

Inventory Systems, Types and differences

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Abstracts

Inventory is something that is held by any business for the purpose of sale or processing. Inventory is considered as asset of the manufacturer. Inventory may be in the form of raw material, work in process and finished goods. Inventory is recorded in the balance sheet at the cost of purchase. Inventory is one of the basic elements of the business. Different businesses need different inventory methods based on their size of the business, nature of inventory etc. all of the inventory systems have their own pros and cons. Some systems are good for the point of view of the investors, and some systems are good according to the tax implications, some are good according to the depiction of its profits. Different companies adopt different methods for the purpose of gaining their desired objectives. Some companies want to depict higher profits and some want to get tax advantages by hiding their true profits. So we can say that different inventory systems are adopted by companies according to their desired objectives. There are many methods of recording inventory; the basic two methods are periodic inventory system and perpetual inventory system (Shusheng Gu, 2010). Cont... (3500 words of this report)

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