CLT Ch 5 Key Terms – Inventory Control

Directions: *Match the term to its definition*

Warehouse Management Systems (WMS)	Establishing the overall level (dollar value) of inventory desired and implementing controls to achieve this goal.
Fixed Order Quantity Ordering	An inventory accuracy audit technique where inventory is counted on a cyclical schedule rather than once a year. It is usually taken on a regular, defined basis (often more frequently for high-value or fast-moving items and less frequently for low-value or slow-moving items).
Inventory Turnover	A method of inventory valuation for accounting purposes. The accounting assumption is that the oldest inventory (first in) is the first to be used (first out), but there is no necessary relationship with the actual physical movement of specific items.
Inventory	An inventory system, such as economic order quantity, in which the same order quantity is used from order to order. The time between orders (order period) then varies from order to order.
Aggregate Inventory	Those stocks or items used to support production (raw materials and work-in-process items), supporting activities (maintenance, repair, and operating supplies), and customer service (finished goods and spare parts). Demand for inventory may be dependent or independent. Inventory functions are anticipation, hedge, cycle (lot size), fluctuation (safety, buffer or reserve), transportation (pipeline), and service parts.
Raw Materials Stock	The number of times that an inventory cycles, or turns over, during the year. A frequently used method to compute inventory turnover is to divide the average inventory level into the annual cost of sales.
Work-In-Process	A philosophy of manufacturing based on planned elimination of all waste and on continuous improvement of productivity. It encompasses the successful execution of all manufacturing activities required to produce a final product, from design engineering to delivery, and includes all stages of conversion from raw material onward.
Material Requirements Planning	A set of techniques that uses bill of material (BOM) data, inventory data, and the master production schedule to calculate requirements for materials. It makes recommendations to release replenishment orders for material. Further, because it is time-phased, it makes recommendations to reschedule open orders when due dates and need dates are not in phase. Time-phased MRP begins with the items listed on the MPS (master production schedule) and determines: 1. The quantity of all components and materials required to fabricate those items and 2. The date that the components and material are required.
First-In=First-Out (FIFO)	Purchased items or extracted materials that are converted via the manufacturing process into components and products.
Just-In-Time	A complete supply chain dedicated to the reverse flow of products and materials for the purpose of returns, repair, remanufacture and/or recycling.
Cycle Count	A system that manages all processes that a warehouse carries out. These processes include receiving, picking and shipping.
Reverse Logistics	A good or goods in various stages of completion throughout the plant, including all material from raw material that has been released for initial processing up to completely processed material awaiting final inspection and acceptance as finished goods inventory. Many accounting systems also include the value of semi-finished stock and components in this category.