

# **INVENTORY MANAGEMENT OF PUBLIC ENTERPRISES**

**(WITH REFERENCE TO UNILEVER NEPAL LIMITED)**



**A THESIS**

***Submitted By:***

**DINESH NEUPANE**

Campus Roll No. 260/060

T.U. Regd. No.: 18994-93

***Submitted To:***

OFFICE OF THE DEAN

FACULTY OF MANAGEMENT

TRIBHUVAN UNIVERSITY

In partial fulfillment of the requirement For the Degree of  
**Master of Business Studies (M.B.S.)**

Kathmandu, Nepal

April, 2010

## **RECOMMEDATION**

This is to certify that the Thesis

*Submitted By:*

**DINESH NEUPANE**

## **INVENTORY MANAGEMENT OF PUBLIC ENTERPRISES**

**(WITH REFERENCE TO UNILEVER NEPAL LIMITED)**

Has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination

.....  
Prof. Dr. Kamal Deep Dhakal  
(Supervisor)

.....  
Prof. Bisheshwor Man Shrestha  
(Head of Research Department)

.....  
Prof. Dr. Kamal Deep Dhakal  
(Campus Chief)

## **VIVA-VOCE SHEET**

We have conducted the Viva-voce of the thesis of the presented

*Submitted By:*

**DINESH NEUPANE**

*Entitled:*

**INVENTORY MANAGEMENT OF PUBLIC ENTERPRISES**

**(WITH REFERENCE TO UNILEVER NEPAL LIMITED)**

And found the thesis to be the original work of the student ad written according to the prescribed formant. We recommended the thesis to be accepted as partial fulfillment of the requirement for

Master Degree of Business Studies **(M.B.S.)**

### **Viva-Voce Committee**

|                            |   |       |
|----------------------------|---|-------|
| Head, Research Department  | : | ..... |
| Member (Thesis Supervisor) | : | ..... |
| Member (External Expert)   | : | ..... |

## **DECLARATION**

I hereby declare that the work reported in this thesis entitled “Inventory Management of Public Enterprises (with Reference To Unilever Nepal Limited)” Submitted to office to the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master Degree in Business studies (M.B.S.) under the supervision of Prof. Dr. Kamal Deep Dhakal of Shanker Dev Campus.

.....

**DINESH NEUPANE**

**Researcher**

Campus Roll No. 260/060

T.U. Regd. No.: 18994-93

## **ACKNOWLEDGEMENTS**

As the partial fulfillment of the MBS degree, I have prepared this report. During the course, I worked with sincerity, honesty and diligently, as far as possible. But beside my continual efforts, I also got unforgettable support from different people and parties. I am extremely grateful and overwhelmed by their support while completing my work.

I would like to extend thanks to my thesis advisors **Prof. Dr. Kamal Deep Dhakal** for their invaluable suggestions, co-operation, support, guidance and supervision to complete this thesis and making this researches a product.

I would like to express my sincere thanks to my Campus chief Prof. Dr. Kamal Deep Dhakal, Campus Chief, Shankar Dev Campus, for his kind co-operation and suggestion. My thanks go to all respondents, administrative staffs of the Campus, and Uniliver Limited for their help from many ways.

Finally, thanks are also due to all those who were always in my side with best wishes for finalizing this research successfully. I would also like to welcome any comments and suggestions, which will be the special guideline to me for research work in future.

Thank You,

**DINESH NEUPANE**

# TABLE OF CONTENTS

|  |                 |
|--|-----------------|
| Recommendation                                   |                 |
| Viva-Voce Sheet                                  |                 |
| Declaration                                      |                 |
| Acknowledgements                                 |                 |
| Table of Contents                                |                 |
| List of Tables                                   |                 |
| List of Figure                                   |                 |
| Abbreviation                                     |                 |
|  | <b>PAGE NO.</b> |
| <b>CHAPTER -ONE: INTRODUCTION</b>                | <b>1-10</b>     |
| 1.1 Industrialization in Nepal                   | 1               |
| 1.2 Introduction of Inventory Management         | 3               |
| 1.3 Brief Overview of UniLever Nepal Ltd.        | 5               |
| 1.4 The Corporate Purpose of Unilever Ltd        | 6               |
| 1.5 Statement of the Problem                     | 7               |
| 1.6 Objectives of the Study                      | 8               |
| 1.7 Importance of the Study                      | 9               |
| 1.8 Limitations of the Study                     | 9               |
| 1.9 Organization of the Study                    | 10              |
| <b>CHAPTER- TWO: REVIEW OF LITERATURE</b>        | <b>11-40</b>    |
| 2.1 Conceptual Framework                         | 11              |
| 2.1.1 Inventory concept                          | 11              |
| 2.2 Nature of Inventory                          | 12              |
| 2.3 Motives of Holding Inventories               | 14              |
| 2.4 Objectives of Holding Inventory              | 15              |
| 2.5 Needs and Importance of Inventory Management | 16              |
| 2.6 Types of Cost Associated With Inventory      | 17              |
| 2.6.1 Carrying cost                              | 17              |
| 2.6.2 Ordering Cost                              | 19              |
| 2.7 Techniques of Inventory Management           | 20              |
| 2.7.1 Economic Order Quantity (EOQ)              | 21              |
| 2.7.2 Approaches to Set EOQ                      | 23              |

|        |   |    |
|--------|---|----|
| 2.8    | Methods of Inventory Computation                          | 25 |
| 2.9    | Procedures of Inventory Management                        | 27 |
| 2.9.1  | Purchasing  | 27 |
| 2.9.2  | Objectives of Purchasing                                  | 28 |
| 2.9.3  | Procedures of Purchasing                                  | 29 |
| 2.9.4  | Receiving and Storing Keeping                             | 30 |
| 2.9.5  | Issued and Pricing  | 32 |
| 2.10.1 | Inventory Control Techniques                              | 34 |
| 2.11   | Role of Inventory in overall Planning of the Organization | 36 |
| 2.11.1 | Inventory and production Budget                           | 37 |
| 2.11.2 | Inventory and Purchase Budget                             | 37 |
| 2.11.3 | Co-Ordination between Sales, Production and Inventory     | 38 |
| 2.12   | Review of Related Studies                                 | 39 |

### **CHAPTER –THREE: RESEARCH METHODOLOGY 41-43**

|       |  |    |
|-------|--|----|
| 3.1   | Introduction                                     | 41 |
| 3.2   | Research Design                                  | 41 |
| 3.3   | Sources of Data                                  | 41 |
| 3.4   | Data Gathering Procedure                         | 42 |
| 3.5   | Presentation and Analysis of Technique and Tools | 42 |
| 3.6.1 | Statistical Tools                                | 42 |

### **CHAPTER – FOUR: PRESENTATION AND ANALYSIS OF DATA 44-71**

|       |   |    |
|-------|---|----|
| 4.1   | Relation between R/M and total inventory purchased.           | 44 |
| 4.2   | Relations between WIP and total inventory purchased.          | 45 |
| 4.3   | Relation between finished goods and total inventory purchased | 47 |
| 4.4   | Relation between spare parts and total inventory purchased.   | 48 |
| 4.5   | Relations between sales and inventory                         | 50 |
| 4.6   | Relations between inventory and net profit                    | 52 |
| 4.7   | Relations between sales and net profit.                       | 54 |
| 4.8   | Inventory management and control techniques.                  | 55 |
| 4.8.1 | Calculation of EOQ of the FY 057/58                           | 56 |
| 4.8.2 | Calculation of EOQ of the FY 058/59                           | 58 |
| 4.8.3 | Economic Order Quantity of Raw Material on FY 059/060         | 59 |

|       |  |    |
|-------|--|----|
| 4.8.4 | Calculation of EOQ of the FY 060/61        | 60 |
| 4.8.5 | Calculation of EOQ of the FY 061/62        | 62 |
| 4.8.6 | Calculation of EOQ of the FY 062/63        | 63 |
| 4.8.7 | Calculation of EOQ of the FY 063/634       | 64 |
| 4.8.8 | Calculation of EOQ of the FY 064/65        | 65 |
| 4.8.9 | EOQ of inventory in total study period.    | 67 |
| 4.9   | Selective inventory control (ABC analysis) | 68 |
| 4.10  | Major Findings                             | 70 |

**CHAPTER FIVE SUMMARY, CONCLUSION AND  
RECOMMENDATION**

|     |                 |              |
|-----|-----------------|--------------|
|     |                 | <b>72-76</b> |
| 5.1 | Summary         | 72           |
| 5.2 | Conclusion      | 73           |
| 5.3 | Recommendations | 75           |

**BIBLIOGRAPHY**

**APPENDIX**



## LIST OF TABLE

| <b>TABLE NO.</b> | <b>TITLE</b>   | <b>PAGE NO.</b> |
|------------------|--|-----------------|
| Table 4.1        | Proportion of R/M on total inventory purchase.           | 44              |
| Table 4.2        | Proportion of WIP on total inventory                     | 45              |
| Table 4.3        | Proportion of finished goods on total inventory.         | 47              |
| Table 4.4        | Proportion of stoves and spare parts in total inventory. | 48              |
| Table : 4.5      | Inventory turnover ratio                                 | 50              |
| Table 4.6        | Relations between inventory and net profit               | 52              |
| Table 4.8.7      | Trial and error approach of EOQ of 061/62                | 65              |
| Table 4.8.8      | Trial and Error approach of EOQ of 064/65                | 66              |
| Table – 4.8.9    | EOQ of inventory in total study period.                  | 67              |

## LIST OF FIGURE

| <b>FIGURE NO.</b> | <b>TITLE</b>  | <b>PAGE NO.</b> |
|-------------------|---|-----------------|
| Figure 4.1        | The graphic presentation of level of R/M on total inventory | 45              |
| Figure 4.2        | Proportion of WIP on total inventory                        | 46              |
| Figure 4.3        | Proportion of finished goods on total inventory.            | 48              |
| Figure 4.4        | Proportion of stoves and spare parts in total inventory.    | 49              |
| Figure 4.5        | Inventory turnover ratio                                    | 51              |
| Figure 4.6        | Graphic presentation of EOQ                                 | 57              |
| Figure 4.8.8      | Trial and Error approach of EOQ of 064/65                   | 67              |

## **ABBREVIATION**

|        |   |  |
|--------|---|--|
| &      | : | And  |
| A.D    | : | Anno Domini  |
| B.S    | : | Bikram Sambat  |
| ABC    | : | Always Better Control                                |
| FIFO   | : | First in First Out                                   |
| FNCCI  | : | Federation of Nepal Chamber of Commerce and Industry |
| EQQ    | : | Economic order Quantity                              |
| FY     | : | Fiscal Year  |
| i.e    | : | That is  |
| LIFO   | : | Last in First Out                                    |
| MBS    | : | Master in Business Studies                           |
| No.    | : | Number   |
| NG     | : | Nepal Government                                     |
| RM     | : | Raw Material   |
| S.N    | : | Symbol Number  |
| TU     | : | Tribhuvan University                                 |
| ULL    | : | Unilever Limited                                     |
| UNICEF | : | United Nations International Children Fund           |
| VDC    | : | Village Development Committee                        |
| WTO    | : | World Trade Organization                             |
| WIP    | : | Work in Progress                                     |