CHAPTER IV

Management of Stores
The present chapter explains various aspects of stores management. An attempt is made here to study the stores organisation, stores management practices such as receipt, storage, and issue of materials and stores accounting in APGENCO.

The growing size of stores department and the number and variety of materials stored by the organisations has risen. The store management is a specialised science. It is one of the vital functions of overall inventory management. It is a specialised function and its efficient functioning will ensure for an effective material management. Stores management involves the functions of receiving, storing, accounting and issue of materials. "The task of store keeping relates to safe custody and prevention of materials stocked to their receipts, issues and accounting. The objective is to efficiently and economically provide the right material at the time, when it is required and in the condition in which it is required".

Storage is a specialised function and modern storage systems improve the efficiency of an organisation. Store keeping is the physical storage of materials carried into the storeroom in a scientific and systematic manner with a view to saving them from all kinds of damages and losses and exercising overall control over their movement. Material pilferage, deterioration of materials and careless handling of stores lead to reduced profits or even losses. So, it is essential that to obtain maximum advantage an efficient and well equipped stores department is to be maintained spriegal and lansburgh has rightly remarked "poor control of materials is frequently accompanied by poor store-room administration in a way that may easily throw out of balance any operation programmes which have been adopted".

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Stores management has acquired greater importance in today's business organisation. The present concept of stores keeping has been given stature because of changing tastes, technical complications, and attitude of buyers, increasing specialization in industries. Storage of materials, spares, goods and equipment is an integral part of the process by which the material management department of an organisation maintains a continuous flow of these items from the point of their origin outside the organisation to their point of use inside the organisation. It is thus clear that stores cannot be treated as a dumping ground but an active organ of the business concern. Stores keeping embraces all the activities right from the receipt of supplies of raw materials, spares, equipment's, their proper storage and issue to user departments. This also includes the storage of finished products before their dispatch to dealers.

Aims of Stores Management

The main aim of store keeping function is to minimise the various costs involved, while providing efficient store keeping services. Over and above the costs of materials as required for the product, are the costs of storage itself. These include the cost of investment in materials and supplies, the cost of preservation and handling of stores, the cost of record keeping, the cost of use of storage equipment and store building and expenses for arranging light, heat, ventilation and paying taxes, insurance, losses due to spoilage and improper location of stores. Since these costs directly or indirectly influence the production cost, the objective of store keeping is to make efforts in the direction for reducing them to their minimum so as to minimise the cost of production.
Objectives of Stores Management

As emphasized earlier, services to the user departments is the principal objective of stores functions. It is, however, obviously desirable to provide the services as economically as possible. Frequently, but not always, the most important consideration is to keep the stock value at the lowest practical level to economize in the use of working capital, which is most of the time scarce, and to minimize the cost of storage. It implies that there is some conflict between the need for efficient and effective services and the need to economize in stockholdings. At no point of time, work should not suffer for want of critically required materials and at the same time unnecessary funds (working capital) are not blocked in stocks, especially inactive/slow moving items. In addition, the stores department itself should be economically operated with other functions to achieve saving in material and other costs wherever practical. Cost of transportation shall be lowest possible by selecting right mode of transportation and an effective carrier for the given materials. Another important objective of stores function is to minimize material handling cost, safety being another important consideration.

In brief the objectives of stores management are:

- To provide services to operating functions by balanced flow of raw materials, components, tools and tackles and other consumable materials.

- To provide these services in the most economical manner, keeping the stocks at the optimum level and bringing down inventory holding and ordering costs to the minimum.
To account for all the materials received and issued, proper storage to avoid deterioration and loss of materials, economical material handling, stock verification and reconciliation if discrepancies.

To receive scrap and other discarded materials and arrange prompt and most economical disposal.

Functions of Stores

Following are the broad functions of stores management.

Receiving and Dispatch

All the incoming materials from the suppliers and other units of the organization shall be received at stores. Arrangement need to be made for transportation, unloading and receiving of materials and handling over the same to custody group checking up of packages, checking up materials with details of invoices and purchase order, identifying discrepancies, if any, record keeping, preparation of Stores Receiving cum Inspection Report, and for arranging dispatches of materials returned to suppliers, sent for repair or transferred to other units of the organization. Claims for short delivery, non-delivery or damages en-route are required to be lodged in time with the underwriters, carriers and suppliers as per the provision of contracts Replacement supplies need to be arranged for above losses and also for technical rejections (supply of wrong or substandard materials by the suppliers).
Inspection of Materials

It has to be ensured that every item received in stores is checked from quality angle. Any failure of poor quality materials may put the organization to heavy losses, especially, those of components of vital equipment. Quality plans need to be developed for critical and high consumption value items. Inspection can be carried out by independent quality assurance group or by user department or by third party, depending upon the set up. Stores, however, is required to maintain continued and sustained liaison with inspection with inspection people for prompt inspection.

Issue of materials and maintenance of records

Stores department, on receipt of requisition/indent from user departments shall identify requirements and issue materials without any delay. Proper records need to be made of issue and receipt documents.

Warehousing and preservation

All materials received from Receipt Section shall be stacked properly and bin location recorded to facilitate issues. Necessary steps need to be taken for preservation of materials, especially those, which are to be stored for longer period. Preservation methods need to be developed in consultation with suppliers / user departments. Steps also need to be taken for security and safety of materials and also safety of personnel from various hazards by taking precautions in handling the materials.
Stock control records

Day to day receipts and issues shall be posted in stock ledgers or computer master so that the current balance of each item is known without physical counting or checking.

Identification and disposal of scrap, obsolete and surplus materials

All scrap arising, worn-out and unusable spares, etc., shall be received in scrap yard and after identification and formation of lots shall be disposed off promptly. Similarly, obsolete and surplus items shall be identified and most economical disposal action is taken.

Physical stock taking / Stock verification

It has to be ensured that physical stock taking of each item of stores is done at least once in a year, book balances tallied with ground balances. Discrepancies, if any noticed are properly investigated, reconciled and adjusted.

Identification and codification

It is also the function of Stores to properly and rationally codify each items of stock, prepare the code catalogues and distribute to all the concerned. This shall involve identification, systematic defining and describing all items, adoption of material specification, unit of measurement, introduction of a degree of standardization and variety reduction. In order to fulfill these functions, stores shall coordinate closely with other departments such as users, planning, MIS, etc.
Inter relationship between stores and other Departments

The stores department for its very existence has to establish co-ordination with the materials control department. But it does not mean that it can ignore other departments of the organisation. The following departments are closely linked to the stores department and the stores department cannot be thought of without the active co-operation of each of the following departments.

- Production department
- Inspection department
- Design and Engineering department
- Finance department
- Accounts department
- Purchase department
- Sales department
- Transport department.

The stores department is dependent on each of them for its day-to-day operations. It may not be out of place to mention here that without proper functioning of any one of the departments, the smooth functioning of either the stores department, or any other department will come to a stand still, hence the need for a positive correlation between various departments has lately been recognised by stores managers as one of the objectives of stores department. Scientific way so as to help in the maintenance of regular flow of materials in and out of the stores house for smooth and efficient running of the entire organisation. On the other hand, preservation refers to the safe custody of
materials so as to help the maintenance of its value and quality. Preservation helps in making available the material in perfect serviceable condition.

Storage is the most important function of the materials management. At the end of the receipt and inspection stage, stocking follows. Stocking involves routine activities like sorting out materials coming at the end of inspection process and storing them in their locations. Stocking is very important for easy location, proper identification and speedy issue to the consuming departments. In stores thousands of materials will be kept for issue. These materials should be safe guarded against deterioration of quality, Pilferage and mixing up of materials. There should be a systematic classification and codification of materials ensuring an efficient control over them. The bin-cards and stores ledger are maintained at stores. The bin-card specifies the description of materials, receipts and issues and the balance in terms of quality only. While the stores ledger states the quantity and value of materials available in the stores.

**Issue of materials**

Issue of materials is one of the most important functions of store keep in. The suppliers on the purchase orders placed by the purchase department supply the materials to the stores. The storekeeper verifies the authenticity of the requisitioning authority. Once the requisition is correct storekeeper moves on checking the availability of materials with the help of the stock ledgers. The materials which are in stock have to be taken out from the bins and they will be moved to the issue counter after making entries in the bin-card, stock ledgers, stores day sheets and issue note.
Record keeping

Maintenance of records of materials carried in and out of the stores is one of the most important functions, which a storekeeper has to perform. Proper maintenance of records helps the management in minimizing the cost of both storage and production. This in turn assist in planning the future course of production and purchasing. Records also extend a helping hand to the costing department. Inventory accounting is necessary for all materials so as to watch the correctness of receipt issue and balance as per accounting records and physical balances. Inventory accounting gives useful information to the management such as

1) The total amount blocked in inventory investment
2) The deviation from the actual and budgeted figures
3) Individual stock levels.
4) The inventory value at the end of a particular period.
5) The consumption during a particular period.

The recording of physical movement of materials should be done as soon as possible so that correct position can be revealed from the accounting records.

Stores Management Policies

It is proposed to discuss the stores management policies envisaged by the Central Government through a committee report with regard to central public enterprises. It has emphasized that the enterprises have to consider the following objectives while storing the materials.
a) Maximum utilization of the space for storage

b) Care should be taken in the process of receipts, inspection, storage and issue and to ensure an easy and uninterrupted flow of materials, and

c) Care should also be taken against spoilage and pilferage

And complete stores accounts for the purpose of determination of their value in an accurate manner. If there are any variations in the value of stores as per the stores ledger and actual values, a proper reconciliation is to be made and reasons for such variations are to be identified. The committee has recommended for maintaining only one set of store cards say Kardex type as it avoids duplication of work without impairing of efficiency of materials control system. The committee has also recommended for the detailed procedure for inspection of different types of materials on the basis of it requirements. The committee has suggested that the stores department should furnish periodically reports containing the information pertaining to the stock position of major raw materials, stores, surplus stores and their disposal to the management.

Stores Management Practices in APGENCO

The stores department in APGENCO is divided into three segments (a) Main stores (b) Area stores and (c) Pit/ department stores. In APGENCO the main stores is located at Hyderabad, area stores are located at thermal power plant area’s i.e., Kothagudem, Vijayawada, Muddanur, Ramagundam, Kover (Nellore). The stores department of APGENCO is under the control of chief purchases and the junior officers carry out stores and all operations. Stores department is situated in a permanent single storied building with large open
interiors divided into separate compartments by means of partitions. Personnel of the stores department simultaneously carry out receiving and issuing of the materials in this building.

The APGENCO maintains mainly the following two basic systems for controlling stores materials.

Stock – yards

It is expensive to construct building and provide covered accommodations for all type of materials. Certain heavy and less perishable materials can be kept in open yards for a reasonable length of time without any deterioration. If some such materials need protection from atmospheric conditions, may be covered with tarpaulins. It is therefore important that proper layout of open yards is considered while planning for storehouse. However, most of the time, stockyards receive less attention than the storehouse themselves resulting in inadequate and casual arrangements. The following are some of the deficiencies noticed at outside storage facilities.

a) Stocks are scattered over a wide area in a haphazard manner (making proper control and location system very difficult).

b) The absence of proper fencing or compound wall (increases the risk of theft or unauthorized issue).

c) In convenient access to stock (slows down transportation and hinders use of mechanical handling equipments. This results in excessive employment of manual labour).
d) Badly drained surfaces (frequently become water logged causing undue deterioration of stock and making access very difficult during rainy season).

e) Lack of proper alternate lighting arrangement (make security difficult at night hours and also make night work impractical and unsafe).

f) Materials are stocked on the bare earth (and in course of time, become overgrown by grass and seasonal tree or corroded).

If significant stocks are required to be kept in open, it is imperative to design, construct and operate a proper yard, which shall be advantageous in the following ways.

a) Good planning saves precious and helps in quick identification and control of stocks.

b) A proper lay-out with fenced walled enclosure improves security

c) A properly constructed stockyard with adequate drainage facilitates movement in the yard, avoids deterioration of materials and eliminates growth of grass and seasonal trees.

d) When goods are properly stacked and labeled, issues are more convenient and stock taking is easier and accurate.

e) Satisfactory rail and / or road access speeds up the turn-round of vehicles.
f) An efficient layout permits the use of modern handling methods, which in turn produces significant economics in deployment of labour and also facilitates faster operations.

g) If a gatehouse and a weighbridge are provided at the open yards they provide much more satisfactory control over the vehicles coming for delivery or collection.

Construction of Stockyards

Site

The disposition of road and rail facilities and the position of existing building determine the location of stockyard. Subject to these considerations, the stockyard should be immediately adjacent to main storehouse and with adequate and unhindered road access. The site should be well leveled and drained.

Surface

The nature of surface greatly depends upon type of materials to be stacked at the stockyard transport and handling equipment to be used and atmosphere conditions. Four types of surfaces commonly in use are as follows, while the depth of the foundation and the finish various to suit local circumstance.

a) Ashes

A bed of consolidated clinkers or ashes finished off with fine ashes and rolled. This is one of the cheapest methods but load-bearing capacity of the surface is low and is easily cut up by heavy transport. If heavy rains occur, the
area becomes slushy and the movement becomes difficult. This is unsuitable for forklift trucks.

b) WBM (Water bound macadam)

Such surface is made of a layer of stone with small quantity of lime, some passes of roller with spray of water. This type of surface has better strength than ash surface. It is however, noticed that in due course of time grass and other seasonal trees grow especially during rainy reason. Due to movement of heavy handling equipment such surface is also damaged.

c) Tarmac

A bed of hard-core, rolled and consolidated, covered with a layer of tarmac and finished off with a cast of fine tarmac, rolled. Although it costs substantially more than the above two surfaces, it is much satisfactory. Drainage of water is more effective, load-bearing capacity is higher-stand up to traffic and cassia keeps area clean and possibility of grass and seasonal trees is ruled out. One limitation is that very heavy stocks of materials may tend to damage the surface particularly in hot weather.

d) Concrete

A bed of hard-core rolled and consolidated, topped by a layer of concrete reinforced by steel fabric. The cost of this is much higher than the above three types of surfaces, but this is probably the best finish for normal purposes. It drains well provides an excellent foundation for stocking materials, problems of vegetation and corrosion of materials are overcome. It will bear all types of
reasonable traffic movement in yards, cleaning becomes very easy and offers less maintenance cost in course of time as compared to other surfaces.

**Lighting**

There shall be provision for sufficient lighting facilities in view of late hour's issue and security requirements. Tower mounted floodlights may be very useful for these purpose.

**Fencing and Gates**

Proper fencing with minimum number of gates and locking facilities is very important for a stockyard, the purpose of good physical control and security. Many kind of fencing are available. The most popular arrangements are using steel or concrete posts, cranked to carry sufficient strands of barbed wire up to a suitable height giving protection against trespassers.

**Roads and Gangways**

These should be concrete or tarmac as far as funds permit. The width must be appropriate to the vehicles and load carried and the detailed arrangement of roads and gangways depends on the type of mechanical handling equipment's to be used.

**Stacking Area**

Mechanical handling equipment's in use govern the layout of stacking areas in the same way it affects the arrangements of road and gangway. Stacking
area should be clearly defined and roads and gangways shall be kept clear for safe movement of vehicles and handling equipment's.

Gatehouse and Weighbridge

In order to supervise the arrival and departure of vehicles and to prevent unauthorized entry into the yard, it is desirable to have a gatehouse. It is frequently combined with required size and capacity a weighbridge for recording gross and tare weight of vehicles, if required. (a). Closed stores systems and (b) open stores system. The corporation normally employees both systems.

Closed Stores System

Closed stores system is one in which all materials are physically stored in a closed or controlled area—when ever possible the general practice is to maintain physical control by locking the storage area. This system is designed to afford maximum physical security and to ensure right accounting control of inventory materials. Only stores personnel are permitted to enter the stores. No sooner are materials received or issued than they are entered into ledger folios.

Open stores System

In the open stores system materials are stored in an open area, which has wire fence. The different varieties of materials are placed in different places and a signboard is fixed to indicate the materials. In open storage system, the raw materials, steel, which are fast moving and heavy in quantity are stored.
Open stores systems represent second major type of stores system. It finds its widest use in highly repetitive types of operation. In plants, using the open stores systems, no storeroom as such exists. Each material is stored as close to the point of use as is physically possible. Materials are stored in bins, on shelves, in racks, on pallets and so on. The open system is designed to expedite productive activities. It places little emphasis on the physical security of materials. The open system also places less emphasis on the accounting control of materials. No perpetual inventory records are kept is a system and the accounting charges are determined indirectly rather than directly. As a result the system provides control over material usage only if it is used in conjunction with an accounting system employing standard costing technique⁴.

Receipt of Materials in APGENCO

The receiving section is a central place, where all incoming supplies are received, checked and inspected before they are placed in the stores. It is also called “Goods Inward Section”. The receipt section of stores department in APGENCO performs the following functions.

(a) Receipt of dispatch documents i.e., R.R.S consignments notes etc.,

(b) Follow up for retiring documents from Banks.

(c) Clearance of consignment from the Railway station/Lorry transport.

(d) Arranging inspection of material.

(e) Taking open delivery from Railways and Lorry transport wherever necessary.
(f) Preparation of receipt vouchers.

(g) Lodging of claims on Railways, insurance company and suppliers.

(h) Delivery of accepted materials to respective sections.

(i) Disposal of rejected materials and materials received in excess of the ordered quantity.

(j) Notify indentures of special purchases, requisitions, regarding the arrival of material.

(k) Inform purchases section regarding excess supply, shortage or defective supply, and

(l) Delivery of materials to the appropriate stores for storage.

The receiving section of the stores department of APGENCO receives the materials from the following sources.

(a) Suppliers both indigenous and foreign,

(b) Stock transfers from main stores to T.P.S area stores

(c) Return of the items from T.P.S. area stores as surplus.

(d) APGENCO work shop’s manufactured items, and

(e) Repaired items from outside agencies.

If an outside supplier sends the materials, the delivery of materials is made either by road or rail transport. The suppliers send the necessary documents
to the corporation through a commercial bank. On intimation from the bank, the accounts department examines the supplier’s proforma invoice and purchase order to ascertain that advance payment is specified in the purchase order and bank advice tallies with that in the Performa invoice. The accounts department obtains the bank clearance and release document from the bank and forwards these documents with RR/LR to stores, for taking delivery of the consignment. A clerk from the stores wills goes daily to the railway station to verify the arrival of the consignment and whether it is dispatched as piece consignment or full wagon. When the consignment arrives, delivery is taken by surrendering RRs to the railway authority after making necessary entries in the delivery book. If the consignments fail to arrive with in two months from the data of dispatch of the consignment, the matter is taken up with the railway authorities.

If the materials are transported by road, the stores clerk takes delivery of materials after signing a copy of challan/invoice/LR and returning it to the driver. In case of suspicion of loss or damage in transit, the packages are opened in the presence of the driver. Damage loss statement is prepared, minutes is drawn up and signed by the stores officer, and handed over to the truck driver. All the incoming goods should invariably pass through the receipts section and never go directly to the production departments. The goods so received are kept in separate specified places to prevent misplacement, pilferage or mixing with other materials. The stores staff assigned with station duty for collection of consignment dispatched by railway maintain, ‘consignment Register’ after taking delivery he puts his signature in the register and hand over the consignment to the incharge of the receipt section who will also put the signature as a token of
receipts. This register is inspected weekly by the officer incharge of the stores department to ensure that the consignment transported from railway station is actually brought into the department and accounted for. All the consignment received in the stores department whether by rail or road are recorded in the inward register. The details such as LR/RR number date, purchase order number, name of the supplier and description of materials are noted down in this register.

No sooner the formalities are completed, than the receipt section informs the inspection department for the inspection of incoming materials. All the materials received are subjected to inspection as per the order specifications, sizes and the quality of product, in comparison with the previous supplies of the firm. After testing the quality of materials, the inspecting officer sends it's inspection report to the stores. The rejected materials are kept separately and a rejection note is prepared incorporating the reasons for such rejection. The rejection note is attached to the inspection note and is duly counter, signed by the controller of stores. The part of the consignment acceptable may be taken into stock. After the inspection is over, the result of inspection is recorded by the inspecting officer duly dated in the "Inspection cum Receipt Note: (IRN) Separate IRN is prepared for each invoice. All the copies of IRN are signed by in-charge of receipt section, Dy controller of stores and the inspecting officer.

If the materials supplied in excess of the ordered quantity are required to be retained, the need for the same is determined by Dy. controller of stores and can accept upto 5 percent more if the item is fast moving. Chief Purchase and Stores officer is competent to accept more supplies upto 10 percent of the quantity
ordered, if he feels that the extra quantity supplied is a fast moving item and is useful. In case the excess quantity is not acceptable, the supplier is informed to take back the same within 15 days from the date of receipt of such information from the consignee, failing which the Dy. controller of stores will be at liberty to return the material to the firm on "Freight to pay" basis without any further notice to the supplier. Consignment for which advance payment has been made should be returned only after ascertaining that the value of material, freight and other incidental charges could be recovered from the suppliers pending bill for payment.

The Dy. controller of stores will accept the material delivered upto a period of 21 days after the expiry of the delivery date as stipulated in the supply order, provided he is satisfied that the material is still required. Where the delay in supply is more than 21 days from the date of delivery stipulated in the supply order, the Dy. controller of stores in the first instance accept the material and forwards the bill relating to those supplies to the Dy. Chief Finance and Accounts concerned for acceptance of the bills with or without penalty for late delivery. The consignment is accepted only with the prior approval of chief purchase and stores. The date of dispatch of consignment, i.e. date of railway receipt/LR will be taken as the date of delivery of material for the above purpose.

When stores are received in the department by departmental transfer from another stores department, stores in-charge will verify the actual receipts of materials with reference to the "Inter Stores Transfer Note " (IST), received from the issuing stores department.
Storage of Materials in APGENCO

The underlying idea of store keeping function is to protect the stores from all kinds of damages and deterioration. So that the material carried in the stores may not lose their quality and the value for a longtime to come. This requires a bright, airy fireproof and well-ventilated storeroom in which the materials can be kept in safe custody. Proper arrangement for keeping the materials in safe condition is also required. If the materials are preserved properly, naturally, it will make the store keeping function successful and efficient.

In the APGENCO, there are several lakhs of inventory items stored in steel bins and self erected racks with the facility of locking system. These items can be classified into tools. Consumables, coal, specific oil, etc. while small items are stored in the pigeonhole racks, heavy items are placed on the floor itself. Oil is stored in bulk tanks. All the items stored in the stores are codified and code numbers are allotted depending on their degree of similarity. Code numbers are given with main and sub-codes. This will avoid duplication of items and a provision is also made in the codebook to give code numbers in future for the items of stores.

The storage methods in the corporation vary according to the type of materials. In all cases when making the issues “weighted average” principle is followed to avoid losses due to storage. The following methods are adopted for the storage of different classes and categories of stores in APGENCO.
All small items of stores and spare parts will be normally kept in bins. An identification label showing part No./code No. and description of the items will be affixed to one or more pieces of the items in a Bin. A Bin front label showing the part No./Code No. and description of the item will also be affixed to the front side of the Bin. In case more than one item is kept in a Bin, the Bin front label of the different items will be pasted in front of the Bin. If the heavy items are stored on the ground in a godown or in an open yard, identification boards showing the class, code No. and description of the stores will be kept in the vicinity of the items. The stores will be arranged and stocked in such a way that materials can be picked up easily for issue.

The Oil, Stock will have identification boards attached to the stocks, indicating the class, code no. and full description of the items. Similarly, boards indicating the class, code no. and description of the items will be kept near the specific oil and grease drums stocked in the area. Identification boards showing class, code no. and the description of the materials will also be affixed to the different classes of the coal in the coal yard. The stock of material will be arranged in such a way so as to facilitate the counting and issue of the materials.

The items of typical calorific values of the various oils used in thermal plants along with the conversion factors of converting the quantity of oil from KL to MT. It will be preferable to mark the IS number, carbon Residue (RAMSBOTT), Density for easy identification at the workshop also.

There is a location system for easily locating all the material in the stores. The location store panels will be kept in every shed of the stores department at
suitable point so that whenever a requisition is received, the location of the items can be determined from the Bin Card and the items can be picked up without any difficulty. The sequential order of codification system of location will be followed. The sheds will be numbered serially. Each lane of racks will be marked with the letter of the alphabet “ABCD” etc. The row of racks will be numbered. The shelves in each rack will be marked with the letters of the alphabet from the top downward on both sides of the racks. Each Bin in a shelf will thereafter be given serial numbers from one onwards, starting from left to right and proceeding to the other side of the shelf. Thus, the location of an item which is marked 5/C/2/B/A. indicates that the item is located in shed 5 line C row 2 shelf B and Bin A. A similar method of indicating location will be adopted in respect of heavy items stored in the open areas by dividing the whole open area into suitable blocks which can be indicated by capital letters of the alphabets ABCD etc. and each block will be subdivided by using an alternative number and alphabet to the extent required. The location panels pertaining to the stores stacked in the open area may be kept in the personal, custody of the section in charge for open storage.

A separate area is allocated for the storage of oil, specific oil, lubricants (oil means petrol, Diesel) items. The POL area will be enclosed and fenced. The pumps for petrol and HSD oil will normally be located in the vicinity of the area, where the machines are deployed, or in the vicinity of the workshops or in the stores department area depending upon the circumstances of each case. The stipulation of the petroleum Act as per the petrol and carbide of calcium manual will be followed strictly and the license will be renewed periodically. The bearers
containing lubricants and grease will be stacked in the area under covered accommodation. The barrels and drums will be stacked one above the other in a neat pile on wooden dunnage or channels. Kerosene oil tins will be stored in a different area under the covered accommodation.

Storage of Coal

Coal materials are stored in a separate coal yard. The ground will be leveled and perimeter wall constructed all around. Coal materials will be stored in dunnage made out of 90LB scrap rails if available or on concrete platforms. The yard will be suitably divided by uprights for stacking different categories of coal VIZ., coke, and ash content, fixed carbon etc., in the open area.

Storage of water

Water will normally be stocked at rivers in a separate barrage; some of the thermal station water will be used in routine manner. The hot water will be cooled with cooling towers. The cooling towers are constructed in Kothagudam thermal station. Nellore thermal station, Ramagudam thermal station, Rayalseema thermal power plant. In Vijayawada thermal power station, the plant constructed beside the Krishna river water from the Krishna River used by VTPS regularly without any interruption.

Stores Management Manual In the stores Department of APGENCO

The stores Management manual is drawn for the stores department, so as to bring uniformity in the functions of all the stores in APGENCO and also to ensure that all the user departments are aware of stores procedures. In this manual
an effort is made to bring out the functional responsibilities of stores staff and executives so that it act as working manual to achieve the following principal objectives of the corporation.

a) Planning and programming of materials, vendor performance.

b) Inventory control, consumption analysis, maintenance of store records for control purposes, and timely replenishment of stocks.

c) Stores layout, improvement in storage system, care and preservation, materials codification, standardization and simplification and.

d) To develop management information system which will act as important media to control investment in inventory and production cost.

**Issue of Materials**

The materials will be issued from the stores department only on the basis of requisitions submitted by the inventors in the prescribed proforma as per sanction by the competent authority. There are three types of issue of materials as mentioned below.

a) **Normal issue:** These are issues made by the stores to the consuming unit.

b) **Issues on transfer:** These are issues made on transfer account by one stores to another under the orders of competent authority.

c) **Loan account issue:** These are issues made by stores to the departments or an outside party for a specified period with the approval of the competent authority. The material will be returned by the outside agency before expiry.
of the period of loan. The stores officer of the issuing stores will carefully follow up the return of material before expiry of loan period. Some items like chairs, water drums, tarpaulin's etc., are issued to the company employee as well as social organisations and also for official functions. These loan issues are also recorded in loan account register maintained at each section and the section concerned carefully follows up the item of each material. The items on loan account are issued with proper challan.

The normal issue of materials made by stores department to the user departments on the basis of the requisitions for material is made on "stores Indent cum voucher" (SIV). This SIV document will be prepared by the officers authorised by chief engineer generation project Manager workshop incharges to demand material for their respective thermal plant/workshop. The officers authorised to demand stores will obtain the signature of the person authorised to collect material on the SIV and send the same to stores for record and issue the material to the authorised person only. The SIV will indicate the quantity requisitioned and the quantity issued. Normally not more than five items will be demanded in one SIV. It will be ensured that all items demanded in a requisition pertain to only one group/class. The SIV will be prepared by indentor in quadruplicate, the second, third and fourth copies being carbon copies of the original and all the copies will be signed and dated by the indenting officer. The indentor will send all four copies to stores. The storekeeper, incharge of the stores will receive four copies of the SIV from the indenting officer. He will go through the SIV and check the correctness of the details recorded in the SIV. Priority will be given to the emergency issues over the normal issues. Dy. COS will check if the
items and quantities demanded are reasonable or not. For this purpose, he should keep a copy of the norms of consumption fixed. Dy.Cos after checking the SIV will pass on the same to the concerned storekeeper for arranging the issue of material. The concerned storekeeper will check the location of the item by reference to the location from bin card maintained by him. He will then pick up the item from its location identify and issue after counting or measuring or weighing as the case may be. The actual quantity issued and the unit of measure will be entered in relevant columns in the SIV by the concerned store keeper, who will also sign in the space provided along with designation and date, in token of having handed over to the person authorised to collect the material by the indentor. When the materials requisitioned are not available in the stores, established items in lieu, will be issued provided the alternative item can serve the purpose. Where the Dy.COS considers that a certain alternative item in stock can serve the purpose, the indentor will notify of the details of the alternative item and the issue will be made subject to acceptance by the indentor. Where he is sure that the alternative item can be utilised, the issue can, however, he made without any consultation.

Of the four copies of the SIV, the first and second copies are submitted to the accounts department and third copy to the stores. The accounts department, after furnishing the value of material will send the second copy to the pit/department concerned. The staff deputed for collection of material from stores will take fourth copy of the SIV along with material and hand over the same to the pit/department storekeeper along with material. The receiving pit/department stores will have to verify the correctness of quantity of receipt and value of the material by comparing with the copy sent to them from accounts department. Where the
items are meant for replacements, the SIV should be accompanied by unserviceable parts/material. The unserviceable parts/material will be kept together for disposal action.

Where the materials are transferred from one store to the other, issues on Inter Store Transfer Note (IST) will be made. It will be prepared in quadruplicate and the first copy is submitted to receiving stores, second copy to account section at receiving stores, third copy to the issuing stores and fourth copy to the accounts section at issuing stores. In case of new items for which code number is not given, the stores staff at the issuing stores will furnish only the main class and sub-class and leave other digits of the material code blank. The Inventory Management Cell (IMC) will fill up the full code number for the item before processing further. It is particularly necessary for the incharge of the codification cell to ensure that no new material code numbers are given to the items already codified to obviate incidence of errors.

Loan account issue of plant and equipment to an outside agency can be made only under the authority of Chief P & S or concerned G.M. The Chief P & S order will stipulate the loan period. Normally, consumable stores items are not issued on loan. Where the loan issues are made, it will be ensured that the materials are returned before the expiry of the loan period and also the items of material replaced conform to the same specifications, as the loaned items are fully serviceable. For all loan issues, sanction of the competent authority will be obtained. The procedure for loan account issue will be the same as in the case of issue on SIV/IST. The stores will maintain a register and the date of issue of
material on loan, loan period etc., will be indicated in the loan register. The senior storekeeper / storekeeper incharge of the stores will watch the return of the material issued on loan.

The issue of material on sale account to contractors and outside agencies may be made with the approval of the General Manager, Chief Engineer (Civil) provided such issues are covered by the contracts or agreements entered into by the corporation. Except, petrol, oil, lubricants (P.O.L), other material will not be issued on sale account in any other case, without the approval of the Chairman - cum - Managing Director in consultation with the Chief F & A, who will fix the issue rates. Even such issues can be authorised, provided the material can be issued without hampering the requirements of the pits/departments. Issue of surplus stores and unserviceable/scrap materials by tender will be treated as issue on sale account. Such sale issues will be made on the authority of sale release orders issued by Chief P & S. Issue on sale account will be done on sale indents.

The materials that are not taken into receipt should not be issued for consumption. However, Dy. COS can use his discretion and authorise issue of such items for performance test or for field trial. Such issues will be made under written instructions of Dy. COS on challan and with proper connected documentation.

The storage and issue of material section will shoulder the following responsibilities:

i) Responsible for the safe custody and accountable for the material pertaining to this section;

ii) Receipt of stores;
iii) Issue of the materials;
iv) Periodical departmental stock verifications;
v) Declare unwanted materials;
vi) Adjustment of stores discrepancies;
vii) Replenishment of stocks on the basis of minimum/maximum limits;
viii) Periodical review of A and B-class items;
ix) Preparation of annual want sheets as per time schedule; and
x) Submitting monthly list of under - stocked/over stocked/stock out items to the Dy. COS for corrective action.

Stores Organisation in APGENCO

The APGENCO has been organising the stores in each and every thermal station area. By the end of the year 2004-05, the APGENCO has four general stores; five open cast stores spread over six thermal stations of the APGENCO.

Main Stores: Hyderabad

The main stores are set up at Hyderabad to cater to the materials requirement of thermal stations and corporate offices. The main stores at Hyderabad will be under the charge of Dy. controller of stores, who will be assisted by several stores officers working under his control. He will be administratively and functionally responsible to the controller of stores (COS). The main stores consists of controller of Inspection and Technical service (CITS), Controller of provision policy and Disposal (CPPD) controller of stores (COS) and inventory Management cell (IMC) who look after the receipts, quality inspection, and codification of materials.
The main stores in APGENCO are divided into various sections. The division of main stores is made on the basis of the use and size of the materials. The division is not however, rigid and will depend entirely upon the requirement of an organisation. It is common practice to divide the work of stores department on commodity basis. This sort of division enables specialisation in the matters or problems associated with storage factors of various commodities. At present the main stores in the APGENCO are divided into the following eight sections.

1. Receiving Section.
2. Petrol, Oil, Lubricants stores.
3. Tools, instruments stores.
4. Mechanical stores.
5. Hardware stores.
7. Stationary stores.
8. Automobiles stores.

In addition to the stores mentioned above, there is large open yard around the main stores. This Open-yard is used for storing of bulk items, which do not required specialised storage facilities. Even though there is no protection from the sun and the rain, the surface of the open yard is levelled and is covered by sheets or steel mats.

The receiving section handles all incoming material. This is where the goods are received from the various vendors. The material like coal, specific coal, oil, HSD oil, LD oil are sent to the respective thermal stations directly where they will be used.
Area Stores

To cater to the material requirements of various thermal stations, area stores is created in each thermal station area of the APGENCO. Each thermal station area stores will be under the charge of SE/Dy COS, who will be assisted by several stores officers working under his control. Where he will be functionally responsible to the CE/COS, he will be under the administrative control of the plant Chief Engineer of the area. The custodial, responsibility for the material held would devolve upon the stores personnel employed in area stores. The board functions of the area stores are as mentioned below:

(a) Indenting (Submission of want sheets)
(b) Receipts
(c) Custody and store keeping
(d) Issue to thermal plant and departments
(e) Bin Card Posting, Record Keeping
(f) Claims, insurance and other miscellaneous works.
(g) Inventory control and
(h) Stock verification.

Pit/Departmental Stores

The Department officer of pit stores will normally be the pit Manager or any other officer nominated by the General manager. The stores set-up in workshop, powerhouses, building department etc., will be under the direct control of the head of the department concerned. The thermal plant and departments will draw their requirements from the area stores for direct consumption on weekly or fortnightly basis. Each thermal plant/department will
have small stores for changed off materials of daily consumption, draw from the thermal area stores. The thermal plant / departmental stores will keep the receipt and issue records on a numerical ledger maintained at pit/departmental level.

The departmental stores serve a particular department of the corporation. For example in APGENCO there are several departments like building department, main hospital, main workshop, central workshop etc., each of which can be served by a separate stores. The reason behind this is that each requires separate type of materials. This store then becomes a specialised store.

Various authorities connected with the stores organization exercise inventory controlling function. As the authority and responsibility of the officials play a vital role in the inventory management an attempt is may present authority and responsibility of important authorities in relation to inventory management here under.

The Dy controller of stores will also attend to the following inspection duties:

a) Carry out periodical inspection of the pit stores/departmental stores to ensure that the inventory build up does not take place.

b) Test check register like R.R. Registers, daybooks of receipts issue register etc.

c) Check that preparation of inspection cum receipt Note (IRN) and clearance of documents is not delayed.
d) Check the general condition of the materials so that the materials are preserved safely and the stores area is kept neat and clean.

e) Make visits to the railway station, transport offices periodically to see if there is undue delay in clearance of consignments by the stores personnel.

**Stores Records**

The following records are used in the stores.

b. Stock Card
c. Stock transfer note
d. Materials Return note
e. Goods Inward note
f. Materials Rejection Note
g. Scrap note
h. Gate pass.
i. Inventory form.
j. Stock valuation form.
k. Temporary loan voucher.
l. Permanent Loan vouchers.

**Stock Verification in APGENCO**

Stock verification is the process of physically counting, measuring and weighing (if possible) all items of materials held in the stores/pit/departmental stores and to compare the physical balances with the material recorded in Bin-cards. The discrepancies detected, if any will be investigated promptly and adjustment action is taken at the earliest.
The Objects of stock verification in APGENCO is to ensure the following.

a) Materials held in the stores tally with the descriptions and specifications as shown in the Bin cards/Ledgers. The Bin Card/Ledgers.

b) The actual balance agree with the balance recorded in the Bin card/Ledgers.

c) The discrepancies noticed are investigated and adjusted.

d) The actual balance agrees with the balance recorded in the Bin card/Ledgers.

e) Verification of the accuracy of stocks.

f) Disclosure of possibility of fraud, theft or loss and other irregularities and induces stores staff to maintain records correctly, and

g) Revealing any weakness in the system for the custody and control of stocks.

The materials audit department, reporting to either materials manager or the internal audit department usually carries out the stock verification. One person is usually given the exclusive responsibility with adequate facilities and authority. In the APGENCO, the accounts department is responsible for verification of stores, materials, coal and oil. The stores personnel of the stores department/unit carry out verification departmentally under the instructions from the chief Finance and Accounts officers. The stores department carries out the departmental stock verification under their own arrangements. All the items of Coal, Specific Oil, general and consumable materials, spare parts of turbine, medical material, transformers, and all charged off materials held in department units are verified periodically.
Types of Stock Verification

a) Snap check
b) Continuous stock verification, and
c) Annual stock verification.

Snap Check

Accounting officers or internal auditors make the Snap check. Accuracy or inaccuracy found in such checking is an indication of the manner in which the stores are maintained.

Continuous Verification

As the term indicates, continuous stock verification is the process of checking the stock of a few items daily and thus covering all the items twice or thrice a year in rotation. Under this system, verification is done throughout the year as per the predetermined plan of action. The Verification is carried out by a group of persons known as stock verifiers from the accounts department or internal audit department or combination with adequate number of stores staff and labourers. A programme is prepared in advance for the purpose of taking into account the number of items to be checked, and the staff required.

The advantages of the continuous Stock verification are

a) Greater attention is possible on the verification as only few items are dealt with each day.
b) There is greater inducement to keep records up to date than in the annual stock verification.

c) Determined and obsolete stocks can be easily and frequently found out;

d) It does not hamper production, as is often the case with periodical or annual stock taking which may necessitate the suspension of receipts and issues.

e) The discrepancies can be detected and solved more often, and

f) It acts as an effective deterrent to malpractices.

However, continuous stock verification imposes regular strain on stores staff and unless carried out very carefully may lead to misplacement of materials.

**Annual Stock Verification**

The corporation auditors on the basis of inventory sheets submitted by the stores, as on the last day of the financial year does the Annual stock verification. The accuracy is verified during the first week of the financial year by taking a test check of 5 to 30 percent of the materials in stores, particularly expensive and attractive items. As certain issue and receipts may take place in the mean time, it may be necessary for auditors to work in the backward i.e., deduct receipts and issues to tally the physical balance as shown on the inventory sheets. Similarly, if the bin card balance tallies with the physical balance on the day of the audit, it can be assured that the physical balance recorded on the inventory sheets as at the end of the year is also correct. After the auditors have certified the inventory, the value of materials in stores will be taken into final accounts.
In APGENCO, the internal audit department carries out stock verification as per the following periodicity.

a) Transformers and other capital items in stores department and all revenue stores once a year.

b) All charged-off material with pit/department stores, which are accounted for in numerical ledger - once a year.

c) Transformers, plant and machinery and other capital items deployed - once a year. All stockholders will also carry out departmental stock verification of the stores at least once in two years.

The stock of attractive and costly items like power and trailing cables, bearings, non-ferrous metals, instrument etc., may however, be verified more frequently. The internal audit organisation for stock verification comprises the following.

a. The Accounts officer (Stock verification) who will be responsible for organisation stock verification of the entire stores as per the periodicity lay down.

b. The staff in-charge (stock verification) who will supervise the verification works in stores.

c. Stock verifiers, who will physically carry out the stock verification works allotted to them.

The duties of the personnel employed on stock verification are as follows:
i) To ensure that before commencement of the financial year, adequate staff is positioned in all the areas and other places for stock verification.

ii) To prepare three copies of annual stock verification programme and submit two copies of the same to the chief (Internal Audit) for the whole year with intimation to all the concerned.

iii) To obtain progress report on stock verification periodically.

iv) To carry out test check on the items verified by the stock verifier.

v) To carry out surprise stock verification of a few items selected at random.

vi) To ensure that reconciliation of discrepancies is carried out within a specified period. The discrepancies not adjusted within a period of two months will be reported to the chief (Internal Audit) and chief (purchase and stores).

**Duties of In-Charge (Stock Verification)**

The duties of in-charge (stock verification) are as mentioned below:

a) To maintain the following for the purpose of control

   a) Verification register

   b) Field book register

   c) Stock verification sheet register.

   d) Write-off register and

   e) Register of serious discrepancies i.e., discrepancies involving value of Rs. 10,000 and above each.

ii) To watch the process of stock verification through weekly report to be submitted by the stock verifiers.
iii) To receive the stock verification sheets from stock verifier and departmental officers and obtain the orders of accounts officers (stock verification).

iv) To submit a report periodically showing the progress on stock verification programme to the accounts officers, (Stock verification) who will keep the Addl. Chief F/A (finance & Accounts) informed of the same.

v) To make surprises visits to see that the stock verifiers are actually performing their duties.

vi) To carry out test check of the work done by stock verifiers when considered necessary.

Stock Verifier

i) To carry out routine verification of stocks comprising on any of the following as per the detailed procedure given in succeeding paragraphs.

   a) Materials in the custody of stores department/ unit.
   b) Coal and Oil in stores and
   c) Coal and oil deployed in plants.

ii) To carry out surprise verification of stocks wherever ordered by higher authorities.

iii) To test check the postings on the receipts and issue side in the Bin cards for the items verified by him in order to ensure that the receipt and issue side postings are genuine.
Controller of stores

i. To lay down the programme for departmental stock verification at the stores department.

ii. To obtain a monthly progress reports on stock verification from all areas and other stores departments and to take suitable measures where the verification is lagging behind.

iii. To ensure that timely action is taken by all concerned to adjust the discrepancies discovered both during stock verification carried out by internal audit as well as the stores department.

iv. To bring to the notice of the chief purchases and stores the serious discrepancies, which have been reported to him by the accounts office (stock verifier) or by departmental officer.

Dy. Controller of Stores

i) To render necessary assistance to stock verifiers in carrying out their duties.

ii) To see that proper pre-stock verification and location check of concerned items is carried out to ensure that stock of items under check wherever located are shown to the stock verifier.

iii) To furnish the reasons for discrepancies in the stock verification sheet on receipts from stock verifier.

iv) To ensure that the Bin Card/ Ledgers in respects of the items to be verified are brought up to date and all receipts and issue transactions are suspended during stock verification. In case of unavoidable issue transactions, the details are intimated to the stock verifier.
v) To ensure that the final adjustment of the items under discrepancy are made within two months of receipt of the stock verification sheet.

vi) To organise departmental stock verification as per the laid down programme.

vii) To submit a monthly progress reports on departmental stock verification to the controller of stores by 5th of each month.

viii) For recording and certification of stock verification and for adjusting discrepancies discovered during the departmental stock verification, he follows the same procedure as laid down by the internal Audit (stock verification). In the case of departmental stock verification stock verification sheets are will not prepared except for discrepant items.

Stock holder (Section -In – Charge)

I) On the receipt of 48 hours advance notice from the stock verifier regarding the stock verification, the stock of concerned items, will be reported at the specified locations to ensure that the concerned items are located only at the locations marked on Bin Cards.

II) To be present throughout verification.

Preliminaries to carry out stock verification by the internal Audit

The in charge for stock verification will give 48 hours notice to the stock holder for commencing of the stock verification. The Stores will always be verified in the presence of representative of the stockholders. To start with, the stock verifier should under in his field book the name of the department, the class
the date of commencement of stock verification the stores nomenclature and
code numbers of the items he proposes to verify on the following day. In the first
place, he should verify whether the description under which the items are held in
the bin cards/numerical ledgers tally with the physical stores, and if not, he
should endeavor to determine the correct classification and nomenclature and
description of the items. If any doubts still exist in his mind regarding
identification and classification of the articles of stores, particularly in respect of
spare parts for plant and machinery. The assistance of the engineering personnel
is taken. Further, the following precautions are observed prior to carrying out the
stock verification.

a) Weighment scale is carefully checked and adjusted as frequently as possible
   in the process of stock verification.

b) The stock verifier personally counts, weights or measures the items of stores,
   which he proposes to verify with the assistance of stock in the stores
   wherever necessary. All the details of verification are recorded in the register
   from which the total quantity is posted in the field book. It is ensured by the
   stock holder that no stock of the items under verification are lying in any
   other parts of the godown in obscure corner even though the location
   sheet might have been provided by him to the stock verifier. The stock
   verifier may carry out a test check to ascertain if any of the items under,
   verification are not lying at a place other than the locations indicated by the
   stockholders.
c) The stock verifier will ensure that accounting units as shown in the vocabulary of stores are adopted in the stores accounting.

Methods for Determining Physical Stocks:

The following simplified methods may be adopted for determining the physical balances of certain types of materials as indicated below.

a) Where the accounting unit is million tonne, the actual stock will be indicated in million tonne and in decimals indicating in Kilograms.

b) Where large quantities of small items are involved, it will be preferable to determine the test weight of say 100 pieces of the items or 5 percent of the total stock and there after the entire stock will be weighed and the total quantity determined on the basis of the test weight carried out earlier. When the weighment of the entire quantity is made, the maximum quantity, which the scale can weigh, will be weighed for each item.

c) In the case of coal, specific coal, coke which are accounted for in Million tonne the weight in kgs, the total weight of the entire holdings will be determined on the basis of the sanctioned weight as per the hand book.

d) In the case of fuel oils like furnace oil, H.S.D. Oil, L.D oil, L.S.H.S which are distributed through outlet pumps the quantity held in stock will be determined by the use of a properly graduated dip-stick.

e) In the case of valuable articles like non-ferrous metal ingots, the entire stock will always be weighted regardless of what the stock may be.
f) In the case of large stocks of electrical and fragile materials liable to damage in handling, a certificate will be obtained from the holders of the stock regarding the correct physical balance.

g) In respect of packed goods like spare parts, the actual weight or numbers as printed on the package will be taken as the correct weight/quantity, provided the packages/cartons are intact.

h) In the case of fluids, the unopened receptacles with original sealing etc., and in tact will be taken as containing the quantity of fluid stated on the receptacles.

i) After the stock verifier verifies the stores they will rearrange them in the racks/bins before the close of the day.

Recording and certification of verified ground balances:

The stock verifier in the field book then notes the stocks actually found by count or measurement or Weighment down. Initials of the representative of the stores depot in whose presence the stock was verified is obtained in the field book against the items as a token of his acceptance of the correct ground stock on behalf of the stores depot. The individual concerned in the stores depot will also certify in the field book that the total stock of the item has been shown to the stock verifier. After the actual stock figures of items have been ascertained and accepted by the section clerk or his representative, the stock verifier in stock ledgers/bin cards enters the physical balance.
Preparation and Distribution of Stock Verification sheets

The stock verifier prepares the class-wise stock verification sheets in triplicate every day for all items of stores, after the completion of verifications for the day. The stock verification sheets as per specimen given in the stores manual are prepared from the details in the field books. The items with bin card balance and nil ground balance are also noted in the stock sheets. All the columns of the stock verification sheets are filled and signed by the stock verifier. Brief remarks such as “Average Measurement”, “Book Balance Accepted” is entered in the remarks column against such items as specified above.

The stock sheets are serially numbered for each group or class of stores. Original copy (account copy) of the stock sheets are submitted by the stock verifier to the account officer (stores verifier) in the internal audit department within three days from the date on which verification of a class is completed and the remaining two copies are handed to over the stock holder, who will return one copy to the controlling officer after recording the explanation there in respect of the discrepant items. It is the responsibility of the accounts officer (stores verification) to keep a watch on the movement of the stock verification sheets of the discrepant items and to see that the stockholder makes final adjustments of the items under discrepancy within two month of submission of the original stock verification sheets for approval of the competent authorities. The cases of delay in settlement of the discrepancy or preparation of the final adjustment vouchers will be brought to the notice of the controlling officers/engineer of the TPS concerned.
When the internal audit department together with the explanation of the stockholder and the depot officers, considered unsatisfactory, receives the stock verification sheets. The Accounts notes will be issued in such cases. As soon as the secreting by the internal audit department is completed, the third copy of the sheet will be returned to the stockholder for the preparation of the final adjustment voucher.

The following action will be taken on the stock verification sheets by the stockholder:

a) In respect of discrepant items, stock verification sheets will be treated as provisional adjustment vouchers. While the surpluses revealed as a result of stock verification, it will be posted in receipt column, the quantities found deficient will be posted in issue column above the red line drawn by stock verifier. This entry will be regularised by the final stock adjustment voucher duly approved by the competent authority.

b) The stockholder will try to identify and clarify the discrepancies shown in the stock verification sheets and explain the reasons thereof satisfactory for information of the accounts officer concerned. Where discrepancies are due to cross posting, it is to be ensured that the terms for which cross posting are purposed to be ratified are not dissimilar items or not items falling under different classifications.

c) Where the deficiency in stock is likely to be due to causes beyond the control of the stores personnel concerned, action will be initiated for write-off of the loss so incurred, under sanction of the component authority.
d) The stockholder will prepare final stock adjustment vouchers after the discrepancies are finally settled and sanction for adjustment is obtained.

In respect of similar items (where sizes only differ) the discrepancies that are within five percent in quantity over the total transactions will be adjusted through the final stock adjustment voucher after the completion of scrutiny by the accounts officer (stock verification). In the case of items, which are liable to shrinkage and drayage, evaporation, and handling losses, the admissible percentage can be adjusted up to two percent.

After having examined the stores management practices such as stores organization, receipt, storage, issue of materials and stores accounting, practices in APGENCO.
REFERENCES


