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Inventory Holding and Management of Working Capital in Small Restaurants

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Abstract

There are several facets to consider while managing a restaurant. Public relations encompasses many other areas as well, such as inventory management, employee relations, and customer service. It's not uncommon for a restaurant's owner to double as the business's manager. A manager who exudes confidence and authority is also crucial to the success of any eating establishment. The manager is often the one who solves problems for both workers and clients. Micro, small, and medium-sized businesses (MSME) included the restaurant industry. A micro, small, or medium-sized enterprise (MSME) is a business that employs fewer than 500 people and whose total assets, including those arising from loans but excluding the land where a particular business entity's office, plant, and equipment are located, fall within the following value ranges: micro, small, or medium.

Keywords: Restaurant, Management, public relations, inventory, customer service, corporation, equipment

Introduction

Management is the process of planning and directing an organization's actions to accomplish its goals. It's counted alongside machinery and raw materials as a crucial part of the manufacturing process. Management includes both the essential tasks of marketing and innovation. Management is the process through which an organization's goals are established and its resources are organized, planned, controlled, and directed to meet those objectives. (WebFinance Inc., 2017).

Food service refers to the industry that manages the logistics of supplying food and drink to customers, whether they are an individual or a large organization. In order to reflect its expanded focus, the name was changed to cafeteria restaurant & management service (Villanueva, 2010). As a result, it is not always simple to launch a new eatery. The restaurant's operation is impacted by a number of minor factors, such as its location, the methods employed to manage the company, and its physical location (Guasch, De Gracia, and Esgra, 2008).

Managing stock isn't exciting, yet it may be the difference between success and failure. The importance of inventory management is thought to rise in direct proportion to the size of a company's stockpiles. The goal of both buying and inventory management is the same: to have the right things in the right amount at the right time. Maintaining efficient inventory management and control helps prevent expensive interruptions in operations caused by running out of needed supplies. Moreover, retail and wholesale businesses may increase sales by maintaining enough inventory. Keeping stock, which constitutes an asset, safe from loss or theft helps operations run more smoothly. Money may be saved and profit can be maximized if stocks are kept at their optimal level, which is the point at which stockouts are at their lowest and surplus inventory is eliminated (Moore, Petty, Palich, and Longenecker, 2008).

Many ideas of inventory systems frequent in small enterprises were listed by Weedmark (2017). Although huge firms may use complicated algorithms and computer programs to assess their inventory needs, most inventory models for small enterprises can be categorized into one of three frameworks. These are the Heijunka method, the deterministic continuous review, and the just-in-time inventory. Each of these models is meant to keep consumers' must-haves in stock at all times without overspending or wasting materials. According to Kokemuller (2017), a just-in-time inventory system delays production of goods until they are required by consumers. The perks include lower costs and less space for storage. Like with small-scale eateries, there is minimal food waste when dealing with perishable foods. Aerospace companies, florists, bakers, and print-on-demand publishers are just some of the different types of enterprises that utilize this method.

According to Friddle (2017), Toyota has put Heijunka to use in its levels inventories and production. Its purpose is to keep production cycles steady, which means that overtime and downtime are minimized. Toyota, for one, calculates consumer demand for each car model and component on a weekly and daily basis and then changes production accordingly. Heijunka can help small firms with seasonal sales cycles by allowing them to maintain a steady output of goods throughout the year rather than scrambling to meet peak demand. Wensing (2011) claims that most stores use a third inventory theory called the deterministic continuous review. This entails monitoring stock levels and placing replenishment orders as necessary. Predicting consumer orders and shipment times is essential for this approach to succeed. Customers may choose to shop elsewhere if the item they want is out of stock, therefore it's important to have enough on hand to last a week if shipping takes a week. The inventory management system used by most cafes and bistros might benefit from an examination through the lens of these ideas.

The raw materials utilized directly affect the quality of the final product, making inventory management very comparable to buying. At this time, knowing where the stocks come from is crucial. A reliable vendor will never fail to come through for their client. Keeping a positive working relationship with your suppliers requires careful attention to a number of details. It would help if bills were paid on time and salespeople were treated with respect. Discounts cannot be used to cancel orders. Careful consideration should also be given while making suggestions to suppliers for product enhancement (Moore et al., 2008).

Stock is a cost just like any other. More stock means less cash on hand for things like advertising and maintenance. Due to the perishable nature of the materials, careful inventory control is essential. The shelf life of most ingredients is shorter than a week, and others may only last for two or three days. If the components aren't used up within the allowed period, they'll go to waste, along with any money that may have been made from selling them. Food costs may be reduced by better stock management and weekly food pricing.

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Having a policy in place to regulate inventories will guarantee reliable record-keeping. At the very least once every week, someone in charge of stock should count all of the goods on hand. It's important to double-check use projections and look into any unexpected discrepancies. Poirier (2014) echoed this sentiment, emphasizing the need of regular stocktaking. Most products need this to be done every day, but others require it to be done every other day or twice a week, either either before opening or right after closing. There should be no opportunity for duplicate counting by taking inventory during delivery, but rather before the fresh shipment comes and adding the new stocks to the count. Before performing an inventory, make sure the space is clean and well-organized. Expired goods should be discarded, and like items should be shelved together. Daily, weekly, and monthly counts should all be done using an inventory tally sheet. Constant monitoring of outcomes is essential. The principle of first-in, first-out must be adhered to. Theft and spoiling may be minimized if there are fewer supplies available. To prevent discrepancies, it is best to have two individuals count inventory and compare their findings. Errors and theft will be cut down significantly. When taking stock of stocks, it's best to stick with the same team that's been doing it all along. The scales being used to measure potions need to be calibrated once a week. The newest price per unit should be used as the baseline for consistency and convenience. Having the same people count your inventory every time is crucial. This is the simplest method for enhancing precision.

Work of other Scholars

Controlling Stocks Two inventory accounting systems exist, the periodic inventory method as well as the perpetual inventory method, both of which are based on GAAP. The perpetual inventory approach has replaced the periodic inventory method in widespread usage among merchants. According to Hamlett (2017), the periodic inventory approach was widely used until POS scanners and computers became commonplace. Businesses that dealt in many little items, like drugstores and hardware shops, discovered that it was simpler to update their inventory balances on a monthly basis, rather than attempting to account for each and every item sold on a daily basis. With the help of the periodic inventory system, a business may keep track of product sales in a designated bank account. The sale of products results in a revenue entry but not a cost of goods sold (CoGS) entry.

But Mohr (2017) distinguished four distinct inventory valuation methods within the perpetual inventory framework. For calculating the cost of goods sold, the FIFO (first in, first out) technique takes into account the price of the oldest inventory items. The resulting balance sheet inventory value is a near approximation of the actual value. As a result, this might bloat the bottom line. The cost of goods sold is calculated based on the most current inventory expenses using the latest in, first out, or LIFO, method of valuation. In this case, the revenue statement is the closest to actual expenses. While prices are going up, the balance sheet reflects the old cost for the leftover stock. This assessment is no longer utilized. The average cost of valuation is calculated by adding up the costs of all inventory units, including those currently in stock and those that have been utilized.

There are benefits and drawbacks to both approaches. The primary benefit of the periodic system is the lack of need for a substantial beginning capital outlay. It can be put into place with little outlay of time and effort. The inability to instantly reflect changes in stock levels is the biggest drawback of this approach. Nevertheless, the time and money required to launch a perpetual inventory system are two of its major drawbacks. It usually takes a lot of time and money to properly develop a perpetual inventory system. The benefits include up-to-date inventory data and more reliable financial statements (Hamlett, 2017).

Inventory Cost Management

Costs for individual tasks are what inventory management is all about. When creating items with unique qualities or distinct categories, this approach works well. Materials and labor that go directly into production are considered direct expenses. Estimated rates are used to calculate manufacturing overhead costs. Waste occurs when production fails to fulfill marketability requirements. Costs may be allocated more accurately in process cost accounting for mass-produced, standardized goods like petroleum products and threads. Products are transferred from one facility to another. The price of raw resources and energy to produce an additional unit increases.

The EUP (equivalent units of production) is determined in this step. EUP measures the output that might have been achieved with the inputs used within a certain time frame. The two most common approaches to determining EUP are the weighted average and the FIFO. Meanwhile, activity-based costing is a solution to the dramatically rising incidence of indirect costs brought on by technological development. The ABC method improves upon previous costing methods like JOC and PPC. Overhead activities were identified, resource costs were allocated, and activity costs were allocated to their respective final cost objects. Depending on where they occur in the manufacturing process, certain activities fall into one of several hierarchical categories.

An alternative method is life cycle costing, which involves calculating how much money will be made and lost by a product at each point of its sales cycle (from R&D to product launch to peak sales to fall in sales). The total amount spent on a product from its creation to its eventual retirement must be calculated. Production then receives an allotment of these expenses per anticipated unit of output. This suggests that simple methods may be just as effective, which is relevant to the current investigation. It has to be written in layman's words so that it may be easily understood and used. Hence, lay off the jargon and technical terminology.

Conclusion

a) The typical demographic of a small restaurant's staff is that of a middle-aged man: unmarried, with a high school diploma or college degree. The restaurant's three locations are all situated on the owner's property in the heart of the city. Most can only accommodate up to 150 people. Six to 10 people make up the core staff. Most of the catering services specialize on serving Filipino cuisine. Most eateries also provide takeout.

b) The FIFO (First In, First Out) system is used by the majority of smaller eateries. Others follow the JIT, or just-in-time, philosophy, which dictates that resources, such as the ingredients for a themed meal, be acquired on an as-needed basis. Due to the uncommon nature of these products, they tend to disappear from the warehouse shelves.

c) Selected small restaurants had issues with inventory management due to the following factors: the chef dictating what to buy, which led to an excess of inventory; purchasing a large quantity of

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meat/fish and vegetables in advance; high food prices; failing to count the food and drink inventory levels (dining area); and substantial vegetable spoilage.

d) Overstocking inventory is said to have impacted cash flow, distorted the restaurant's financial situation, led to unreasonable food pricing, led to a drop in profits, and resulted in a significant quantity of vegetable deterioration at a few chosen small restaurants with poor inventory management.

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