April | 1 | Shri. Vijaya commenced retail business with cash | Rs. | 1,00,000 |
| | 2 | Opened an account with corporation bank by depositing cash | Rs. | 80,000 |
| | 3 | Purchased goods for cash of | Rs. | 10,000 |
| | 4 | Purchased goods from Santosh | Rs. | 20,000 |
| | 5 | Purchased furniture for cash | Rs. | 5,000 |
| | 6 | Cash sales of goods | Rs. | 20,000 |
| | 7 | Sold to Mahesh goods of | Rs. | 10,000 |
| | 8 | Purchase goods from Basavaraj paid by cheque | Rs. | 25,000 |
| | 9 | With drew for personal use | Rs. | 2,000 |
| | 11 | Cash sales | Rs. | 5,000 |
| | 15 | Paid wages | Rs. | 500 |
| | 17 | Paid by cheque Santosh on account | Rs. | 15000 |
| | 20 | Sold goods for cash | Rs. | 10,000 |
| | 23 | Received cash on account from Mahesh | Rs. | 5,000 |
| | 25 | Purchased machinery for cash | Rs. | 500 |
| | 30 | Paid salary to employee | Rs. | 1,500 |

SOLUTION

| Date | Particulars | LF | Dr. Amount | Cr. Amount |
|------------------|--|----|------------|------------|
| 2012 August 1 | Cash A/c ----- Dr. To Capital A/c (Being cash invested in business) | - | 1,00,000 | 1,00,000 |
| 2 | Bank A/c ----- Dr. To Cash A/c (Being cash deposited in bank) | - | 80,000 | 80,000 |
| 3 | Purchases A/c ----- Dr. To Cash A/c (Being purchased goods for cash) | - | 10,000 | 10,000 |
| 4 | Purchases A/c ----- Dr. To Santosh A/c (Being purchased goods from Santosh on credit as per Bill No. _____) | - | 20,000 | 20,000 |
| 5 | Furniture A/c ----- Dr. To Cash A/c | - | 5,000 | 5,000 |

RETAIL OPERATIONS - II

| | | | | |
|-------|---|--------|--------|--------|
| | (Being purchased furniture for cash as per Bill No. _____) | | | |
| 6 | Cash A/c ----- Dr. To Sales A/c (Being sold goods for cash as per R. No. _____) | - | 20,000 | 20,000 |
| 7 | Mahesh A/c ----- Dr. To Sales A/c (Being sold goods to Mahesh on credit as per invoice No. _____) | - | 10,000 | 10,000 |
| 8 | Purchases A/c ----- Dr. To Bank A/c (Being purchased goods and paid by cheque) | - | 25,000 | 25,000 |
| Aug 9 | Drawing A/c ----- Dr. To Cash A/c (Being withdrawal cash for personal use) | - | 2,000 | 2,000 |
| 11 | Cash A/c ----- Dr. To Sales Account (Being sold goods for cash as per R. No. _____) | - - | 5,000 | 5,000 |
| 15 | Wages A/c ----- Dr. To Cash A/c (Being paid wages to workers) | - - | 500 | 500 |
| 17 | Santosh A/c ----- Dr. To Bank A/c (Being paid to Santosh on account by cheque) | - - | 15,000 | 15,000 |
| 20 | Cash A/c ----- Dr. To Sales A/c (Being sold goods for cash as per R. No. _____) | - - | 10,000 | 10,000 |
| 23 | Cash A/c ----- Dr. To Mahesh A/c (Being received cash on account Mahesh) | - - | 5,000 | 5,000 |
| 25 | Machinery A/c ----- Dr. To Cash A/c (Being purchased stationary for cash) | - - | 500 | 500 |

| | | | | |
|----|--|---|-----------------|-----------------|
| 30 | Salary A/c ----- Dr. | - | 1,500 | |
| | To Cash A/c | - | | 1,500 |
| | (being paid salary to the employee for the month of April) | | | |
| | | | 3,09,500 | 3,09,500 |

Ledger

Ledger is a book of accounts. Ledger is the book of main entry or final entry. It is bounded book which contains all types of accounts i.e. personal, real and nominal accounts. These accounts are opened in orderly manner and index is provided on the first page to find out which account is recorded on which page. The page number of the account is also mentioned in the ledger folio column in the journal for easy reference. When the transactions are large in number instead of one book three ledger books are maintained. They are:

- » **General Ledger:** Which contains all the real and nominal accounts
- » **Debtors Ledger:** Which contains the accounts of receivables
- » **Creditors Ledger:** Which contains the accounts of payables

Necessity of Ledger: Journal fails to provide the information in a consolidated or summarized form about cash person, expense and asset. These short comings are overcome by posting the entries from journal to ledger.

Ledger accounts is usually in 'T' form. Left side is used for recording debit details and right side is used for recording credit details.

(Head of Account)

| Dr. | | | | Cr. | | | |
|------|-------------|------|--------|------|-------------|------|--------|
| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
| | To ____ A/c | | -- | | By ____ A/c | | -- |

Head of Account: Here, the name of the account is written. For example, Mahesh Account, Stationary Account, Building Account, etc.

Left side: At the top left end abbreviation 'Dr' is written to indicate Debit side.

Right side: At the top right end abbreviation 'Cr' is written to indicate the Credit side while writing in the particulars column debit side it should be written as:

To _____ account

Credit side: It should be written as:

By _____ account

In the JF Column: Page number of journal book from which the entry is posted is to be mentioned.

Posting: It is a process of transfer of entry from journal to ledger. Debit amounts of the journal are posted to debit side of the account and vice-versa.

Balancing of Accounts: On a given date the total of each side will be found out, the difference in the total of both sides will be known as **balance**. The difference amount will be written on the side-where there is shortage and it will be called as balanced carried down. Now, total of both sides will tally-the balance amount indicates:

- Personal Account** : Debit balance means that person has to pay us Credit balance means we have to pay that person
- Nominal Account** : Debit balance shows expenses or losses Credit balance shows profits and gains
- Real Account** : Always shows debit balance indicating the worth of asset with the business

Such balancing of account will be usually made either weekly, monthly, quarterly or half yearly or for the year or whenever businessman likes to ascertain his/her position.

Uses of Ledger: On a given date, a business man can ascertain who are his debtors and creditors and what are the total expenses and gains on each head and also the worth of his assets & liabilities.

Hints for Preparation of Ledger

1. Aseparate account is opened in the ledger book for every transaction entered in journal.
2. Transaction relating to a particular account should be recorded in the account already opened no new account of the same name should be opened in the ledger.
3. Journal entries are to be posted into ledger account in the order of dates.
4. While posting on the debit side the name of account to be credited is to be written starting with 'To' and credit side name of the account to be debited is written starting with 'By'.

Example 2

Journalize the following transactions, post them in the ledger and balance the accounts on 31 August 2012.

| | | |
|-------|------------------------------------|------------|
| Aug 1 | Prakash started business with cash | Rs. 50,000 |
| 2 | He purchased furniture for | Rs. 5,000 |
| 3 | He bought goods from Suresh for | Rs. 8,000 |
| 4 | He sold goods to Sanjay | Rs. 5,000 |
| 14 | He received cash from Sanjay | Rs. 3,000 |
| 18 | He purchased goods for cash | Rs. 12,000 |
| 25 | He sold goods for cash | Rs. 3,000 |

| | | | |
|----|---------------------------|-----|-------|
| 28 | He paid rent | Rs. | 1,200 |
| 31 | He paid Suresh on account | Rs. | 3,000 |

Journal Entries

| Date | Particulars | LF | Debit Rs. | Credit Rs. |
|------------------|--|----|-----------|------------|
| 2012 August 1 | Cash A/c Dr. To Capital A/c (Being capital introduced) | - | 50,000 | 50,000 |
| 2 | Furniture A/c Dr. To Cash A/c (Being purchase of furniture for cash) | - | 5,000 | 5,000 |
| 3 | Purchase A/c Dr. To Suresh A/c (Being purchase of goods on credit from Suresh) | - | 8,000 | 8,000 |
| 4 | Sanjay A/c Dr. To Sales A/c (Being goods sold to Sanjay on credit) | - | 5,000 | 5,000 |
| 14 | Cash A/c Dr. To Sanjay A/c (Being received cash from Sanjay on account) | - | 3,000 | 3,000 |
| 18 | Purchases A/c Dr. To Cash A/c (Being cash purchases) | - | 12,000 | 12,000 |
| 25 | Cash A/c Dr. To Sales A/c (Being cash sales) | - | 8,000 | 8,000 |
| 28 | Rent A/c Dr. To Cash A/c (Being rent paid for the month) | - | 1,200 | 1,200 |
| 31 | Suresh A/c Dr. To Cash A/c (Being paid to Suresh on account) | - | 3,000 | 3,000 |

LEDGER POSTINGS

| Dr. Cash Account | | | | Cr. | | | |
|-------------------------|----------------|------|--------|-------|------------------|------|--------|
| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
| 2012 | | | | 2012 | | | |
| Aug 1 | To Capital A/c | - | 50000 | Aug 2 | By Furniture A/c | - | 5000 |
| 14 | To Sanjay A/c | - | 3000 | 18 | By Purchase A/c | - | 12000 |
| 25 | To Sales A/c | - | 8000 | 28 | By Rent A/c | - | 1200 |
| | | | | 31 | By Suresh A/c | - | 3000 |
| | | | | 31 | By Balance c/d | - | 39800 |
| | | | 61000 | | | | 61000 |

| Dr. Prakash's Capital Account | | | | Cr. | | | |
|--------------------------------------|----------------|------|--------|-------|-------------|------|--------|
| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
| 2012 | | | | 2012 | | | |
| Aug 31 | To Balance c/d | - | 50000 | Aug 1 | By Cash A/c | - | 50000 |
| | | | 50000 | | | | 50000 |

| Dr. Furniture Account | | | | Cr. | | | |
|------------------------------|-------------|------|--------|--------|----------------|------|--------|
| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
| 2012 | | | | 2012 | | | |
| Aug 2 | To Cash A/c | - | 5000 | Aug 31 | By Balance c/d | - | 5000 |
| | | | 5000 | | | | 5000 |

| Dr. Purchase Account | | | | Cr. | | | |
|-----------------------------|---------------|------|--------|--------|----------------|------|--------|
| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
| 2012 | | | | 2012 | | | |
| Aug 3 | To Suresh A/c | - | 8000 | | | - | |
| 31 | To Cash A/c | - | 12000 | Aug 31 | By Balance c/d | - | 20000 |
| | | | 20000 | | | | 20000 |

Dr. **Suresh Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|--------|----------------|------|--------|-------|-----------------|------|--------|
| 2012 | | | | 2012 | | | |
| Aug 31 | To Cash A/c | - | 3000 | Aug 3 | By Purchase A/c | - | 8000 |
| 31 | To Balance c/d | | 5000 | | | | |
| | | | 8000 | | | | 8000 |

Dr. **Sales Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|--------|----------------|------|--------|-------|---------------|------|--------|
| 2012 | | | | 2012 | | | |
| Aug 31 | To Balance c/d | | 13000 | Aug 4 | By Sanjay A/c | - | 5000 |
| | | | 13000 | 25 | By Cash A/c | | 8000 |
| | | | | | | | 13000 |

Dr. **Sanjay's Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|-------|--------------|------|--------|-------|----------------|------|--------|
| 2012 | | | | 2012 | | | |
| Aug 4 | To Sales A/c | - | 5000 | Aug 4 | By Cash A/c | - | 3000 |
| | | | 5000 | 31 | By Balance c/d | | 2000 |
| | | | | | | | 5000 |

Dr. **Rent Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|--------|-------------|------|--------|--------|----------------|------|--------|
| 2012 | | | | 2012 | | | |
| Aug 28 | To Cash A/c | - | 1200 | Aug 31 | By Balance c/d | - | 1200 |
| | | | 1200 | | | | 1200 |

Subsidiary Books

The process of Journalizing of each transaction and posting them to respective ledger accounts is convenient to small business with few transactions. It becomes tedious, unwieldy and more time consuming process in organization with numerous transactions. Hence, most practical convenient process is evolved i.e., sub-division of Journal into various subsidiary books.

Subsidiary books are also books of original entry but journalizing is avoided in this process. Similar type of transactions will be recorded in one book and they will be directly posted to the ledger. It saves time and also the labor involved in journalizing and positing.

Advantages of Subsidiary Books

1. Lot of time and labour is saved.
2. As the work can be assigned to different clerks, internal check system will be more effective.
3. It facilitates easy reference every time when information is necessary one need not go through the journal.
4. More details of transaction can be recorded in the subsidiary books which are not possible in journal.
5. Classification of transactions will be available for analysis.

Need for Subdivision of Journal

The need for maintenance of subsidiary books arises due to the drawbacks of journal. Such drawbacks are overcome by maintenance of subsidiary books. They are:

1. Periodical total of the transactions of same nature are available without any difficulty, for example, periodical credit purchases, credit sales, bill receivables, bill payables-cash on hand total of petty expenditure, etc.
2. Journalizing of each transaction is avoided. Therefore, it saves time and labour.
3. Posting can be made directly from the subsidiary books.
4. If all the transactions are recorded in the journal the book becomes bulky and unwieldy.
5. Chances of making mistakes are less.
6. It facilitates internal check.

Types of Subsidiary Books

The following are the Subsidiary Books:

1. Purchase Book
2. Sales Book
3. Purchase Returns Book
4. Sales Return Book
5. Cash Book
6. Bills Receivable Book
7. Bills Payable Book
8. Petty Cash Book
9. Journal Proper

1. Purchase Book

Only credit purchase of goods from different parties, in chronological order, are recorded in this book. Inward invoices are filed date wise (invoice is the statement of details as to quantity supplied, quality, brand, rate, amount and trade discount allowed). When the seller sends invoice to the businessman it is called as inward invoice.

PROFORMA OF INVOICE

No. _____ Mukambika Oils Limited Ph. No. _____
 Wholesale Edible Oil Dealers Gram: _____
 Govindpura, Bhopal Date: _____

To
 Veerbhadreswar Traders
 Indore

| Sl. No. | Particulars | Quantity | Rate | Amount (Rs.) |
|---------|-------------------------------------|----------|---------|--------------|
| 1. | 200 tins of coconut oil (parachute) | 200 tins | 300/tin | 6000 |
| | Less trade discount @10% | | | 600 |
| | Rs. Five thousand four hundred only | | | |
| | Total | | | 5400 |

Per VRL service For Veerbhadreswar Traders

(Signature)

Specimen of Purchase Book

| Date | Particulars | LF | Inward invoice | Quantity | Rate | Amount |
|------|-------------|----|----------------|----------|------|--------|
| | | | | | | |

1. In the date column-Date of receiving the invoice and goods is to be recorded chronologically.
2. In the Particulars column-The name of the party with full address from whom goods are purchased on credit should be written.
3. In the LF column-Page number of ledger book in which posting of this entry is made is to be written.

RETAIL OPERATIONS - II

4. Inward invoice number should be entered and they should be serially arranged and filed for any reference in the future.
5. In quantity column-Details of quantity purchased should be written.
6. The rate per unit of goods purchased should be recorded in this column.
7. In the amount column, the total amount after deducting TRADE DISCOUNT should be written.
8. The total amount at the end of particular day week or month will be posted to purchases account.

Exercise 1: Enter the following transactions in the purchase book and post them to respective ledger accounts:

| | |
|------------|---|
| 2012 May 1 | Bought from Precision Plastic Ltd., Mumbai 5 bundles of PVC pipes @ Rs. 850 and earned trade discount of Rs. 50 per bundle (invoice no.3) |
| 15 | Bought from Anchor Ltd., Bangalore 500 junction box @ Rs. 8.00 (invoice no. 6) |
| 20 | Bought 1500.60 vat bulbs from Mysore Lamps Ltd., Bangalore @ Rs. 9 (invoice no. 7) |
| 25 | Bought 6 bundles of wire from Jyoti Industries, Belgaum @ Rs. 4000 (invoice no. 9) |

Purchases Book

| Date | Particulars | LF | Invoice No. | Quantity | Rate | Amount |
|-------|---------------------------------|----|-------------|---------------------|------------------------------------|--------|
| 2012 | | | | | | |
| May 1 | Precision Plastics Ltd., Mumbai | 11 | 3 | 5 bundle of pipes | Rs. 850 Less discount Rs. 50 | 4000 |
| 15 | Anchors Ltd., Bangalore | 12 | 6 | 500 junction box | 8.00 | 4000 |
| 20 | Mysore Lamps Ltd., Bangalore | 13 | 7 | 1500, 60 watt bulbs | 9.00 | 13500 |
| 29 | Jyoti Industries, Belgaum | 14 | 9 | 6 bundle of wires | 4000.00 | 24000 |
| | | | | | | 45500 |

LEDGER POSTING

Dr.

Precision Plastic Ltd., Mumbai Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|---------------|-----------------|------|--------|
| | | | | 2012 May 1 | By Purchase A/c | | 4000 |

Dr.

Anchors Ltd., Bangalore Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|----------------|-----------------|------|--------|
| | | | | 2012 May 15 | By Purchase A/c | | 4000 |

Dr.

Mysore Lamps Ltd., Bangalore Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|----------------|-----------------|------|--------|
| | | | | 2012 May 20 | By Purchase A/c | | 13500 |

Dr.

Jyoti Industries, Belgaum Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|----------------|-----------------|------|--------|
| | | | | 2012 May 29 | By Purchase A/c | | 24000 |

Dr.

Purchase Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|----------------|----------------------------|------|--------|------|-------------|------|--------|
| 2012 May 31 | To Sundry Creditors A/c | | 45500 | | | | |

From the above illustration the following points can be drawn:

1. Entries in the purchase book are supplying more detail information about the address of suppliers, quantity purchased etc.
2. Entries are the substitute for making journal entry on each transaction.
3. Posting from purchase book can be directly made to the ledger.

Note: Columns in the purchase book can be increased or decreased as per the convenience of trader and the total amount of creditors is shown as 'Sundry Creditors' in the purchase account.

2. Sales Book

Only credit sales are recorded in this book for every credit sale outward invoice is prepared in duplicate and sent to the party along with goods. These outward invoices will be in the bound book.

Format of Sales Book

| Date | Particulars | LF | Invoice No. | Quantity | Rate | Amount |
|------|-------------|----|-------------|----------|------|--------|
| | | | | | | |

1. In the date column - Dates are entered as per the date mentioned in the invoice.
2. In the particular column – Name and address of the buyer is mentioned.
3. LF columns will be containing page number of ledger where party's account is shown.
4. Outward invoice number will be mentioned for reference in future.
5. In the quantity column – Details of quantity, unit, brand is mentioned. In the rate column- Rate per unit of goods is recorded.
6. Amount columns contains total amount due from the buyer.

Exercise 2: Enter the following transaction in the sales book and post them to respective ledger accounts.

2012

- May 1 Sold two bundles of plastic pipes, precision brand @ Rs 1000 per bundle to Trupti Contractor Ltd., Hubli
- 5 Sold ten junction boxes to Nayak & Co. Builders, Dharwad @ Rs. 10-00
- 25 Sold 1000, 60 volt bulbs to KIMs, Hubli @ Rs. 11-00
- 30 Sold to Akshay Builders, Hubli, 2 bundles of wires @ Rs. 4500

Sales Book

| Date | Particulars | LF | Invoice No. | Quantity | Rate | Amount Rs. |
|-------|---------------------------------|----|-------------|---------------------------|------|------------|
| 2012 | | | | | | |
| May 1 | Trupti Construction Ltd., Hubli | 20 | 2 | 2 bundle of plastic pipes | 1000 | 2000 |
| 5 | Nayak & Co., Dharwad | 21 | 3 | 10 junction boxes | 10 | 1000 |
| 25 | KIMs Hubli | 22 | 4 | 1000, 60 volt bulbs | 11 | 11000 |
| 30 | Akshay Builders, Hubli | 23 | 5 | 2 bundles of wires | 4500 | 9000 |
| | | | | | | 23000 |

Ledger Posting

Dr. **Trupti Construction Ltd., Hubli Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|-------|-------------|------|--------|------|-------------|------|--------|
| 2012 | | | | | | | |
| May 1 | To SalesA/c | | 2000 | | | | |

Dr. **Nayak & Co., Dharwad Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|-------|-------------|------|--------|------|-------------|------|--------|
| 2012 | | | | | | | |
| May 5 | To SalesA/c | | 1000 | | | | |

Dr. **KIMs, Hubli Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|--------|-------------|------|--------|------|-------------|------|--------|
| 2012 | | | | | | | |
| May 25 | To SalesA/c | | 11000 | | | | |

RETAIL OPERATIONS - II

Dr.

Akshay Builder, Hubli Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|----------------|--------------|------|--------|------|-------------|------|--------|
| 2012 May 30 | To Sales A/c | | 9000 | | | | |

Dr.

Sales Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|----------------|------|----------------------------|------|--------|
| | | | 2012 May 30 | | By Sundry Creditors A/c | | 23000 |

3. Purchases Returns Book

This book is to record only return of goods to the suppliers. When goods are return to the supplier to inform them that there account is debited with the value of goods returned "debit note" is prepared. So, debit note is the statement send by the purchaser to the seller intimating, the quantity and the value of goods returned and also intimate him that is account is debited with such amount. Debit note is prepared in duplicate and one copy is sent to the supplier and another is filed for reference.

Specimen of Debit Note

| | | |
|-----------------------------|--------------------------------------|----------------------------------|
| No. _____ | Debit Note _____ | Hubli |
| M/s. Trupti Trades, Dharwad | | 1 May 2012 |
| | Debited to Datta Electrical, Dharwad | |
| To, | | |
| Returns | | |
| | 2 bundles of wires @ Rs.4500 | 9000 |
| | | For Trupti Trader (Signature) |

Specimen of purchases returns book

| Date | Particulars | Debit Note No. | LF | Amount Rs. |
|------|-------------|----------------|----|---------------|
| | | | | |

Hand on Experience: Enter the following transaction in the sales book and post them to respective ledger accounts.

2012

- June 5 Returned good to Precision Ltd., Mumbai, ½ bundle worth of PVC pipes Rs.425
 25 Anchore Ltd., Bangalore received from us 50 junction boxes of @ Rs. 8
 31 Returned goods to Jyoti Industries ½ bundle of wire Rs. 1000

Purchase Returns Book

| Date | Particulars | LF | Invoice No. | Amount Rs. |
|--------|--------------------------------|----|-------------|------------|
| 2012 | | | | |
| June 1 | Precision Plastic Ltd., Mumbai | 11 | 1 | 425 |
| 25 | Anchore Ltd., Bangalore | 13 | 2 | 400 |
| 31 | Jyoti Industries, Belgaum | 15 | 3 | 1000 |
| | | | | 1825 |

Ledger Posting

Dr. **Precision Plastic Ltd., Mumbai Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|--------|-------------------------|------|--------|------|-------------|------|--------|
| 2012 | | | | | | | |
| June 5 | To Purchase Returns A/c | | 425 | | | | |

Dr. **Anchore Ltd. Bangalore Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|---------|-------------------------|------|--------|------|-------------|------|--------|
| 2012 | | | | | | | |
| June 30 | To Purchase Returns A/c | | 400 | | | | |

Dr. **Jyoti Industries, Belgaum Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|---------|-------------------------|------|--------|------|-------------|------|--------|
| 2012 | | | | | | | |
| June 30 | To Purchase Returns A/c | | 1000 | | | | |

| Dr. Purchase Returns Account | | | | Cr. | | | |
|-------------------------------------|-------------|------|--------|-----------------|--|------|--------|
| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
| | | | | 2012 June 30 | By Sundry Creditors A/c (as per Purchase Returns books) | | 1825 |

4. Sales Return Book

This book is also called as Returns inward book. Entries are made in this book when goods sold by us are returned to us. The reasons may be discrepancy or difference in quality, quantity etc.

The buyer will send the goods along with debit note (as explained earlier) when the goods and debit note are received the seller has to send credit note acknowledging the same.

Credit note is statement sent by the seller to the purchaser who has returned the goods giving details of goods received by him and also intimating the buyer that his account is credited with the amount. Both credit note and debit note are serially numbered and filed for future reference.

Specimen of Credit Note

| Credit Note | |
|---------------------------------|------------------------|
| M/s Datta Electrical Dharwad | Hubli 1st June 2012 |

Credit Note to Precision Plastics Ltd., Mumbai

| | |
|------------|---------------------------------|
| By Returns | 4000 |
| | For Datta electrical Dharwad |
| | (Signature) Manager |

Hand on Experience: Record the following transaction in the sales return book and post them to the ledger.

2012

- June 6 Trupti Construction Ltd., Hubli returned bundle of plastic pipes @ Rs. 1000 per bundle Rs. 1000 per bundle Rs. 500
- 9 Nayak & Co., Dharwad returned 20 junction box @ Rs. 10
- 30 KIMs, Hubli returned 200 bulbs of 60 vat @ Rs. 11

Sales Returns Book

| Date | Particulars | LF | Credit Note No. | Amount (Rs.) |
|--------|---------------------------------|----|-----------------|--------------|
| 2012 | | | | |
| June 6 | Trupti Construction Ltd., Hubli | 1 | 1 | 500 |
| 9 | Nayak and Co., Dharwad | 1 | 2 | 200 |
| 30 | KIIMs, Hubli | 1 | 3 | 2200 |
| | | | | 2900 |

Ledger Posting**Trupti Construction Ltd., Hubli Account**

Dr.

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|----------------|---------------------|------|--------|
| | | | | 2012 June 6 | By Sales Return A/c | | 500 |

Nayak & Co., Dharwad Account

Dr.

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|----------------|---------------------|------|--------|
| | | | | 2012 June 9 | By Sales Return A/c | | 200 |

KIIMs, Hubli Account

Dr.

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|-----------------|---------------------|------|--------|
| | | | | 2012 June 30 | By Sales Return A/c | | 2200 |

Sales Return Account

Dr.

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|-----------------|---|------|--------|------|-------------|------|--------|
| 2012 June 30 | To Sundry Debtors (as per sales Return books) | | 2900 | | | | |

RETAIL OPERATIONS - II

Hand on experience: From the particulars given below, prepare sales book, purchase book and return books and post the transaction to the respective ledger accounts.

2012

- Sept 1 Purchased from Sony Co., Mumbai 10 color TVs of 14 inches @ Rs. 4500 with Trade discount of 10%.
- 4 Purchased 20 Antenna from Ashwins Ltd., Dharwad @ Rs. 1500
- 10 Purchased from Omega Co. Ltd, Chennai 100 stabilizers @ Rs. 200
- 12 Sold 5 color TVs @ Rs. 5000, 5 antenna @ Rs. 2000, 5 stabilizers to Nadeeswar Traders, Dharwad
- 15 Sold 5 TVs @ Rs. 5000 to Ganesh Trade Links
- 17 Sold to M/s Mane 25 stabilizers @ Rs. 250 and 10 antenna @ Rs. 2000
- 24 Ganesh Trade Links returned 1 TV
- 25 Returned 1 color TV to Sony Co., Mumbai as it was defective
- 26 Returned to Omega Co. 10 stabilizers as they were damaged in transit
- 27 Nandeshwar Traders returned 1 antenna & 1 stabilizer as they were defective

Purchase Book

| Date | Particulars | LF | Invoice No. | Quantity | Rate | Amount Rs. |
|--------|--|----|-------------|---------------------|------|------------------------|
| 2012 | | | | | | |
| Sept 1 | Sony Co., Mumbai Less trade discount 10 % | 1 | 1 | 10 colour TV of 14" | 4500 | 45000 4500 40500 |
| 4 | Ashwins Ltd., Dharwad | 12 | 4 | 20 antenna | 1500 | 30000 |
| 10 | Omega Co. Ltd, Chennai | 3 | 7 | 100 stabilizers | 200 | 20000 |
| | | | | | | 90500 |

Sales Book

| Date | Particulars | LF | Invoice No. | Quantity | Rate | Amount Rs. |
|--------|--------------------|----|-------------|--|---------------------|------------------------|
| 2012 | | | | | | |
| Sept 2 | Nadeswar Traders | 5 | 9 | 5 colour TV 5 stabilizer 5 antenna | 5000 250 2000 | 25000 1250 10000 |
| 4 | Ganesh Trade Links | 7 | 22 | 5 TVs | 5000 | 25000 |

| | | | | | | |
|----|----------|---|----|------------------------------|-------------|---------------|
| 10 | M/s Mane | 8 | 23 | 25 stabilizers 10 antenna | 250 2000 | 6250 20000 |
| | | | | | | 87500 |

Purchases Returns Book

| Date | Particulars | LF | Credit Note No. | Amount (Rs.) |
|---------|--|----|--------------------|-----------------|
| 2012 | | | | |
| Sept 25 | Sony Co., Mumbai returned 1 TV @ 4,500 | | 1 | 4500 |
| 26 | Omega Co. Ltd, Chennai returned 10 stabilizers | | 10 | 2000 |
| | | | | 6500 |

Sales Returns Book

| Date | Particulars | LF | Credit Note No. | Amount (Rs.) |
|-----------------|--|----|--------------------|-----------------|
| 2012 Sept 24 | Nadeswar Traders, Hubli | 5 | 1 | 2000 5000 |
| 27 | Ganesh Trade Links Ltd., returns 1 TV Returned 1 antenna and 1 stabilizer | 7 | 2 | 250 |
| | | | | 7250 |

Ledger Postings
Sony Co., Mumbai Account

Dr.

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|-----------------|---|------|--------|----------------|------------------|------|--------|
| 2012 June 30 | To Sundry Debtors A/c (as per Sales Return Books) | | 40500 | 2012 Sept 1 | By Purchases A/c | | 40500 |

RETAIL OPERATIONS - IIDr. **Ashwins Ltd., Dharwad Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|----------------|---------------------|------|--------|
| | | | | 2012 Sept 4 | By Purchases A/c | | 30000 |

Dr. **Omega Co., Chennai Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|-----------------|---------------------------|------|--------|-----------------|---------------------|------|--------|
| 2012 Sept 26 | To Purchase Return A/c | | 2000 | 2012 Sept 10 | By Purchases A/c | | 20000 |

Dr. **Nadeswar Traders, Dharwad Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|-----------------|--------------|------|--------|-----------------|-------------------------|------|--------|
| 2012 Sept 12 | To Sales A/c | | 36250 | 2012 Sept 27 | By Sales Returns A/c | | 2250 |

Dr. **Ganesh Trade Links, Hubli Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|-----------------|--------------|------|--------|-----------------|-------------------------|------|--------|
| 2012 Sept 15 | To Sales A/c | | 25000 | 2012 Sept 24 | By Sales Returns A/c | | 5000 |

Dr. **M/s. Mane, Dharwad Account** Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|-----------------|--------------|------|--------|------|-------------|------|--------|
| 2012 Sept 17 | To Sales A/c | | 26250 | | | | |

Dr.

Purchase Return Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|-----------------|---|------|--------|
| | | | | 2012 Sept 31 | By Sundry Creditors A/c (as per Purchase Return Books) | | 6500 |

Dr.

Purchase Return Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|-----------------|--|------|--------|------|-------------|------|--------|
| 2012 Sept 12 | To Sundry Creditors A/c (as per Sales Return Books) | | 7250 | | | | |

Dr.

Purchase Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|-----------------|--|------|--------|------|-------------|------|--------|
| 2012 Sept 12 | To Sundry Creditors A/c (as per purchase book) | | 90500 | | | | |

Dr.

Sales Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|-----------------|---|------|--------|
| | | | | 2012 Sept 30 | To Sundry Debtors A/c (as per sales book) | | 87500 |

Distinction between Debit Note and Credit Note

1. Debit note is prepared by a person who has purchased the goods and returning the some portion or whole of goods. Credit note is prepared by a person who receives the goods returned.
2. Debit note is intimation to the seller about the return of goods. Credit note is confirmation of receiving the returned goods.
3. Debit note informs the person that his account is debited. Credit note informs the person who returns the goods that his account is credited.
4. Debit note is recorded in purchases returns book and credit note is recorded in sales return book.
5. Usually debit note and credit notes are printed in distinct colour.

5. Cash Book

In this book cash receipts and payments are recorded. This book is a book of original entry. Hence, it is a subsidiary book. Once the cash book is maintained there is no necessity of maintaining a cash account in the ledger. It serves both purposes.

Cash book may also be maintained in a columnar form. It may provide columns, for cash, bank and cash, bank cash and discount columns or bank and discount columns.

Cash received and cash paid are straight way recorded in this book. From this book posting is done to various ledger accounts.

Such cash book appears like ordinary account, with one amount column on each side. The left hand side records the receipts of cash and right hand side the payments.

Double Column Cash Book

On each side of the Cash book one more column is added to record the discount received or allowed. This book is called as double column cash book. Cash discount is an allowance, which often accompanies cash payment or receipt. Whenever cash is received it will be recorded on the debit side, along with it if any discount is allowed the same will be also recorded on the debit side in the discount column. However for practical purposes cash book contains, cash column and bank column. Hence it is also called as double column cash book.

In the similar manner, when the cash is paid, it will be recorded on the credit side and if any discount is received, it will be recorded on the same side in discount column.

Three Columns Cash Book

Now-a-days more than cash payments and cash receipts, payments will be made through bank or amount may be received by way of cheques which are to be collected through bank only. Hence, it is more convenient to have the bank column also on each side of the cash book. In the bank column on the debit side of the cash book records the amount deposited it to the bank column on the credit side of the cash book records the payment made through bank or amount withdrawn from the bank.

On balancing bank column on a given date, the amount in the bank can be ascertained and on balancing the cash column the cash available in the office can be ascertained.

Requisites

Cash Receipt: When the businessman receives the amount he issues documentary evidence to person paying the amount. It is called as cash receipt. It contains, the name of the party issuing it, date, no. and amount received in words and figures and also the signature of the payee.

Specimen of Cash Receipt

| |
|---|
| _____ |
| _____ |
| (Name of the firm) |
| No. _____ |
| Date _____ |
| Received from _____ |
| _____ the sum of Rs. _____ by |
| cheques / cash / cash in part / full payment on account of _____. |
| Rs. _____ |
| Signature _____ |

The receipt format may be different but the same contents will be there. The receipt number will be usually mentioned in the cash book for reference in future.

Cash Memo

When cash sales take place cash memo is issued. Usually it will in duplicate. The original copy is retained for the office purpose. Its number will be written in the cash book.

Specimen of Cash Memo

| |
|--------------------|
| Cash Memo |
| _____ |
| _____ |
| (Name of the firm) |
| No. _____ |
| Date _____ |

RETAIL OPERATIONS - II

| Date | Particulars | Rate | Quantity | Amount (Rs.) |
|------|-------------|------|----------|--------------|
| | | | | |

E & OE

Signature

VOUCHER

A documentary evidence issued under the signature of party receiving the amount is called as voucher. The voucher number is also recorded in the cash book.

Specimen of Voucher

| | |
|---|------------|
| <div style="border-bottom: 1px solid black; width: 100%;"></div> <div style="border-bottom: 1px solid black; width: 100%;"></div> | |
| (Name of the firm) | |
| Voucher No. _____ | Date _____ |
| Received _____ | |
| _____ the sum | |
| of Rs. _____ only on account of _____ | |
| <div style="display: flex; justify-content: space-between; margin-top: 50px;"> <div style="width: 45%;">Signature of the Accountant</div> <div style="width: 45%;">Signature of the Receiver of the amount</div> </div> | |

Form of Cash Book Simple Cash Book

Dr.

Cr.

| Date | Particulars | Receipt No. | L.F. | Amount | Date | Particulars | Voucher No. | L.F. | Amount |
|------|-------------|-------------|------|--------|------|-------------|-------------|------|--------|
| | | | | | | | | | |

In case of double column cash book another column will be added on both sides (i.e. discount column) in case of three column cash book, one more column is added on both sides i.e. Bank column.

Debit side of the cash book is receipt side. All cash received will be recorded on this side. In discount column, the discount allowed on receipt of cash will be recorded. In the bank column, whenever the amount is deposited in the bank, entry will be made in the bank column. Similarly on the credit side, all payment will be entered in discount column. When the amount is withdrawn from the bank and also cheques are issued to other parties, entry will be made in the bank column.

On the debit side, every entry in the particular column commence with 'To' and credit side every entry commence with 'By'. After completion of the entry brief explanation is to be given.

Cash book may be balanced on convenient date. Cash column always shows debit side and such balance i.e. excess of debit side over credit side and such balance is nothing but the cash available in the business. Discount column may show either of balance. If it shows debit balance it shows the expenses or loss in the form of discount allowed, credit side total is total amount of discount earned. On balancing the bank column, if it shows debit balance it is the amount with the bank and if it shows credit balance, it shows overdraft from the bank.

Positing From the Cash Book

All the accounts appearing on the debit side are credited in the ledger.

All the accounts appearing on the credit side are debited in the ledger.

Hands-on-experience: Enter the following transaction in simple cash book.

2012

| | |
|--------|---|
| Sept 1 | Cash on hand Rs. 5000. |
| 3 | Received from Tejas Rs. 500 |
| 6 | Received from Nagendra Rs. 370 |
| 8 | Paid to Mahesh on account Rs. 750 |
| 10 | Made cash purchases Rs. 1500 |
| 17 | Sold goods to Sathe for cash Rs. 350 |
| 20 | Paid in to Bank Rs. 1000 |
| 22 | Purchased office furniture for Rs. 300 |
| 25 | Received interest on debentures Rs. 300 |
| 27 | Paid electricity charges Rs. 25 |
| 29 | Paid rent Rs. 150 |
| 30 | Paid salaries to staff Rs. 570 |

RETAIL OPERATIONS - II

Dr.

Simple Cash Book

Cr.

| Date | Particulars | R. No. | L.F. | Amount | Date | Particulars | R. No. | L.F. | Amount |
|--------|--|--------|------|--------|--------|---|--------|------|--------|
| 2012 | | | | | 2012 | | | | |
| Sept 1 | To Balance b/d | - | - | 5000 | Sept 8 | By Mahesh A/c (Paid to Mahesh) | 4 | 26 | 750 |
| 3 | To Tejas A/c (Cash RD from Tejas) | 1 | 22 | 500 | 10 | By Purchase A/c (cash purchases) | 5 | 27 | 1500 |
| 6 | To Nagendra A/c (Cash RD from Nagendra) | 2 | 23 | 370 | 20 | By Bank A/c (deposited) | 6 | 28 | 1000 |
| 17 | To Sales A/c (Cash RD on sales) | 3 | 24 | 350 | 22 | By Furniture A/c (purchased furniture) | 7 | 29 | 300 |
| 25 | To Interest on debenture | 4 | 25 | 75 | 27 | By Electricity Charge A/c (interest RD on debit) | 8 | 30 | 25 |
| | | | | | 29 | By Rent A/c (rent paid for the month) | 9 | 31 | 150 |
| | | | | | 30 | By Salaries A/c (salary for the monthly) | 10 | 32 | 570 |
| | | | | | 30 | By Balance c/d | | | 2000 |
| | | | | 6295 | | | | | 6295 |

Illustration

Enter the following transactions in a double column cashbook and also post them to respective ledger accounts.

2012

Sept 1 Opening balance Rs. 11000

4 Sold goods to Suresh of Rs. 1500 and received the amount in cash after allowing 5% cash discount

- 7 Purchased goods for cash Rs. 2700
 9 Paid office rent Rs. 600
 15 Received Rs. 100 on sale of shares of Hindustan Lever Ltd.
 17 Paid to Mahadev Rs. 280 and received discount of Rs. 20
 20 Received from Gokhale Rs. 190 after allowing him discount of Rs. 10
 25 Received commission Rs. 180
 29 Received from Niranjana Rs. 195 and allowed him discounts Rs. 5
 30 Paid in to bank Rs. 500

Dr.

Double Column Cash Book

Cr.

| Date | Particulars | Vr. No. | L.F. | Disc- ount (Rs.) | Cash (Rs.) | Date | Particulars | Vr. No. | L.F. | Disc- ount (Rs.) | Cash (Rs.) |
|--------|---|---------|------|------------------------|---------------|--------|---|---------|------|------------------------|---------------|
| 2012 | | | | | | 2012 | | | | | |
| Sept 1 | To Balance B/d | - | - | - | 11000 | Sept 7 | By Purchase A/c (Cash Purchase made | - | - | - | 2700 |
| 4 | To Sales A/c | - | - | 75 | 1425 | 9 | By Rent A/c | - | - | - | 600 |
| 15 | To Share A/c (Sale of Share) | - | - | - | 100 | 17 | By Mahadev A/c (Paid to Mahadev and allowed discount) | - | - | 20 | 280 |
| 20 | To Gokhale A/c (RD from Gokhale and allowed him discount) | - | - | 10 | 190 | 30 | By Bank A/c (Deposited in bank) | - | - | - | 500 |
| 25 | To Commission A/c (Received Commission) | - | - | - | 180 | | By Balance C/d | - | - | - | 9010 |
| 29 | To Niranjana A/c (Rd from Niranjana and allowed him discount) | - | - | 5 | 195 | | | - | - | | |
| | | | | 90 | 13090 | | | | | 20 | 13090 |

LEDGER POSTINGS

Dr.

Sales Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|----------------|-------------|------|--------|
| | | | | 2012 Sept 4 | By Cash A/c | | 1425 |

Dr.

Shares Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|-----------------|-------------|------|--------|
| | | | | 2012 Sept 15 | By Cash A/c | | 100 |

Dr.

Gokhale Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|-----------------|-----------------|------|--------|
| | | | | 2012 Sept 20 | By Cash A/c | | 190 |
| | | | | 20 | By Discount A/c | | 10 |

Dr.

Commission Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|-----------------|-------------|------|--------|
| | | | | 2012 Sept 25 | By Cash A/c | | 180 |

Dr.

Niranjan Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|------|-------------|------|--------|-----------------|-----------------|------|--------|
| | | | | 2012 Sept 29 | By Cash A/c | | 195 |
| | | | | | By Discount A/c | | 5 |

Dr.

Office Rent Account

Cr.

| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
|----------------|-------------|------|--------|------|-------------|------|--------|
| 2012 Sept 9 | To Cash A/c | | 600 | | | | |

| Dr. Mahadev Account | | | | Cr. | | | |
|---------------------|-----------------|------|--------|------|-------------|------|--------|
| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
| 2012 | | | | | | | |
| Sept 12 | To Cash A/c | | 280 | | | | |
| | To Discount A/c | | 20 | | | | |

| Dr. Bank Account | | | | Cr. | | | |
|------------------|-------------|------|--------|------|-------------|------|--------|
| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
| 2012 | | | | | | | |
| Sept 30 | To Cash A/c | | 500 | | | | |

| Dr. Purchase Account | | | | Cr. | | | |
|----------------------|-------------|------|--------|------|-------------|------|--------|
| Date | Particulars | J.F. | Amount | Date | Particulars | J.F. | Amount |
| 2012 | | | | | | | |
| Sept 30 | To Cash A/c | | 2700 | | | | |

Bank Transactions: In modern times, transaction through bank has become almost necessity several advantages are accrued to the businessman by operating through the bank.

1. Money is safe.
2. No necessity of keeping heavy cash balance with him.
3. Payment can be made through cheque, which creates evidence for payment made.
4. Amount can be received through cheque and safely deposited in a bank.
5. Standing instructions can be given to bank to make regular payment like, rent, electricity bill, LIC premium etc.
6. He can avail overdraft facilities also.
7. Bank may be used as supplier of information.

Type of Deposit Accounts

Following are the types of deposit accounts:

1. **Fixed Deposit (FD) Account:** In this account amount is deposited for a fixed period. The amount can be withdrawn only on expiry of such period. Usually rate of interest will be higher compared to other deposits, if the amount is withdrawn before the expiry of the period, depositor loses the interest. It is suitable to such a person who have excess money and it is not required for immediate use.
2. **Savings Deposit Account:** This type of account is suitable for salaried class people. Amount

can be withdrawn for limited number of times in a week. Interest rate will be less compared to fixed deposit.

3. **Current Account (CA):** This account convenient to businessman who has several transactions in a day and there is no restrictions, number of withdrawals in a day. Usually, no interest is paid on these deposits.
4. **Recurring Deposit Account (RD):** Convenient account for such a persons who have regular income and like to save some portion of it.

On opening of savings account and current account bank issues the following:

- (a) Cheque Book
 - (b) Pass Book
 - (c) Pay-in-slips
- (a) **Cheque Book:** It is an instrument in writing, containing an unconditional order to the bank to pay certain sum to certain person from his account.
- » Depositor who draws the cheque is called 'Drawer'.
 - » The person in whose favor cheque is drawn is called 'Payee'.
 - » The person on whom cheque is drawn is called 'Drawee'.
- (b) **Pass Book:** It is extract of customer's ledger account with the bank. It is provided to customer and he can ascertain the details as to deposit made, withdrawals, and balance in his account.
- (c) **Pay-in-slip:** Loose leaves or a book is provided to the customer which can be used while depositing cash or cheque in the bank.

Exercise: Record the following transactions in the two columns cash book and balance the same (with bank transaction)

2002

| | |
|-----------|--|
| October 1 | Cash balance Rs. 5000 Bank Balance Rs. 2000 |
| 2 | Received from father and paid into bank Rs. 10000 |
| 5 | Sold goods for cash deposited into bank Rs. 4000 |
| 8 | Paid Satish by cheque on account Rs. 5700 and he allowed discount Rs. 300 |
| 10 | Purchased goods and paid by cheque Rs. 3000 |
| 12 | Received cash from Bepari Rs. 6000 on account and allowed him discount Rs. 400 |
| 15 | Received cheque from Sachin and deposited into bank Rs. 2500 |
| 17 | Sachin's cheque was returned dishonored Rs. 2500 |
| 18 | Paid cash for advertisement Rs. 1000 |
| 20 | Received cash from Satish for commission Rs. 2000 |
| 21 | Purchased shares of Infosys Ltd. and paid by cheque Rs. 7000 |
| 23 | Bought TV for cash for private use Rs. 5000 |

- 25 Bank paid directly for life insurance premium of the proprietor Rs. 1500
 27 Bank debited our account for commission Rs. 100
 28 Bank credited interest to our account Rs. 200
 29 Issued cheque for rent Rs. 4500
 30 Paid cash for salaries Rs. 3000

Cash Book with Discount & Cash columns/ Double Column Cash Book

Dr.

Cr.

| Date | Particulars | Disc- ount | Cash | Date | Particulars | Disc- ount | Cash |
|--------|------------------------------------|---------------|-------|--------|--|---------------|-------|
| 2012 | | | | 2012 | | | |
| Oct. 1 | To Balance B/d | - | 5000 | Oct. 2 | By Bank A/c (deposited into bank) | - | 10000 |
| 2 | To Capital A/c | - | 10000 | 5 | By Bank A/c (deposited into bank) | 300 | 4000 |
| 5 | To Sales A/c | - | 4000 | 8 | By Purchase A/c (paid Satish and he allowed discount) | - | 5700 |
| 8 | To Bank A/c (with drawn from bank) | - | 5700 | 10 | By Purchase A/c (amount paid by cheque) | - | 3000 |
| 10 | To Bank A/c (with drawn from bank) | - | 3000 | 15 | By Cheque sent for collection A/c (cheque of Sachin sent for collection) | - | 2500 |
| 12 | To Bepari A/c | 400 | 6000 | 18 | By Advertisement A/c | - | 1000 |
| 15 | To Sachin's A/c (Rd cheque) | - | 2500 | 21 | By Shares A/c | - | 7000 |
| 20 | To Commission A/c | - | 2000 | 23 | By Drawings A/c | - | 5000 |

RETAIL OPERATIONS - II

| | | | | | | | |
|----|---|-----|-------|----|---|-----|-------|
| 21 | To Bank A/c (withdrawn for payment to Infosys) | - | 7000 | 25 | By Drawings A/c (bank directly paid LIC premium) | - | 1500 |
| 25 | To Bank A/c (with drawn from bank) | - | 1500 | 27 | By Commission A/c | - | 100 |
| 27 | To Bank A/c (Commission debited to our) | - | 100 | 28 | By Bank A/c (interest credited to our account) | | 200 |
| 28 | To Interest A/c | - | 200 | 29 | By Rent A/c | | 4500 |
| 29 | To Bank A/c | - | 4500 | 30 | By Salaries A/c | | 3000 |
| 30 | To Bank A/c | - | 3000 | | By Balance C/d | | 7000 |
| | | 400 | 54500 | | | 300 | 54500 |

Points to be Noted

1. Every time when the cheque is received from other parties it is treated as cash received and cash account is debited and parties account is credited. When the same cheque is paid into bank for collection – Bank account is debited and cash account is credited.
2. When the cheque is issued to others, it is assumed that amount is drawn from bank and cash account is debited and bank account is credited further on issue of cheque-party's account is debited and cash account is credited.
3. When bank makes payment directly from account as per our standing instruction, it is assumed that cash is withdrawn from the bank-so cash account is debited and bank account is credited –further cash account is credited and concerned account towards which amount is paid is debited.
4. When the bank credits our account on account of interest, it is assumed that the amount is received from the bank, hence, the cash account is debited – and bank account is credited and further it is assumed that the same amount is deposited into bank so bank account is debited and cash account is credited.

So, certain bank transactions are appears on both sides in the following cases:

1. Payment through cheque to others.
2. Received through cheque and deposited in a bank on the same day.
3. When other party directly deposit the amount to our bank account.
4. When cheque is dishonored (this happens only when – cheque sent for collection account is not opened).

5. When bank directly credits our account for interest, commission etc and also when it directly makes payment from our account like, insurance premium, taxes.

Illustration

From the following particulars prepare cash book with cash bank and discount columns:

2002

| | |
|------------|--|
| November 1 | Cash on hand Rs. 200 |
| 2 | Bank overdraft Rs. 3000 |
| 3 | Issued a cheque in favour of Ramachandra for Rs. 2500 in full settlement of Rs. 2600 |
| 5 | Received a cheque from Somesh for Rs. 3250 in full settlement Rs. 3300 and deposited the cheque into bank |
| 7 | Received an advice from the bank stating that the bank has paid Rs. 250 on account of fire insurance premium |
| 9 | Paid petty cash Rs. 100 |
| 11 | Cash sales Rs. 3500 |
| 11 | Cash purchase Rs. 900 |
| 15 | Purchased machinery for Rs. 7000 the amount being paid by a cheque |
| 19 | Direct deposit by Zaveed Rs. 4800 |
| | Rs. 2000 in full settlement of Rs. 2200 and sent to bank for collection |

Cash Book with Discount, Bank & Cash Columns/ Triple Column Cash Book

Dr.

Cr.

| Date | Particulars | L.F. | Dis. Rs. | Bank Rs. | Cash Rs. | Date | Particulars | L.F. | Bank Rs. | Dis. Rs. | Cash Rs. |
|-------|---|------|-------------|-------------|-------------|-------|---|------|-------------|-------------|-------------|
| 2002 | | | | | | 2002 | | | | | |
| Nov 1 | To Balance B/d | | - | | 200 | Nov 2 | By Balance B/d (over draft) | - | | 3000 | - |
| 5 | To Somesh A/c (cheque Rd and deposited into bank) | | 50 | 3250 | | 3 | By Ramachara A/c (issued cheque) | - | 100 | 2500 | - |
| 11 | To Sales A/c | | | | | 7 | By Insurance Premium A/ (Insurance premium directly paid by the bank) | - | | 250 | 100 |

RETAIL OPERATIONS - II

| | | | | | | | | | | | |
|----|--|--|-----|-------|------|----|--|---|-----|-------|------|
| 19 | To Zaveed A/c | | 200 | 4800 | 3500 | 9 | By Petty Cash A/c | - | | 7000 | 900 |
| 26 | To Preetam A/c (a cross cheque Rd and allowed him discount) | | | 2000 | | 11 | By Purchases A/c | - | | | |
| 30 | To Balance B/d | | | 3050 | | 15 | By Machinery A/c | - | | | 300 |
| | | | | | | 28 | By Office Exp. A/c | - | | 350 | - |
| | | | | | | 30 | By Rent A/ (cheque book) By Bal C/d | - | | | 2400 |
| | | | 250 | 13100 | 3700 | | | | 100 | 13100 | 3700 |

Other books of Accounts

- Bills Receivable Book:** In this book the bills of exchanges accepted by the customers be recorded.
- Bills Payable Book:** Bills which are accepted by the businessman will be recorded in this book.
- Petty Cash Book:** This book is used for recording of petty payments. It will be drawn in a column form to record the payments of different nature it reduces the burden of the main cashier usually it is maintained on "Imprest system".
- Journal Proper:** In this book all those transactions which cannot be recorded in the books mentioned above will be recorded. Usually this books is also used to record opening entries, transfer entries, adjustment entries closing entries and also rectification entries.

Bank Reconciliation Statement

Bank column of the cash book or bank account separately maintained shows the balance with the bank on given date. Likewise, pass book or periodical statement issued by the bank reflects the customers balance with the bank on a given date. In fact both should show the same amount of balance. But, most of the times they show different balances due to some of the reasons mentioned below. On finding out thereasons for difference in the balance, a statement is prepared to reconcile it. Such statement is called "Bank Reconciliation Statement".

Reasons for Difference

1. **Cheques issued but not presented for payment:** On the date of issue of cheque to others the credit entry will be made in the cash book bank column or in bank account. This reduces the balance in the bank. But practically, the party which receives the cheques, may not present or encash the cheque on the same date. They may present it on some future date. But until the cheques is presented and encashed – the bank balance as per the bank records (i.e. in pass book) will not be reduced. Hence, there will be a difference between two balances upto the date of encashment.
2. **Cheque received and paid into bank but not collected or cleared:** Banker, unless the cheques paid in is collected, will not credit the amount to customers account. But on the date when the cheques are paid into bank, the entry will be made in customer's books of account, stating that the amount is deposited into the bank. It increases the balance with the bank. So, there will be difference in both balances till the amount is collected and credited to customers account.
3. **Cheque received but not deposited in the bank:** Some time, customer in his book makes an entry immediately after the receipt of cheques and this increase the balance with the bank. But bank will not make any record of such cheques. Hence, there will be difference.
4. **Interest allowed by bank:** If the bank has allowed interest to customers, the entry will be normally made in the customer's account and later shown in the bank statement. Customer comes to know, such entry on receiving the statement only and entry will be made in the cash book or bank account in his book.
5. **Interest and expenses charged by the bank:** On charging interest, or expenses paid or incurred on behalf of the customer bank makes an entry in customers' accounts in its books. But, the same will be known to customer only on receipt of statement and he makes the entry in his books. Till that date, the balance will be of different amount.
6. **Interest and dividends collected by the bank:** Sometimes, investments like bonds, shares and debentures are kept in bank for safe custody. Bank itself collects the interest and dividend on such investments and makes an entry in customers account. This fact will not be known to customer until he receives a statement. The difference in the balance is created due to this.
7. **Direct payments from the bank:** On standing instructions from the customer, like insurance premium etc. The entries made in the bank statement and in the customers book will be on different date. Till that date there will be difference in balance.
8. **Direct payment by the other parties in to bank:** When the other parties directly deposits the amount in the bank to the credit of account holder, naturally account holder will come to know this on receipt of bank statement only. Until this date- there will be difference in balance.
9. **Dishonor of bills discounted with bank:** Bank provides facility of discounting (payment against bill or promissory note after deducting - the interest amount for the period) of bill of exchange or promissory notes.

It presents them to the Drawee on the date of maturity. In that case the drawee does not pay the amount bank will debit the customer's account with such amount. This fact will be known to account holder on receipt of statement only, till this date, balance shown will be different.

10. **Dishonor of cheques paid into bank:** When other parties cheques are paid into bank, accordingly the entries are made in the bank column or bank account, as having deposited into bank but when the bank send such cheques for collection and the other party dishonors it, bank will not make entry in the customer's account for this amount. But already customer has made entry in his books. This makes a difference. Many a times, bank also makes entry for the cheques paid in and also makes entry in the pass book in good faith. But subsequently, if the cheques are dishonored by the party – bank passes reverse entry and customer will know it latter. In such cases also, there will be difference in the balance.
11. **Mistakes in cash book or pass book:** Wrong entries may be made either in the cash book by the customer or in the passbook by the bank. Both show different balances until the errors are rectified.

Reconciliation

In the absence of any of the reasons stated above, the balance shown by the bank statement or passbook and as shown by the cashbook will agree. On a given date, if there is disagreement, exact reasons should be established and both the balances should be reconciled.

The advantages of reconciliation are:

1. It brings out any error committed either in cashbook or in the bank statement.
2. Any undue delay in the clearance of the cheques will be ascertained by the reconciliation.
3. Regular reconciliation discourages staff of the customer or even that of the bank from embezzlement (e.g.-Entries are made in cash book as amount deposited without actual deposit).

Procedure of Reconciliation: The entries appear in the cash book on debit side, will appear on the credit side of the pass book and similarly, entries appear on the credit side of the cash book will appear on the debit side of pass book. For given period on a definite date – both entries in cashbook and passbook should be ticked off. The entries remaining unticked are reasons for the difference between two balances. Statement should be prepared taking one of the balances – i.e. if cash balance as per the cashbook is taken, after adjustments (add or deduct – as the case may be) the balance as per the cashbook will be arrived at.

Steps

1. Take the balance as per one book as starting point.
2. Find out the reasons for the difference by comparison of both books i.e. find out the un-ticked items.
3. Study the effects of particular cause of difference on balance.
4. If the un-ticked items have resulted in an increase in the balance shown by other book, the amount of such increase should be added to the balance, which is taken as starting point.
5. If the un-ticked items have resulted in decrease in the balance shown by other book, the amount of such decrease should be deducted from the balance, which is taken as starting point.

6. Finally, arrived at the balance as shown by other book.
7. If the balance arrived at agrees with balance as per other book. It shows that there are only causes and no errors.

How to Prepare a Bank Reconciliation Statement?

Formula: Compare the entries in the bank column on receipt side of the cash book with the entries made by the bank on credit side of pass book. Similarly, compare the entries made on payment side in bank column of the cash book with the entries made by the bank on debit side of the pass book. After comparison, note the discrepancy, if any, and follow the formula given below:

(a) When the balance as per Cash Book is given

- Add:
1. Cheques issued but not present for payment.
 2. Interest and dividend collected by the Bank but not recorded in the Cash book.
 3. Direct deposit made by a customer in Bank account.
 4. Interest on deposit allowed by the Bank but not recorded in the Cash Book.
- Less:
1. Cheques deposited in to the Bank but not realized.
 2. Commission charged by the Bank, the entry of which does not appear in the Cash Book.
 3. Bank charges debited in the pass book but not entered in the Cash book.
 4. Insurance premium paid by the bank but not entered in the cash book due to lack of intimation.
 5. Dishonour of cheques or dishonour of bill Receivable discounted debited in the pass book but not entered in the Cash Book.

N.B.: The above formula should be followed when over draft as per Pass Book is given.

(b) When balance as per the Pass Book is given

- Add:
1. Cheques deposited in to the Bank but not collected.
 2. Bank charges, commission, interest, debited in the pass book but not entered in the Cash Book.
 3. Insurance premium paid by the bank and debited in the pass book but does not appear in the cash book.
 4. Dishonour of cheques or dishonour of Bill Receivable discounted debited in the pass book but not entered in the Cash Book.
- Less:
1. Cheques issued but not present for payment.
 2. Interest and dividend collected by the Bank but not recorded in the Cash Book.
 3. Direct deposit made by a customer in Bank account.
 4. Interest on deposit allowed by the Bank but not recorded in the Cash Book.

N.B.: The above formula should be followed when over draft as per Cash Book is given.

Trial Balance

Trial balance is a statement of debit and credit balances of various accounts. In the double entry book keeping system there will be a credit for every debit and there will not be any credit without a debit. When this principle is followed in writing the books of accounts the total amount of all the debits will be equal to the credits. The Trial balance is prepared on a particular date with the objective of checking the objective of arithmetic accuracy of the books of accounts. The trial balance generally does not include the closing stock.

The first step in preparation of final accounts is preparation of trial balance. After tally of the trial balance one can proceed for the preparation of the final accounts.

The following is the proforma of a Trial Balance:

Trial Balance of Shri Mittal

| Sl. No. | Name of the Account | Debit Rs. | Credit Rs. |
|---------|---------------------|-----------|------------|
| 1 | Cash | 1,70,000 | |
| 2 | Capital | | 1,80,000 |
| 3 | Govind | | 20,000 |
| 4 | Sales | | 93,000 |
| 5 | Wages | 20,000 | |
| 6 | Harish | 1,000 | |
| 7 | Interest | 2,000 | |
| 8 | purchases | 1,00,000 | |
| | | 2,93,000 | 2,93,000 |

Advantages of Trial Balance

The following are the advantages of preparing a Trial Balance:

1. Trial balance helps in checking the arithmetical accuracy of books of accounts.
2. Trial balance helps in preparing the final accounts.
3. It helps in detecting errors.
4. The Trial balance serves as an instrument to carry out the job of rectification of errors.
5. Trial balance facilitates to find out the balances of various accounts at one place.

Exercise: Assignment

1. What are the important features of journal?

2. Which are the different types of ledger books required to be maintained? When there are many transactions?

3. What is purchase book?

4. What is the need of bank reconciliation statement?

5. Visit a retail store and find out which ledgers accounts are maintained by them.

Assessment

A. True or false

1. Journal is called as the book of prime entry.
2. Posting is a process of transfer of entry from ledger to journal.
3. Receipt of cash and payment of cash will be recorded in purchase book.
4. Trial balance is a statement of debit and credit balances of various accounts.
5. Bank reconciliation statement is to be prepared as there is a difference in balance of bank column of cash book and bank pass book.

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for Assessment Activity.

Part A

- » What are the Important Features of Journal?
- » Which are the three different classifications of accounts?
- » What is petty cash book?
- » What is trial balance?

Part B

Discussed in class the following:

- » What are the advantages of subsidiary books?
- » What are the types of deposit accounts?
- » What are the advantages of bank reconciliation statement?

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

| Performance Standards | Yes | No |
|---|-----|----|
| Able to understand the difference between journal and ledger. | | |
| Able to identify the need of preparing a bank reconciliation statement. | | |

Session 4: Trading, Profit & Loss Account and Balance Sheet

Relevant Knowledge

As per accounting cycle the transactions are first recorded in journal, from where they are posted to the relevant accounts in ledger, at the end of accounting period these accounts are balanced and a trial balance is prepared for finding out the arithmetical accuracy of books of accounts.

After preparing the trial balance final accounts are prepared to achieve the objectives of accountancy. A business man is interested to know the final results of the business - whether he has earned profit or suffered loss in that particular accounting period. Two main objectives of maintaining accounts are to find out the profit or loss made by the business at the end of regular periodic intervals and to ascertain the financial position of the business on a given date.

For achieving these objectives, the businessman prepares certain financial statements at the end of each accounting period. In order to know profit or loss earned by a firm, income statement or trading and Profit and loss account is prepared. Balance sheet or position statement will portray the financial condition of a firm on a particular date. These two statements i.e. trading and profit and loss account and balance sheet are prepared to give the final results of the business, that is why both these are collectively called as final accounts. Thus, final accounts include the preparation of:

1. Trading Account
2. Profit & Loss Account; and
3. Balance Sheet

According to American Institute of certified public accountants "Financial statements are prepared for the purpose of presenting a periodic review or report on the progress by the management and

deal with the (i) status of the investments in the business and; (ii) results achieved during the period under review".

Thus final accounts are the means of conveying to the management, owners and interested outsiders. A concise picture of profitability and financial position of the business. It is the end product of accounting process which gives consolidated accounting information of the accounting period, after the accounting period is over. These accounts summarize all the accounting information recorded in the subsidiary books and the ledger running into hundreds or thousands of pages. The basis of preparation of final accounts is the trial balance containing debit and credit balances. These balances represent the following:

Debit Balances: Assets and deferred revenue expenses to appear on the asset side of balance sheet and nominal accounts relating to expenses and losses to appear on the debit side of trading or profit and loss account.

Credit Balances: They represent capital, liabilities, and reserves to appear on the liabilities side of balance sheet. The Nominal accounts relating to revenue and gains which are credited to the Trading and Profit and loss account as the case may be.

For proper treatment of various items of trial balance while preparing the final accounts following rules should be followed:

1. *If the amount of debit balance account is recoverable to the business, it is an asset but if the amount cannot be recovered in any way in that case it represents either expenditure or loss.* Building, furniture, machinery have debit balances and money can be received by realizing them Salary, rent, wages etc. also have debit balance but these cannot be realized in cash because money has already been paid to third parties against them. Thus building, machinery, furniture etc. are recorded on the asset side of balance sheet and salary, rent and wages, etc. appear on the debit side of trading or profit & loss account.
2. *Similarly, if the amount is payable to outsiders against a credit balance account, it is a liability and shown in the balance sheet.* If the amount is not payable to anyone against a credit balance account in that case it is an income of business and is to be recorded in trading and profit and loss account. Bank overdraft, creditors and loans etc. all have credit balances and business is to pay them out. Discount, dividend, rent, etc. if they have credit balances are not payable by business to outsiders because the amount received is not to be paid back. Thus overdraft etc. is a liability and discount and rent etc., are incomes.

Procedure of Preparing Final Accounts

Before discussing the preparation of Trading and profit and loss account it is necessary to know the concept of income and how it is calculated.

The income concept is used even in those organizations which are run on no profit objectives. Thus to ascertain income, same type of accounting is essential in all types of businesses.

Cost of Goods Sold or Merchandising Cost: To earn profits from a business, some money must

be spent on purchasing the goods (in case of trading concern) and expenses like freight, cartage etc. will be incurred to bring the goods to the shop. The cost of purchasing the goods plus expenses directly related to the purchase of goods is technically called cost of goods sold. Cost of goods sold is deducted from sales to get the 'Trading Profit' (Gross profit).

Expenses of Doing Business: Gross profit does not give the correct picture of the working results of a concern. There are many indirect expenses like salaries, rent, commission, advertising, interest etc. which must be deducted from the gross profit in order to calculate the net profit. Such expenses of doing the business is called operating expenses. These expenses are incurred to run the business and to maintain its operational efficiency.

Different terms used with reference to final accounts can be defined as under:

1. **Cost of goods sold:** It is the cost of acquiring the goods for sale i.e. purchase price plus expenses incurred in bringing the goods to shop with due adjustment of opening and closing stocks.
2. **Operating expenses:** Those expenses *which are incurred to run the business day to day* and to maintain its operational efficiency.
3. **Gross Profit:** It is the *excess of sales over cost of goods sold*.
4. **Gross Loss:** It is the *excess of cost of goods sold over sales*.
5. **Net Profit:** It is the *excess of gross profit over operating expenses*. If there is any other income to the business, that must be added in gross profit before deducting the operating expenses. It is also known as business income.
6. **Net Loss:** It the *excess of operating expenses over gross profit and other incomes*.

Trading Account and Profit & Loss Account

It is the summary of those accounts which effect the profit or loss of a business concern. There are various accounts of revenue and expenses in the trial balance. All these accounts either increase the profit or increase the losses or vice versa. In order to know the overall situation of the effect of these accounts, they are grouped at one place. The revenue items are put on the credit side, whereas the items of expenses and losses are put on the debit side. Balance is either profit or loss.

The net profit of the company is determined in two stages. In the first stage the profit or loss from Core activity of the business i.e. buying, manufacturing and selling, is determined. This is termed as gross profit/loss. The word gross is used because the other incomes and expenses, not directly related to the production process have to be added and subtracted from this respectively to arrive at the eventual (net) profit.

The determination of the gross profit/loss is very important because it is essential for the trader to know in the first place, whether his core activity is efficient in earning or not. If not then no matter how efficient the other activities are the final result will not be good. Besides this the ratio of the gross profit to sales is a very important guide of the profitability of a company as-well-as of the stability of production expenses.

The equation for determining the gross profit is = Net sales - (cost of goods sold + Direct production expenses)

where *Net sales* = Total sales (i.e., Cash sales + Credit sales) less sales Returns

Cost of goods sold = Opening stock + Net purchases - Closing stock

where *Net purchases* = Total purchases (i.e. Cash + Credit) Less Purchase returns

where *Direct production expenses* = Conversion cost, i.e. cost of procuring the raw material and converting them into finished goods.

Trading Account

Debit Side of a Trading Account

The items those usually appear on the debit side of a trading account are shown in the above specimen form of trading account. These items can be explained as follows:

Opening Stock: This represents the stock of goods in hand at the beginning of the year. This figure is available from the trial balance. In the case of trading concern, the opening stock will be of finished goods only. But in the case of a manufacturing concern, the opening stock will be in three forms viz., (1) stock of raw materials (2) work-in-progress (3) stock of finished goods. If the business is started newly, there will be no opening stock of goods.

Purchases: The purchase account represents the total purchases made during the year. This figure includes credit as well as cash purchases.

Returns Outward: (purchase returns) Sometimes goods are returned to the suppliers owing to some defect in goods or some other reasons. Such returns outwards should be deducted from the amount of total purchases, and only the amount of net purchases is shown in trading account.

Direct Expenses: Direct expenses are the expenses which are either incurred on purchasing of goods or for making goods saleable. Such expenses are to be transferred to the debit side of trading account. Direct expenses also include productive expenses such as manufacturing wages, factory lighting, factory rent and rates. They may be described as follows:

Freight: Freight paid on goods purchased is chargeable to trading account. It is also called as freight inward. However, if any freight is paid on the purchase of fixed assets like machinery, it should not be charged to trading account. It should be added to the cost of that particular asset.

Carriage Inward: The expenses are to be incurred for carrying the goods purchased to the warehouse. This expenditure is also treated as expenses incurred on purchasing of goods, and hence debited to trading account.

Carriage Outward: However, carriage outward which is the expenditure incurred on sale of goods is transferred to the profit and loss a/c and not to the trading a/c.

Wages: Wages paid to workers in the factory should be debited to the trading account. Similarly, salaries paid to persons working in the factory will also be debited to the trading account. There is a

slight difference between wages and salaries. Wages are usually paid daily whereas salaries are paid monthly.

Octroi and Customs Duty: When goods are brought within municipal limits, octroi duty is to be paid on it. In the case of goods imported from abroad, customs duty, dock charges have to be paid. Since these expenses relate to the purchase of goods, they are shown in the trading account.

Fuel, Power & Lighting: Machines are run either with the help of fuel (coal) or power. These expenses should be debited to the trading account as they are productive expenses. 'Electricity consumed for providing lights in the factory should also be debited to the trading account. If there is a common meter for the office and the factory, the total bill should be suitably apportioned between the two. Portion relating to factory will be debited to the trading account.

Factory Rent and Rates: The rent and the municipal taxes paid for the factory premises are to be charged to the debit side of trading account. Municipal taxes are also called as rates. If the office and the factory are in the same premises, the total rent and rates are divided proportionately and only factory rent is debited to trading account.

Credit Side of a Trading Account

Generally there are only two items appearing on the credit side of a trading account viz., (1) sales and (2) closing stock of goods.

Sales: Sales account indicates the total sales (cash and credit) during the year. Some customers might have returned the goods sold to them. They are called as returns inwards. Return inwards are deducted from the amount of total sales. Only net sales for the year are shown on the credit side of trading account. If the goods have been sold but not yet dispatched, they should not be shown under sales but should be included in closing stock. Similarly if fixed asset is sold, it will not be treated as sales.

Returns Inward (Sales Returns): The debit balance of returns inward account representing goods returned by customers, is deducted from the sales on the credit side of trading account.

Closing Stock: Closing stock of goods means the value of goods which remain unsold at the end of the financial year. It is to be valued by making a list of all goods in stock which is known as 'stocktaking'. The principle applied for the valuation of stock is "cost or market price whichever is lower". Fixed assets or items like postage stamps or stationery are not to be included in the closing stock.

Balancing of Trading Account: After transferring all the above items to trading account, it is to be closed. If the total, of the credit side of trading account is more than the debit side total, it represents gross profit. In the reverse case, there is a gross loss. Gross profit or gross loss does not represent the true result of the business. It is only a result of purchasing and selling of the goods. The balance of trading account is to be transferred to the next account i.e., profit and loss account.

Gross profit will be transferred to the credit side of profit and loss a/c and gross loss, if any, will be transferred to debit side of profit and loss account.

PROFORMA**Trading Account for the year ending 31st March, 2010**

Dr.

Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|-----------------------------|--------------|---|--------------|
| To Opening Stock | | By Sales | |
| To Purchases | | By Less Returns | |
| Less Returns _____ | | Inwards _____ | |
| Outwards _____ | | | |
| | | By Closing Stock | |
| To Direct Expenses | | | |
| To Freight | | | |
| To Carriage Inwards | | | |
| To Wages | | | |
| To Octroi Duty | | | |
| To Custom Duty | | | |
| | | By Gross Loss transferred to Profit and Loss A/c | |
| To Fuel, Power, Lighting | | | |
| Factory Rent, Rates | | | |
| To Gross Profit transferred | | | |
| | | | |
| | | | |

Exercise:

From the following balances, prepare the trading account of Mansuklal for the year ending 31st December 2012.

| | | | |
|------------------------|-------|------------------|-------|
| Opening stock 1-1-2012 | 7000 | Carriage | 1280 |
| Purchases | 22000 | Wages | 3595 |
| Purchase Returns | 500 | Motive Power | 1375 |
| Sales | 32700 | Salaries | 2100 |
| Sales Returns | 650 | Stock 31-12-2012 | 14479 |

Solution
Trading Account for the year ending 31st December 2012

Dr.

Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|---------------------------|--------------|------------------------|--------------|
| To Opening Stock | 7000 | By Sales 32,700 | |
| To Purchases 22,000 | | Less Sales Returns 650 | 32,050 |
| Less Purchases Return 500 | 21,500 | By Closing Stock | 14,479 |
| To Carriage | 1,280 | | |
| To Wages | 3,595 | | |
| To Motive Power | 1,375 | | |
| To Gross Profit | 11,779 | | |
| | 46,529 | | 46,529 |

Profit & Loss Account

Profit and account is opened with gross profit (or gross loss) which is transferred from the trading account. It is prepared to ascertain net profit earned or net loss sustained by the trader during the trading year. All expenses and losses (those which are not transferred to the trading account) are transferred to the debit side of profit and loss a/c and all gains and incomes earned during the year are transferred to the credit side of profit and loss a/c the specimen form a profit and loss a/c is given below:

Profit & Loss Account for the year ended 2010

Dr.

Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|--|--------------|--|--------------|
| To Gross Loss transferred from Trading A/c | _____ | By Gross Profit transferred from Trading A/c | _____ |
| Indirect Expenses | | Gains and Incomes | |
| To Office Salaries | _____ | By Commission | _____ |
| To Office Rent and Rates | _____ | By Discount | _____ |
| To Printing and Stationery | _____ | By Interest Received | _____ |
| To Postage and Telegrams | _____ | By Rent Received | _____ |
| To Telephone Charges | _____ | By Miscellaneous Income | _____ |

| | | | |
|--|-------|-------------------------------------|-------|
| To Audit Fees | _____ | | |
| To Insurance | _____ | | |
| To Entertainment Expenses | _____ | | |
| To Repair | _____ | | |
| To Interest on Loan | _____ | | |
| To Sundry trade expenses | _____ | | |
| To Conveyance | _____ | | |
| To General Expenses | _____ | | |
| To Office Lighting | _____ | | |
| To Loss by Fire/ Loss by Theft | _____ | | |
| To Commission Allowed | _____ | | |
| To Advertisement | _____ | | |
| To Carriage Outward | _____ | | |
| To Export Duty | _____ | | |
| To Discount Allowed | _____ | | |
| To Travelling Expenses | _____ | | |
| To Bad Debts | _____ | | |
| To Depreciation on Assets | _____ | | |
| To Net Profit transferred to Capital A/c | _____ | Net loss transferred to Capital A/c | _____ |

Profit & Loss Account of _____ for the year ended 2010

Dr.

Cr.

| | |
|---------------------------|------------------|
| To Opening Stock | By Sales |
| To Purchases | By Closing Stock |
| To Manufacturing Expenses | By Gross Loss |
| To Gross Profit | |

RETAIL OPERATIONS - II

| | |
|--|------------------------|
| To Gross Loss B/d | By Gross Profit B/d |
| To Office and Administrative Expenses | By Incomes Received |
| To Rent | By Interest Received |
| To Printing and Stationery | By Commission Received |
| To Legal Expenses | By Dividends |
| To Insurance Expenses | By Discounts Received |
| To Net Profit (transferred to Capital A/c) | |

Example 1: The following particulars are available from the books of Agarwal on 31st December, 2011

| | |
|--------------------------------|--------|
| Stock (1-1-2011) | 20000 |
| Purchases made during the year | 180000 |
| Stock (31-12-2011) | 60000 |
| Sales | 190000 |
| Carriage inwards | 5000 |
| Wages | 25000 |
| Purchase Returns | 20000 |
| Sales Returns | 10000 |

Prepare the Trading Account for the year 2011

Solution

Agarwal's Trading Account for the year ending 31st December 2011

Dr.

Cr.

| Particulars | | Amount (Rs.) | Particulars | | Amount (Rs.) |
|------------------------|--------|--------------|--------------------|--------|--------------|
| To Opening stock | | 20000 | By Sales | 190000 | |
| To Purchases | 180000 | | Less: Sales Return | 10000 | 180000 |
| Less: Purchase Returns | 20000 | 160000 | By Closing Stock | | 60000 |
| To Carriage inwards | | 5000 | | | |
| To Wages | | 25000 | | | |
| To Gross Profit B/d | | 30000 | | | |
| | | 240000 | | | 240000 |

Example 2: From the following Trial Balance of Shri Gupta, prepare the Trading and Profit & Loss Account for the year ending 31st March 2012.

Trial Balance as on 31st March 2012

| Particulars | Debit (Rs.) | Credit (Rs.) |
|----------------------|-------------|--------------|
| Gupta's Capital | | 290000 |
| Gupta's Drawings | 7600 | |
| Purchases | 89000 | |
| Sales | | 150000 |
| Purchase Returns | | 4500 |
| Sales Returns | 2800 | |
| Stock (1-4-2011) | 12000 | |
| Wages | 8000 | |
| Salaries | 8000 | |
| Building | 220000 | |
| Freight and Carriage | 20000 | |
| Trade Expenses | 2000 | |
| Advertisement | 2400 | |
| Interest | | 3500 |
| Insurance | 1300 | |
| Debtors | 65000 | |
| Creditors | | 12000 |
| Bills Receivable | 15000 | |
| Bills Payable | | 7000 |
| Cash at Bank | 1900 | |
| Cash in Hand | 8000 | |
| | 467000 | 467000 |

Adjustments: Stock as on 31st March, 2012 was valued at 13000

Solution: Trading and Profit & Loss Account of Mr. Gupta for the year ending 31st March, 2012

Trading Account for the year ending 31st March, 2012

Dr.

Cr.

| Particulars | | Amount (Rs.) | Particulars | | Amount (Rs.) |
|--|-------|--------------|--------------------|--------|--------------|
| To Stock (1-4-2011) | | 12000 | By Sales | 150000 | |
| | | | Less: Sales Return | 2800 | 147200 |
| To Purchases | 89000 | | By Closing Stock | | 13000 |
| Less: Purchase Returns | 4500 | 84500 | | | |
| To Wages | | 8000 | | | |
| To Fright and carriage charges | | 20000 | | | |
| To Gross Profit (transferred to Profit and Loss Account) | | 35700 | | | |
| | | 160200 | | | 160200 |

Profit & Loss Account for the year ending 31st March, 2012

Dr.

Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|---|--------------|--|--------------|
| To Salaries | 8000 | By Gross Profit (from Trading Account) | 35700 |
| To Trade Expenses | 2000 | By Interest received | 3500 |
| To advertisements | 2400 | | |
| To Insurance | 1300 | | |
| To Net Profit (transferred to Capital Account of Balance Sheet) | 15500 | | |
| | 39200 | | 39200 |

Important items of the Profit & Loss Account. The following are the items of expenditures that are shown on the Debit side of the Profit and Loss Account. Salaries, Rent Rates and Taxes, Interest Paid, Depreciation, Trade Expenses, Discounts allowed, Advertisement, Commission paid, Income tax, losses incurred.

The following are the Income items that are shown on the credit side of the profit and loss account; Rents received, interest received, Commission received, other incomes, gains made.

Balance Sheet

A balance sheet is statement of Assets and Liabilities of a firm which is prepared as on a particular date to show the financial position of the firm. The financial position of a firm is indicated by the assets and liabilities. A balance sheet shows the summary of assets and liabilities on a certain data, generally the last date of the accounting year. It is a statement of assets and Liabilities but not an account. The left hand side is called Liabilities side and the right hand side is called assets side. The liabilities side shows all the liabilities and capital of the firm and the right hand side shows the assets of the firm.

The following is the Proforma of a Balance Sheet

Balance Sheet of _____ as on 2010-11

| Liabilities | Assets |
|------------------------------|------------------------|
| Capital | Fixed Assets |
| Reserves and Surpluses | Land and Buildings |
| | Plant and Machinery |
| | Furniture and Fittings |
| Long-term Liabilities | Vehicles |
| Debentures | Goodwill |
| Long-term Loans | Patents |
| Current Liabilities | Current Assets |
| Creditors | Cash in hand |
| Bills Payable | Cash at bank |
| Bank Overdraft | Short term investments |
| Short-term Loans | Debtors |
| Outstanding Expenses | Bills receivables |
| Long-term Liabilities | Stock |
| Debentures | Prepaid expenses |

Important items in the Balance Sheet

Items which are shown in the balance sheet are explained below:

1. **Fixed Assets:** fixed assets are those assets which are used for a longer period. These assets are not acquired for resale viz. land and buildings, plant and machinery, furniture, vehicles, etc.

2. **Current Assets:** Current assets are those assets which can be converted in to cash with in one year. These assets are for realization and are used to meet current liabilities. The examples of such assets are cash, cash at bank, bills receivable, stock, debtors, short-term investments, etc.
3. **Long-term Liabilities:** These are the liabilities which are not payable in the next account year but over a period of five to ten years. Debentures and long-term loans are the examples of long-term liabilities.
4. **Current Liabilities:** Current Liabilities are those liabilities which are payable with in one year. These liabilities are usually paid from the current assets. The examples of current liabilities are Creditors, Bills payable, bank overdraft, short term loans, outstanding expenses, long-term liabilities, etc.
5. **Intangible Assets:** These assets do not exist and cannot be sending and touched but have value. Good will, patents, trademarks, licenses are the examples of intangible assets.
6. **Capital:** Capital is the excess of assets over the Liabilities due to outsiders. It represents the amount of capital originally contributed by the owners as increased by the profits and interest on capital and decreased by losses drawings and interest on drawings.

Example: The following information is extracted from the Books of Rajesh for the year ending 31st March 2012. Prepare a Balance Sheet from this information:

| Particulars | Rs. | Particulars | Rs. |
|---------------------|-------|---------------|-------|
| Cash at Bank | 7000 | Bills Payable | 8500 |
| Cash in Hand | 4000 | Closing Stock | 8000 |
| Sundry Debtors | 12000 | Furniture | 4000 |
| Bills Receivable | 7500 | Drawings | 2000 |
| Sundry Creditors | 16000 | Capital | 20000 |
| Plant and Machinery | 12000 | Net Profit | 12000 |

Solution

Balance Sheet of Rajesh as on 31st March, 2012

| Liabilities | Rs. | | Assets | Rs. |
|-----------------|-------|--|-------------------|-------|
| Capital | 20000 | | Plant & Machinery | 12000 |
| Add: Net Profit | 12000 | | Furniture | 4000 |
| | 32000 | | Sundry Debtors | 12000 |

| | | | | |
|------------------|------|-------|-------------------|-------|
| Less: Drawings | 2000 | 30000 | Bills Receivables | 7500 |
| Sundry Creditors | | 16000 | Closing Stock | 8000 |
| Bills Payable | | 8500 | Cash at Bank | 7000 |
| | | | Cash in Hand | 4000 |
| | | 54500 | | 54500 |

Exercises

1. Explain the objectives of Accounting?
2. What are the functions of an Accountant?
3. Discuss about the concepts of Accounting.
4. What is Trial Balance? State its advantages.
5. From the following information you are required to prepare the Trading and Profit & Loss Accounting for the year ending 31st March, 2012.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|-------------------|--------------|---------------------|--------------|
| Capital | 5500 | Rent Paid | 1500 |
| Buildings | 35000 | Drawings | 2500 |
| Machinery | 10000 | Electricity Charges | 200 |
| Debtors | 9000 | Carriage Inward | 900 |
| Stock on 1-4-2011 | 14500 | Cash at Bank | 8000 |
| Purchases | 50000 | Returns Inward | 600 |
| Wages | 3000 | Returns Outward | 800 |
| General Expenses | 1500 | Salaries | 1200 |
| Bills Receivable | 8800 | Discount Allowed | 1300 |
| | | Bills Payable | 6000 |
| | | Sales | 75000 |
| | | Cash in Hand | 2800 |
| | | Creditors | 14000 |

6. From the particulars of M/s. Vishnu Traders prepare final accounts for the year ending 31st March 2012.

RETAIL OPERATIONS - II

| Debit Balances | Rs. | Credit Balances | Rs. |
|------------------|-------|-----------------|-------|
| Drawings | 2000 | Capital | 30500 |
| General Expenses | 2500 | Creditors | 7600 |
| Building | 8000 | Sales | 63360 |
| Machinery | 9340 | Commission | 1320 |
| Stock 1-4-2011 | 16200 | Bills Payable | 3850 |
| Power | 2240 | Bank Overdraft | 4200 |
| Insurance | 1315 | Discount | 1760 |
| Wages | 7200 | | |
| Debtors | 6280 | | |
| Bad Debts | 550 | | |
| Loan | 7880 | | |
| Purchases | 47000 | | |
| Motor Car | 2000 | | |
| Car Expenses | 180 | | |
| Cash | 18 | | |
| Discounts | 105 | | |

Exercise: Assignment

1. What is Trading and Profit and Loss Account?

2. Explain the difference between carriage inward and carriage outward.

3. List out important items in a Balance sheet.

4. Visit a retail outlet collect and identify the profit earned by it.

Assessment

A. Multiple choice questions

1. The correct picture of the working results of a concern is given by-
 - a) Net profit
 - b) Gross profit
 - c) Operating expenses
 - d) None of the above
2. Carriage outward which is the expenditure incurred on sale of goods is recorded in-
 - a) Trading account
 - b) Profit and loss account
 - c) Balance Sheet
 - d) None of the above
3. Audit fees paid by the organization is-
 - a) Expense
 - b) Asset
 - c) Liability
 - d) None of the above
4. Land and Building owned by the organization is-
 - a) Liability
 - b) Income
 - c) Asset
 - d) None of the above
5. Capital is the excess of due to outsiders-
 - a) Assets over the Liabilities
 - b) Income over Expenses
 - c) Liabilities over Assets
 - d) None of the above

B. True or false

1. The purchase account represents the total purchases made during the year.
2. Opening stock represents the stock of goods in hand at the beginning of the year.
3. A Profit and Loss Account is statement of Assets and Liabilities of a firm.
4. Balance sheet shows expenses incurred and income earned by the organization.

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for Assessment Activity.

Part A

- » What is cost of goods sold?
- » List out any two items shown on the credit side of trading account
- » What is an intangible asset?
- » List out any three items of current liabilities?

Part B

Discussed in class the following:

- » What is the meaning of balance sheet?
- » List out any two items that appear on the debit side of Profit & Loss Account.

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

| Performance Standards | Yes | No |
|---|-----|----|
| Able to understand the utility of preparing financial statements. | | |

SUPPLEMENTARY READING MATERIAL

UNIT-5 RETAIL SUPPLY CHAIN**Characterizing the Types of Retail Supply Chain****Relevant Knowledge**

During the last few years there has been a huge growth of new retail space, not only there are more stores, but many offer similar products, same brands hence fierce competition. To survive in such competitive market, it is no longer enough to buy the right goods at the right price but it also should be at the right place, at the right time with right operational costs, which requires the best possible logistics efficiencies & processes.

There are a number of separate supply chains at the backend for each category (or even for each category for each format) that all come together to make available the right product at the right place at the right time & at the right cost to the customer at the retail outlet front end. Hence, an understanding of retail supply chains involves understanding each category separately & how the same are merged to come together at the optimal time & place to deliver value to the customer.

Let us look at the supply chain of some major common retail categories namely -

- » Fresh produce (Fruits & Vegetables)
- » FMCG (Fast Moving Consumer Goods / Consumer Packaged Goods)
- » Dairy products
- » Consumer durables & Information Technology

1. Fresh produce (Fruits & Vegetables) supply chain

Fresh produce is mostly procured at various collection centres located close to the farms in the producing regions. Most of the procurements done locally i.e. close to the city being serviced both to minimize transit time in order to preserve freshness as well as reduce cost. However, some commodities need to be procured in relatively far off places (i.e. regionally potatoes, or nationally apples or even imported exotic fruits & vegetables) due to availability / seasonal constraints. Hence, these could be sourced at Mandis (Wholesale markets), from traders / agents (cold stores) or bulk importers.

From the sourcing point, the material is moved to Central Processing Centre (CPC) in normal (ambient) or Refrigerated vehicles, depending on the type of produce & the ambient temperatures.

In the Fresh Supply Chain following activities are involved

- » Receipts
- » Weighment
- » Sorting Grading of Produce
- » Quality Check

- » Cut Vegetables Processing
- » Ripening
- » Crate Standardization

This Supply chain involves a cold chain; a cold chain is a temperature-controlled supply chain. An unbroken cold chain is an uninterrupted series of storage and distribution activities which maintain a given temperature range. It is used to help extend and ensure the shelf life of products such as fresh agricultural produce, seafood, frozen food, photographic film, chemicals and pharmaceutical drugs.



2. Fast Moving Consumer Goods (FMCG)/ Consumer Packaged Goods (CPG) supply chain

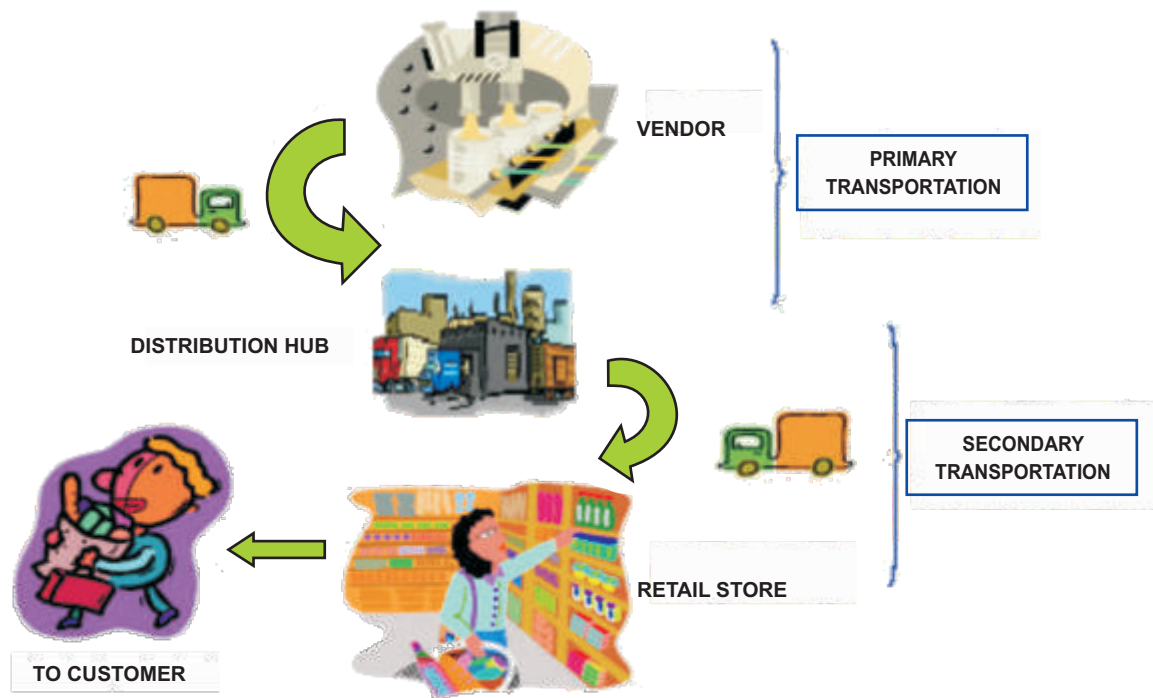
As far as possible, the FMCG distribution hub is co-located with the fresh products at the Central Processing Centre so that transportation (as well as other) resources used for store delivery may be shared. This also helps in optimizing the usage of the expensive cold storage & transportation assets.

Various activities involved in a FMCG includes the following activities -

- » Receipt.
- » Storage.
- » Labeling
- » Picking

- » Packaging
- » Dispatches
- » System Management & return management
- » Secondary Transportation

The major labour intensive activity involved is the picking & packing as the retail orders are typically at unit (piece) level & not in carton box multiples. This is further complicated by the large number of SKUs involved as a retail store normally carries multiple brands of the same product in order to provide a wider choice to the customer.

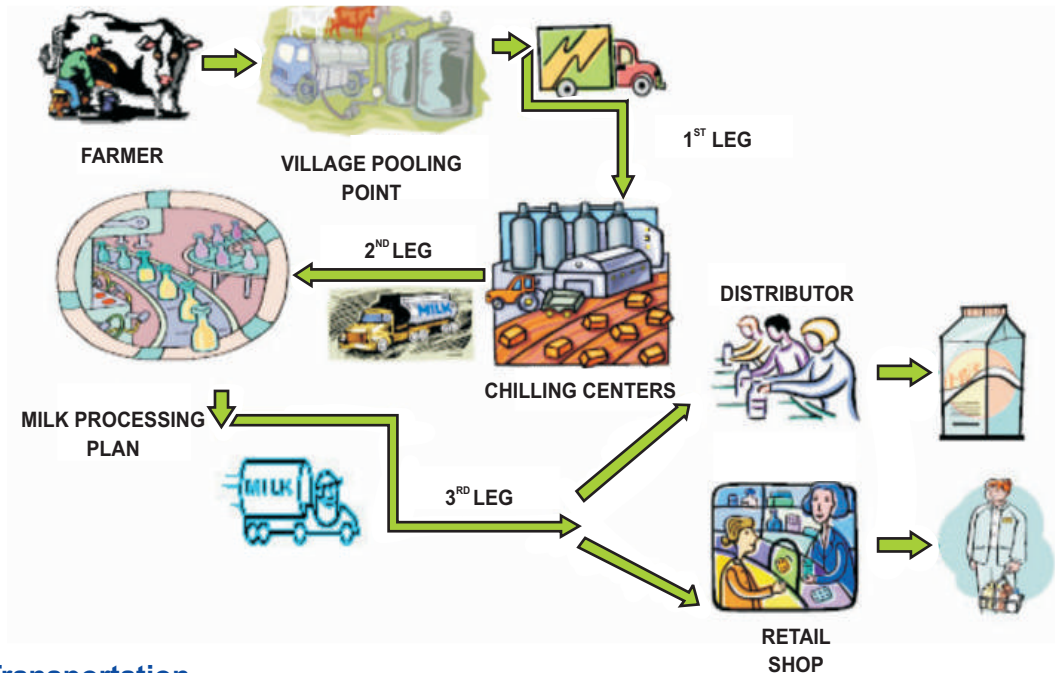


3. Dairy products Supply Chain

The dairy supply chain is unique & distinct from that of other products. The raw milk needs to be collected at the village pooling points. This is typically done in 40 litre cans due to the low volumes involved & pick up type low capacity vehicles are used both due to this reason as well as the ease of access on narrow & bad quality roads & the speedy delivery requirement to avoid spoilage. The milk needs to be rushed to the chilling center within four hours. The chilled milk is transported in insulated tankers to the processing plant where various milk products are manufactured & liquid milk is packaged. These products are then transported from Milk Processing Plants to distributors / stores in ambient, cold or frozen condition depending on the nature of the product.

A Dairy Supply Chain

This complex supply chain requiring multiple transportation legs and make the scope of work very wide and it include:



Transportation

- » Identifying the special requirement of vehicles
- » Identifying Vendors
- » Vehicle operations & placement
- » Payment & billing
- » Reducing the cost by best use of vehicles

Warehousing

- » Identifying locations for warehouses
- » Setting up warehouses
- » Managing & Operating the warehouses
- » Ensuring stock accuracy

Processing Plants

- » Operating filling machines
- » Inserting the filled packs into cartons / crates
- » Coding
- » Carton Sealing / taping
- » Material Handling Activities
- » Receipts and Dispatches of products from factory

Distribution

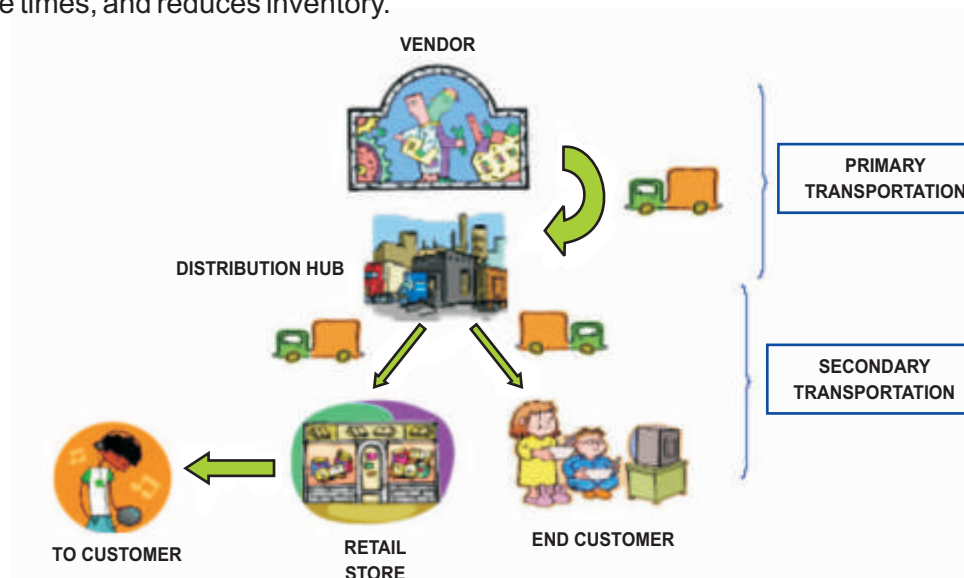
- » Secondary transportation
- » Loading products from the factory
- » Invoicing
- » Delivering products to the distributors
- » Accounting
- » Empty Crates management
- » MIS Reporting

In spite of the above complexities, retail supply chain processes need to be highly efficient as retail is a low margin industry selling mainly undifferentiated, commodity products with lower prices as the major speciality.

4. Consumer Durables & Information Technology Supply Chain

The Consumer Durables & Information Technology (CDIT) supply chain for most of the product range is relatively simple as the manufacturers supply the retailer and it is a "box in, box out" kind of warehousing operation. However, there is a large focus on direct home delivery (apart from store servicing) as most customers require that most of the product range be delivered at their door steps within a short period of purchase. It also needs payment collection against delivery, installation **reverse logistics** services as many consumers exercise the upgrade option where the retailers buy back the old product against a discount on the new item.

5. **A hub and spoke** distribution network is a centralized, integrated logistics system designed to keep costs down. Hub and spoke distribution centers receive products from many different origins, consolidate the products, and send them directly to destinations. Companies using this system have found that this method of distribution reduces transportation costs, improves cycle times, and reduces inventory.



Assessment

Activity

Following are the different steps in a dairy supply chain. Identify every step, name it and arrange them in a right sequence of happening.

1.



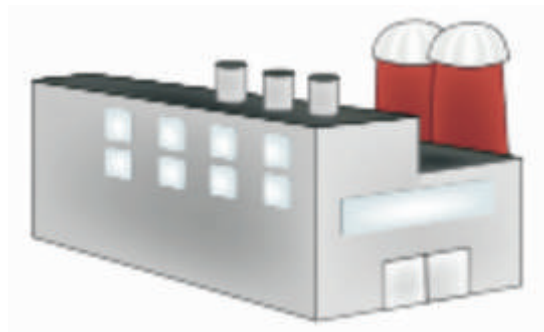
2.



3.



4.



Fill in the blanks

- (a) _____ is mostly procured at various collection centres located close to the farms in the producing regions.
- (b) A _____ is a temperature-controlled supply chain.
- (c) FMCG Stands for _____

Group Discussion

What are the different supply chains that run a modern retail store? Discuss the importance of making a supply chain process efficient and quick.

Checklist for Assessment Activity

Use the following checklist to see if you've met all the requirements for assessment activity.

Part A

- » List key supply chains for a retail store. Identify the supply chains which are strictly time bound.

Part B

Discussed the following in class:

- » What are reefer trucks?
- » What is Central Processing Centre?
- » What is reverse logistics?

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

| Performance Standards | Yes | No |
|---|-----|----|
| Able to understand and identify time bound supply chains. | | |
| Able to identify various constituents of a supply chain | | |

UNIT-6

INVENTORY HANDLING

Introduction

Inventory means a list of goods and materials available in stock by a business;

The scope of inventory handling concerns physical inventory, receiving the inventory, identifying the available physical space for the inventory, replenishments, identifying the returns and defective goods.

Inventory handling involves systems and processes that identify inventory requirements, set targets, provide replenishment techniques, report actual and projected inventory status and handle all functions related to the tracking and management of material.

This would include the monitoring of material moved into and out of stockroom and the reconciling of the inventory balances.



Understanding the Basics of Inventory Handling

Relevant knowledge

Why do we keep stock or inventory?

There are three basic reasons for keeping an inventory:

1. **Time** - The time lags present in the supply chain, from supplier to user at every stage, requires that you maintain certain amounts of inventory to use in this lead time. However, in practice, inventory is to be maintained for consumption during 'variations in lead time'. Lead time itself can be addressed by ordering that many days in advance.
2. **Uncertainty** - Inventories are maintained as buffers to meet uncertainties in demand, supply and movements of goods.
3. **Cost effectiveness** - Ideal condition of "one unit at a time at a place where a user needs it, when he needs it" principle tends to incur lots of costs in terms of logistics. So bulk buying, movement and storing brings in cost effectiveness, thus inventory is needed.

Inventory control Methods

Top retail organizations use established methods to track and control the stock and items available in the organization's inventory at any time. Some inventory control methods work best for products

with expiration dates and frequent inventory traffic, while others work better for smaller inventories with less daily traffic. The management method used by a given organization depends on the resources available and the need of the customers.

Point-of-Sale Method

Top retailers may use the point-of-sale (POS) method to control inventory items if the retail store has frequent sales or daily traffic in the inventory. The POS method involves updating the inventory each time an item is removed from the inventory with the purpose of making a sale. According to Business Dictionary, the inventory figure is updated as soon as the organization transfers ownership of a product to the buyer. This method is often used for items sold with an expiration dates to avoid wasting stocked items.

Perpetual Method

Top retailers may also use the perpetual method to track daily traffic in the inventory. This method involves creating inventory records at the end of each business day to ensure that the amount of product sales match the available items in the inventory. This is done to ensure that all waste products are noted as well as track employee theft and unreported instances of product removal.

Periodic Method

The periodic inventory method is less aggressive, as it does not require daily monitoring of inventory traffic and figures. Top retailers may use this method to calculate how much they have earned by comparing sales to inventory records at the end of a fiscal period. The sales figures show how much the company has earned and the inventory records show the existing value of inventory items, the value of removed inventory and the amount of product waste.

Food Inventory Control

You can control your food inventory by installing a system of checks and monitoring procedures. Follow your inventory from the first moment the food arrives at your door until it finally meets its tasty end. Also, involve other members of your staff to be extra eyes and hands to keep your stock safe and organized. When you are comfortable with your inner working of your food inventory, you will be able to save time and money on your next order.

All foods have optimal storage conditions that must be met to sustain usability. Carefully research every item in your food inventory to be sure that you are providing a safe temperature and humidity range for long-term storage. Design efficient storage zones of related products with similar needs. Doing this will reduce waste due to early expiration and contamination. Organize your food cold and dry storage areas so all items are visible and turned so labels easily read. Make restocking heavy items easier by storing them lower if possible.

Keep your food inventory on a steady rotation to reduce spoilage and waste. Make your staff aware when food items are in danger of going bad and create menu specials to reduce perishable stock quantities. Clearly label all perishable items that are made in house with dates that correspond to their creation and estimated expiration. Instruct your staff to always grab the foods items from

storage that are closest to expiration. Also ask that any food items that are beyond expiration be evaluated and thrown out if they have spoiled.

Special terms used in dealing with inventory

1. Stock Keeping Unit (SKU)

It is a unique identifier for each distinct product and service that can be purchased. For example If a particular product has a MRP (Maximum Retail Price) of 10 Rs and there is a revision in price, say the price now becomes 15 Rs, then 10 Rs and 15 Rs will have to be stocked separately and billed separately so they become two different SKUs.

SKUs can then be printed into a barcode and placed on the product. When scanning SKUs, the system recognizes the price and prepares the sale for that price.

2. Stockout means running out of the inventory of an SKU

3. "New old stock" (sometimes abbreviated NOS) is a term used in business to refer to merchandise being offered for sale that was manufactured long ago but that has never been used. Such merchandise may not be produced anymore, and the new old stock may represent the only market source of a particular item at the present time.

4. LIFO and FIFO are acronyms that usually stand for, respectively, "last in, first out," and "first in, first out." Both terms are used in a wide variety of situations to determine the order in which something will be handled.

A company that operates on the FIFO principle has a policy of displaying and selling old stock before selling newly acquired stock. Such policies make sense when a business sells fresh food or items that may go out of fashion. Grocery stores, for example, often own refrigerated cases that make it easy to stock items from the back, pushing older products forward where shoppers are more likely to see and buy them. By rotating stock in this way, it's more likely that there will be less inventory waste; food is more likely to be purchased before it goes bad.

Assessment

Exercise

What is a SKU? Explain with examples

What is Stockout?

Activity

Identify and make a list of products that are kept as inventory in your home or in your school. Also mention the place whose inventory you are making.

Sample list

School Store

List of the products in inventory

1. Registers
2. Pen
3. Pencils
4. Erasers
5. Carbon papers

Checklist for Assessment Activity

Use the following checklist to see if you've met all the requirements for assessment activity

Part A

- » Explain how time is saved by keeping inventory?
- » What is inventory handling and what is included in it?

Part B

Discussed the following in class:

- » Define new old Stock (NOS)
- » Explain why keeping Stock or inventory is important?

Part C**Performance Standards**

The performance standard covered by the assessment includes the following, but not limited to:

| Performance Standards | Yes | No |
|---|-----|----|
| Able to understand basics Inventory handling | | |
| Able to understand and explain different terms used in inventory handling | | |

Understanding the Process of Inventory Handling - I**Relevant knowledge**

Most important element to a successful and accurate physical inventory is proper planning and preparation. Written procedures that are understood by all involved is a good first step that will help to assure a well controlled and disciplined count and allow you to focus on an accurate count which will be more efficient and take less time.

More time you spend on the preparation of a count, the less time it will take to perform the count and the more likely you will have an accurate count and minimize re-counts.

- (b) **Manual Count Sheets** - Manual Count Sheets are merely lined forms that allow you to record the product ID, quantity and, if needed, retail of merchandise being counted. Unlike Count Sheets that pre-determine the merchandise listed, this manual method can be effective for wall to wall counts.

When this method is used, count teams should be used: one person to call out the classes or SKUs, prices and counts while the other records them. When assigning teams this allows you to pair more experienced people as counters with less experienced people to record the inventory. This also helps less experienced people learn the inventory.

Manual count slips are quite effective when merchandise is controlled by classification as retail prices need to be recorded. However, when SKUs are used, it is very easy to mis-record or transpose numbers, even when relatively short SKUs are being used (6-7 digits). The other disadvantage of count slips is the cost of time and potential for errors as slip counts must be manually extended and totaled.

- (c) **Portable Inventory Devices** - Portable Inventory Scanners can be the most efficient method for taking an inventory, especially when barcodes are used on the merchandise.

They eliminate the need for a two person count team, though all detail counts should still be verified. Portable scanners are most efficient when the entire inventory is bar-coded.

The major drawback to portable devices is the initial investment in the devices as you need enough to allow for complete counting in a short time period. However, the long term return justifies the investment in terms of efficiency and accuracy. Costs can also be defrayed by renting units or sharing them with other retailers taking counts at different times.



A wireless laptop with a scanner on a rolling stand is in itself a portable inventory device.

- (d) **Inventory Services** - Several third party companies specialize in taking physical counts. Their advantage is that they are inventory specialists and are impartial. If you suspect internal theft, their impartiality can be critical. Their expense can offset against overtime wages and the costs of portable scanners. The disadvantage of an inventory service is that they are not knowledgeable about your merchandise, inventory practices and stock locations. The other concern with Inventory services is often the lack of quality and professionalism of the count teams; after all we all know how unpleasant physical counts can be, even when it is our own merchandise.

However, these disadvantages can be overcome through proper preparation and assuring that your staff oversees the counting process. The biggest problems retailers have with inventory counting services are rooted in setting unrealistic expectations. An inventory service

can not, and should not, be expected to replace a retailer's responsibility for planning, preparing for, auditing, and ultimately being responsible for their own counting.

Keep in mind that the best solution for a retail store might be a prudent combination of the aforementioned methods.

Assessment

Exercise

- (a) In which case computer generated count slips are useful?

- (b) What do you understand by third party inventory services?

- (c) Explain following terms

1. Portable inventory device
2. Manual count sheets

Activity

Visit a nearby store and identify portable inventory devices used at the store.

Checklist for Assessment Activity

Use the following checklist to see if you've met all the requirements for assessment activity

Part A

- » What are the advantages of a third party inventory services?
- » What are various inventory counting methods? What is your suggestion for a retailer regarding best usage of these methods?

Part B

Discussed the following in class:

- » What are the advantages of a portable inventory device of computer generated slips?

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

| Performance Standards | Yes | No |
|--|-----|----|
| Able to understand basic inventory counting methods | | |
| Able to understand and explain different types methods used in inventory counting. | | |

Understanding the Process of Inventory Handling - II

Relevant knowledge

In the second part of understanding the process of inventory handling, let us learn the remaining steps involved in handling physical inventory.

Step III - Creating a Fixture Map

A fixture map is a physical layout of the store and all stock locations. Each fixture, display, rack, and back stock location should be assigned a **Fixture Map code** that relates to a slip code that will be used for counting.

Computer generated count sheets or manual count sheets are used, the form number(s) are recorded on the fixture map as the sheets are distributed. This provides a critical road map to a well planned wall-to-wall inventory that assures all products are counted.

Retail executive can quickly identify when sections of his inventory are missed. Additionally, it provides an excellent tool to enable verification counts to be compared against detail counts. **Verification counts** are merely total piece counts of each fixture/slip that can be compared to the **detail counts** recorded. When verification counts don't match detail counts a recount can then be taken for only the specific slip/fixture location.

A retail executive should not forget **back stock locations like in the warehouse** as well as other **"in process"** locations such as:

- (a) Customer areas,
- (b) Alteration areas,
- (c) Manager's trunk
- (d) Delivery vehicles etc.

When assigning Fixture Map/Slip Codes be sure that your code can be used by your counting device, software and/or counting service. For example, if your portable device only accepts numeric codes, don't use alpha numeric codes. For example if device uses a code 1420 or 2020 then don't use 20AB or 14CD in the slip for the same product.

Step IV - Prepare/Order Supplies Test Procedures

- a) Make sure count slips, physical scanners are all ordered and scheduled. Make sure the teams have either a fresh supply of batteries or have rechargeable batteries for your scanners.
- b) Make sure portable devices are tested and that teams can upload the data in a format readable by your software.
- c) Make sure all prior counts have been deleted from memory and retest the download process to make sure prior counts don't get mixed with new counts.
- d) Refresh memory of procedures the last thing someone wants to do at the end of a long day counting is to inadvertently delete data from a reader before it is captured and confirmed.

Step V - Visiting the Inventory

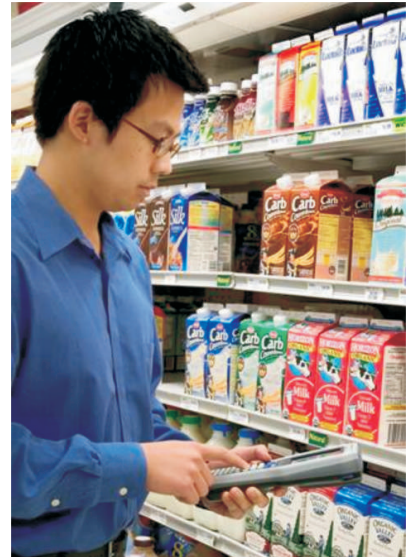
Prior to counting inventory it is important to reacquaint with it. Teams should go through each display and ensure that inventory isn't misplaced, damaged or obsolete, and make sure all merchandise is tagged.

This will not only save time during the counting process, but it will provide an opportunity to clean up, re-steam, and markdown, or even return aged or damaged inventory.

When counting inventory teams, focus should be solely on an accurate count. In preparation for an inventory, not only it will be more organized but it will offer the opportunity to carefully review it for age, damage or other presentation issues that prevent it from selling.

While teams are at it, look behind the dressing room mirrors, under the chairs, in drawers, behind displays and other discreet locations that may contain merchandise tags ripped off of goods by thieves.

While these goods won't be counted, the tags can be useful in pinpointing the source of shrinkage. It's also a great opportunity to dust and clean those hidden corners and crevices. While teams are at it, look around, under, and inside the cash drawers for missing cheques or currency.



Clean Up Returns

Returns should be thoroughly reviewed. Contact as many vendors as possible to get the needed Return Authorizations so goods can be returned and removed from inventory.

(Returns should be removed from inventory and charged back to vendor accounts payable in which case they shouldn't be counted)

Any goods remaining will need to be counted (unless they have been taken out of inventory) and in many cases teams will need to create merchandise tags so the goods are properly identified when counted.

Step VI - Taking the Counts

Freeze Transactions

Before the count begins, and until the initial count audit, all inventory transactions and movements should cease. Physical counts should only occur when the store is closed so sales aren't occurring and inventory isn't being moved for customers or vendors.

All receiving, returns, and transfers need to be cut off. It is especially important in these areas to have a careful cutoff in that team must know what inventory has or hasn't been recorded in the system. New shipments received should be frozen and seals shouldn't be broken. Anything that has been opened should be received in. All receipts should be posted to inventory.

Depending on how merchandise is moved between stores, inter-store transfers should be cut off a week before the physical counting for each store. A day or two might be enough if retailer use its own delivery vehicles, but a week or more might be required if retailer is using a common carrier to make sure all goods get delivered and properly counted.

Reconciling transfers (in and out), before and after a physical count, provides extra assurance that all goods have been counted correctly.

Allow counting teams to have plenty of time

For an inventory count to be accurate it must be deliberate. Be sure to schedule enough people and enough time to take the count and complete the count audits. Frequent and required breaks should be considered to make sure everyone stays fresh and alert. In fact, rotating teams can be ideal so no one is overwhelmed or overly relied on for results.

Do not move inventory while counting

The time to organize and clean up the inventory is before the physical counting begins. During the count is not advisable to move the misplaced inventory around the inventory you are counting. The risk of not counting or double counting it is too great.

Step VII - Verification counts and audit

It is important that preliminary audits be performed as goods are counted. Simple verification counts of the total number of pieces per fixture/slip can be easily achieved and allow you to recount slips with discrepancies and make sure entire sections haven't been missed.

Everyone in the counting team should understand that the task is not complete until these basic audit steps have been taken. If the detail count and verification count (the total piece count) doesn't match, retake the verification count to assure it is right; once the total piece count is confirmed the detailed slip/fixture should be recounted until the total piece counts balance.

Teams should also verify the fixture map. Once all fixtures have been counted with completion slips attached, walk through the store and make sure no merchandise has been missed. Areas to consider include the following:

- » Display windows
- » In store displays
- » All stock locations
- » In transit locations such as delivery trucks and managers' cars
- » Customer hold merchandise
- » Lay aways unless they are recorded as sales
- » Merchandise out on approval with customers
- » Alteration department for unsold items



Deeper research into discrepancies can always be completed at a later date - in fact several weeks or months later, but the only time a physical count can be accurately verified is at the time all movement is frozen.

A well planned and organized physical count is the basis of determining and analyzing shrinkage. Without a reliable physical count, analysis of the results will be unproductive.

Assessment

Exercise

(a) What is a fixture map?

(b) What precaution one should keep while assigning fixture codes?

(c) What is verification count?

Checklist for Assessment Activity

Use the following checklist to see if you've met all the requirements for assessment activity

Part A

- ▶▶ Make a flow chart of the inventory handling procedure. Use different colours and boxes to show different activities and chronology of the activities.
- ▶▶ What are the precautions one should take while counting the inventory?

Part B

Discussed the following in class:

- ▶▶ Why transactions should be freeze before physical counting of the inventory start?
- ▶▶ What are the key areas which can be missed while final counting? Make a list of possible missed out places.

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

| Performance Standards | Yes | No |
|---|-----|----|
| Able to understand basics of inventory counting | | |
| Able to understand and explain steps in physical inventory counting and auditing. | | |



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