

STOCK SYSTEMS, THE ACCOUNTING PRINCIPLES IN THE EVALUATION OF STOCKS AND ITS IMPACT ON THE FINANCIAL PERFORMANCE: A COMPARISON OF THE STOCK (INVENTORY) SYSTEM OF PHARMACIES IN MALAYSIA

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ABSTRACT

The Malaysia pharmaceutical industry is yet developed as in UK and US. It consists of Guardian, a popular Malaysia-based pharmacy that has branches all over Malaysia and neighboring countries, and other privately owned, small pharmacies.

One of the objectives in this research is to look at the impact of different stock systems on the financial performance of pharmacies. The 2 stock systems for merchandising company are perpetual system, and periodic system (Harrison & Horngren, 1998). Also, the researcher has anticipated to find out how pharmacies value their stocks. This is an imperative area, as different stock valuations will result I different profits, and thus taxes payable. Another aim of this research is to explore which type f system is popularly acceptable, and thus its impact on the company in term of profit, and management.

To collect pertinent primary data and information, the researcher will use techniques such as personal interviews, telephone interviews and self-administered questionnaires where a sample of fifty practitioners will be used. The two companies chosen for personal interviews are Guardian Pharmacy (2 branches), and UK Pharmacy.

From the analysis of this research, perpetual stock system (computerized) is more preferred by pharmacies and other respondents. Though manual punching cash registers are still being used, they are looking forward to the change of system. The computerized system will facilitate more effective management, and being technologically advance.

It is recommended that companies pay attention to their stock management and control, as it would directly affect the financial undertaking of companies. The FIFO method of pricing would create greater stock amount and thus the gross profit and the tax payable. Hence, to abide the law, and to reduce the tax payments, weighted-average method is most appropriate.