

# *A Study on Internal Control over Inventories—Taking Jiangxi Zhengxinchu Health Food Co., Ltd. as an Example*

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**Keywords:** Inventory management, internal control, information management system

**Abstract:** Internal control is a key element of modern enterprise management and has a significant impact on enterprise activities. This article suggests explaining the background of the selected topic, discussing the purpose and significance of the research, and reflecting the research status of some domestic and foreign researchers by reviewing and summarizing relevant literature at home and abroad. The research background is Jiangxi Zhengxinchu Health Food Co., Ltd. The limited company has determined the current situation of Jiangxi Zhengxin Chusheng Health Food Co., Ltd., identified existing problems, further optimized the existing problems of Jiangxi Zhengxin Chusheng Health Food Co., Ltd., established an optimization system, clarified optimization goals, and improved the inventory internal control system of Jiangxi Zhengxin Primary Health Food Co., Ltd.

## 1. Introduction

### 1.1. Research Background

The internal control of inventory is the most important internal control of a company, as this central link is related to the fate of the entire company. Therefore, establishing an effective internal control system for inventory management and improving its execution efficiency will be an important issue for food enterprises. The emergence of legal rules such as the "Basic Standards for Internal Control of Enterprises" and the "Food Safety Law of the People's Republic of China" jointly issued by five domestic ministries and commissions has been formulated by the government to protect the healthy development, quality and safety of the food industry, and has attracted the attention of relevant food safety management departments. This is also a manifestation of China's attention and attention to the food industry. In recent years, due to inadequate internal controls, the shortcomings of inventory accumulation in Jiangxi Zhengxinchu Health Food Co., Ltd. have become increasingly apparent. A reasonable and effective inventory control plan must be developed.

## 1.2. Research Purpose and Significance

### 1.2.1. Research Purpose

By conducting a systematic analysis of Jiangxi Zhengxinchu Health Food Co., Ltd, we will conduct in-depth research on the internal control of inventory in Jiangxi Zhengxinchu Health Food Co., Ltd, identify the problems faced in the internal control of enterprise inventory, and provide corresponding

(1) I hope to help Jiangxi Zhengxinchu Health Food Co., Ltd. understand the importance of strengthening inventory internal control for enterprise operation, and establish consensus for all employees.

(2) I hope to help Jiangxi Zhengxinchu Health Food Co., Ltd. conduct in-depth and specific research on the internal control of inventory Weak links, identify existing problems, improve the internal control system of inventory, and improve the safety and reliability of inventory management.

(3) Hope to provide reference opinions on internal control of inventory for companies in the same industry.

### 1.2.2. Research Significance

Understood the inventory management situation of Jiangxi Zhengxinchu Health Food Co., Ltd., analyzed the internal control operation process of inventory and the permissions of various personnel, and effectively applied the theory of inventory internal control in practice. The combination of theory and practice indicates that there are many challenges in the operational process of inventory management. In order to ensure the effective implementation of internal inventory control in the company, some specific reform methods have been proposed. Enriching the internal control theory of inventory in China, providing a theoretical basis for helping enterprises solve practical problems and enabling better integration of theory and practice

(1)By analyzing the importance of inventory internal control in the daily production and operation of Jiangxi Zhengxinchu Health Food Co.Ltd.it can help Jiangxi Zhengxinchu Health Food Co., Ltd. increase its emphasis on inventory internal control, enhance risk awareness, and strengthen the management of inventory internal control.

(2)Helping to reduce resource waste in inventory related activities of enterprises, achieving efficient utilization of related resources, which is the foundation for creating commercial value and improving business efficiency.

(3)It can provide reference for companies in the same Industry that are also facing inventory Internal control management issues.

## 1.3. Research Status at Home and Abroad

### 1.3.1. Current research status abroad

Embroiderer S. Toto Embroiderer and S. Toto La Diego (2016) believe that the internal control system is the construction process of internal control in enterprises, and it should be strengthened to pay attention to this link, improve and develop the internal control system of enterprises, to help companies achieve their development goals <sup>[1]</sup>.

Mary Jane Lenard, Karin (2016) argue that the disclosure of internal control deficiencies is positively correlated with the manipulation of real activities by companies for profit management purposes. Disclosure of high-quality internal control information can effectively prevent financial fraud and achieve control over company profit management <sup>[2]</sup>.

Lolli Etal (2017) assumes that a company conducts regular inventory checks to ensure that the actual inventory in the warehouse matches accounting data, and that the company's inventory covers multiple business departments. The staff of these departments will regularly participate in business activities and receive timely training, which helps to raise employee awareness and reduce risks related to inventory management<sup>[3]</sup>.

Maestre, Fernandez, and Jurado (2018) argue that every company carries certain risks when purchasing inventory. If the internal inventory control system can minimize the average inventory level, then it is very good. In order to avoid out of stock during production, the company can introduce a policy to determine under what circumstances new orders can be placed based on business performance<sup>[4]</sup>.

Karim Etal (2018) suggests that inadequate staffing or non-standard procedural rules can lead to inventory management issues. The inability to separate incompatible tasks or the presence of multiple positions within the company will inevitably lead to deficiencies in inventory management<sup>[5]</sup>.

Kurt Pany (2018) believes that internal factors of a company can have a direct impact on the company's strategy, and the company's internal control activities are related to the company's internal environment. The internal environment of a company can help it successfully achieve its expectations. Target and achieve higher market share<sup>[6]</sup>.

### 1.3.2. Current research status in China

Liu Yang's (2016) study on inventory management in enterprises indicates that in order to solve inventory problems, enterprises need to implement internal control over assets and develop corresponding systems and strategies to solve actual inventory management problems<sup>[7]</sup>.

Peng Ru (2016) found that the financial management and internal control systems of small and medium-sized enterprises are weak, resulting in inventory backlog, increased cost of capital occupation, and increased warehousing costs, leading to higher levels of corruption. Due to weaknesses in the internal control process of inventory, we have combined financial management and cost control. Reorganize the existing internal inventory control system of the company and establish an effective and orderly inventory control mechanism suitable for the company's development<sup>[8]</sup>.

Lu Yuanyuan (2018) believes that there is a negative correlation between the quality of internal control in enterprises and the level of management confidence<sup>[9]</sup>.

Li Duansheng et al.(2017) proposed that the higher the average education level of company management personnel, the higher the quality of internal control; The longer the average age and service years of management personnel, the lower the quality of internal control; The higher the proportion of women in management, the higher the quality of internal control<sup>[10]</sup>.

Zhang Penghui (2019) believes that there is an urgent need to enhance employees' risk awareness to enhance internal risk control within the enterprise. For ordinary employees promoted to management positions, their risk identification ability needs to be evaluated. Encourage them to develop a good habit of intentionally learning risk identification theory, establish a risk identification library, and use classic examples from the same industry. It will serve as a reference for management decision-making and improving risk response capabilities<sup>[11]</sup>.

Wu Mengdi (2020) believes that inventory management requires the establishment of an information exchange platform that adapts to detailed business situations. Fully utilize modern management tools to integrate procurement, production, sales, and inventory management. Break the communication barriers between various departments and assist the management to make wise and reasonable decisions<sup>[12]</sup>.

Jiang Benyi (2020) determined a rating system suitable for the company's development based on

the analysis of its capabilities, and a profitability indicator system based on the analysis of its accounts. Based on this, he believed that the decline in the company's profitability was due to poor inventory management, and the company needed to strengthen inventory management to reduce inventory losses<sup>[13]</sup>.

In summary, domestic and foreign researchers have conducted extensive research on the theory and practical application of internal inventory control, laying a solid foundation for further research for several generations. Researchers unanimously believe that improving internal inventory control systems and strengthening inventory management can help more effectively utilize capital and reduce production costs. Improve the current situation of enterprise management and improve operational efficiency. Compared with the research status abroad, domestic researchers have started their research on internal inventory control relatively late, and the basic theory and practical application research are not in-depth enough. There is still room for improvement in specific research content, analyzing the problems in inventory management and proposing targeted improvement suggestions. However, there is relatively little literature on internal inventory control in food enterprises. Based on this, this article takes Jiangxi Zhengxinchu Health Food Co., Ltd. as the research object, Based on previous research theories and achievements, optimization strategies are proposed to address the problems in internal inventory control in enterprises.

## **1.4. Research Content and Methods**

### **1.4.1. Research content**

This article mainly conducts in-depth research on Jiangxi Zhengxinchu Health Food Co., Ltd. The first part is an introduction, which mainly proposes the research background, purpose, and significance of the enterprise. The second part is the definition of relevant concepts and research basis, with the basic theory of inventory internal control and internal control as the main expression content. The third part is the analysis of the current situation, which takes Jiangxi Zhengxinchu Health Food Co., Ltd. as an example to analyze the internal control of inventory from the aspects of inventory procurement, acceptance and warehousing, warehousing management, requisition and warehousing, and inventory checking. Through analysis, it is found that the inventory lacks an effective control environment, the information exchange and communication are not smooth, and the awareness of risk prevention is not strong enough. The fourth part is the solution section, proposing corresponding measures based on the problems in Chapter 3 to promote the internal control and management level of inventory of Jiangxi Zhengxinchu Health Food Co., Ltd. in the future.

### **1.4.2. Research Methods**

(1)Literature retrieval method. This article has collected a large amount of literature through the website, read relevant theoretical books, and combined with the research of Jiangxi Zhengxinchu Health Food Co., Ltd., found the essence of the problem and proposed specific measures for improvement and optimization.

(2)Standardized research method. Investigating from the surface to the inside, starting from the surface problems of Jiangxi Zhengxinchu Health Food Co., Ltd., conducting in-depth analysis, clarifying the problems in actual operation, identifying the essence of the problems, and proposing specific measures for improvement and optimization.

## **1.5. The problem to be solved in this article**

This article conducts research on Jiangxi Zhengxinchu Health Food Co., Ltd., and proposes the

problems of low efficiency and poor management caused by the lack of effective supervision of inventory internal control, ineffective governance caused by the lack of smooth exchange and communication of inventory information and incomplete inventory risk assessment system, resulting in low efficiency and high risk.

## **2. Definition of relevant concepts and research basis**

### **2.1. Concepts related to internal control**

#### **2.1.1. The meaning of internal control**

The meaning of internal control must first be understood in terms of its content. Internal control means that, in order to achieve its economic objectives, an entity protects the security and integrity of its assets, ensures the accuracy and reliability of accounting information, safeguards the implementation of operating policies and ensures the economy, efficiency and effectiveness of its business operations. It is a set of methods, tools and measures for self-regulation, control, planning, evaluation and management within an entity<sup>[14]</sup>.

#### **2.1.2. Characteristics of internal control**

(1) Comprehensiveness. Internal control is not limited to a local review but is a comprehensive review of an organisation's overall business activities, which includes not only an assessment of financial statements, policies, plans and their implementation, but also various types of analysis and operational studies, and timely recommendations for improvement.

(2) Regularity. Internal control is not a gradual, unconscious process, but involves regular testing and evaluation of the day-to-day activities of various management activities and functions.

(3) Potentiality. Internal control procedures are not clearly separated from the day-to-day activities of the company and management, but are hidden within this.

(4) Interrelatedness. All internal controls of an enterprise are interrelated, and the success of one control affects others; the implementation of one control strengthens, weakens or eliminates another.

## **2.2. Overview of inventory-related theories**

### **2.2.1. Meaning of inventories**

Inventories are raw materials held by an enterprise in the normal course of business or goods sold in the course of production, and materials used or labour provided in the production process. The quantity of inventory reflects the amount of inventory that arises when an enterprise receives more than the amount of raw materials, goods or costs.

### **2.2.2. Characteristics of inventories**

(1) Inventories are current assets and are more liquid.

(2) Inventories are non-monetary in nature and are subject to the risk of impairment.

(3) Inventory is an asset that has a physical form.

(4) Inventories are intended to be used or sold in the day-to-day production and operation of the business.

## 2.3. Overview of theories related to internal control of inventories

### 2.3.1. The meaning of internal control over inventories

Internal control of inventory is a systematic management system developed by a business to manage its operations more regularly and rationally, and refers to a company's ability to manage its inventory so that it is safe, complete and compliant. This can improve the efficiency and effectiveness of inventory use and reduce the associated risks. It ensures that mutual restraint and control can be achieved throughout the inventory management process. Accelerate cash flow from inventory and improve economic efficiency. Developing a scientific internal inventory control system is an important core component of how companies will develop in the future, and many companies are looking to change their old patterns of development achievement and create new ideas and approaches.

### 2.3.2. Principles of internal control over inventories

Principles of internal control over inventories are the principles used by an organization to design and implement a system of internal control and include the following key aspects:

- (1) The principle of comprehensiveness.
- (2) Importance principle.
- (3) The principle of checks and balances.

## 3. Current status and problems of internal control over inventories of Jiangxi Zheng Xinchu Health Food Co.

### 3.1. Jiangxi Zheng Xinchu Health Food Co. Company Profile

Ltd. is a civilized enterprise specializing in the production of freshly roasted beef. Since its establishment in 1994, the company has been developing and growing, and after more than ten years of efforts, the company has taken shape. The company's production base is located in Yingtan, Jiangxi Province, the land of Zhang Tianshui's Longhu Mountain, and it currently has a sales network in Beijing, Wuhan, Jingzhou, Changsha, Shenzhen, Nanchang and other major cities. The company has strong technical facilities and has established research links with many universities in China, such as the China Agricultural University and other specialist food institutions. Our brand "Zheng Xinchu" freshly roasted beef is the first food product in China to be produced using the fresh roasting method and is highly regarded by consumers. The freshly roasted beef is sourced from high quality local yellow beef raised on farms in the mountains of Jiangxi Province, ensuring both rich nutrition and exquisite taste. Its unique spicy and savoury flavour, full of distinctive aromas, has made Zheng Xinchu Beef popular with consumers for 20 years due to its old brand name, good nutritional value and delicious taste.

Table 1: Product categories of Jiangxi Zheng Xinchu Health Food Co Ltd 2019-2021 Unit: RMB million

Serial number	Category	Quantity (tonnes)	Sales amount (million)	Percentage (%)
1	Beef Jerky	63241	316205	40.1
2	Beef Tendon	43250	216250	27.41
3	Beef Tendon	14437	72185	9.15
4	Duck Gizzard	6479	32395	4.1
5	Tripe	30392	151960	19.25
6	Total	157799	788995	

Source: Jiangxi Zheng Xinchu Health Food Company Limited 2019-2021 Financial Report



The factory of Jiangxi Zheng Xinchu Health Food Effective Company covers an area of about 6 kilometers and has a floor space of 2,600 meters. The plant has over 100 employees, including more than 40 junior, 20 mid-level and 8 senior employees. Among them, Jiangxi Zheng Xinchu product categories are divided into the following categories as shown in Table 1.

The category structure is broadly divided into gold, silver and bronze zones, and is analysed and presented according to the contribution of the category structure. A breakdown of the main products in each category for Jiangxi Zheng Xinchu Health Food Co Ltd is shown in Table 2.

### 3.2. Jiangxi Zheng Xinchu Health Food Co. Status of internal control over inventories

Table 2: Breakdown of major products by category, 2019-2021, Jiangxi Zheng Xinchu Health Food Co.

Serial number	Product categories	Product Ranking	Product name	Specification	Price (\$)
1	Gold	1	Grilled Beef Jerky	40g*10 bags	50
2	Gold	2	Spicy Tripe	40g*10 bags	50
3	Gold	3	Beef Jerky on Hot Plate	40g*6 bags	30
4	Gold	4	Spicy Duck Gizzard	40g*10 bags	50
5	Gold	5	Iron plate ox hoof tendon	40g*25 bags	125
6	Gold	6	Teppan Beef Tendon	40g*6 bags	30
7	Gold	7	Spicy Beef Tendon	40g*10 bags	50
8	Silver	8	Spicy Beef Jerky	40g*6 bags	30
9	Silver	9	Grilled Tripe	40g*25 bags	125
10	Silver	10	Grilled Beef Tendon	40g*25 bags	125
11	Silver	11	Teppanyaki Maw	40g*10 bags	50
12	Silver	12	Teppanyaki Duck Gizzard	40g*6 bags	30
13	Copper	13	Grilled Beef Tendon	40g*25 bags	125
14	Copper	14	Grilled Duck Gizzard	40g*6 bags	30
15	Copper	15	Spicy Beef Tendon	40g*25 bags	125

Source: Jiangxi Zheng Xinchu Health Food Company Limited 2019-2021 Financial Report

In the above table, gold, silver and copper products are based on gross margin, gold products contribute the most, copper products equal to thin margin, silver products have a stable source of customers, so the company generally determines the safety margin according to the current inventory to achieve a balance between supply and sales, and analyses the inventory status of gold, silver and copper products based on ERP system data every month according to the forms issued by the sales and finance departments to provide the production system with the next month production planning guidelines for the next month. The front-to-back position of each area is adjusted from a contribution perspective, with Gold Express products located in the outer areas to facilitate loading and unloading and transportation. Each month we update some products and discontinue others to ensure the autonomy and effectiveness of the product mix.

#### 3.2.1. Inventory purchase chain

The first step in the procurement process is the purchase request, where a procurement plan is drawn up by the purchasing department using previous purchasing data. A strict supplier evaluation system has been developed for companies purchasing materials, taking into account the speed of delivery of goods and the corresponding quality levels. If companies find problems with goods, they must ask them to rectify the situation and set a deadline for rectification, and if they cannot continue production, they must return them to the original factory, and if problems occur more than three

times, the cooperation agreement should be terminated.

In the case of stock purchases, contracts for which authorization has been obtained must be strictly adhered to. It is necessary for the corresponding manager with primary responsibility to authorized the purchasing staff to carry out what has been approved by the department concerned. The purchaser to whom authority has been delegated is required to follow the plan strictly, to enter into and amend contracts that exceed the authorization, and to submit a copy of the contract to the accounting department for inspection and filing after signature, as shown in the process in Figure 1.

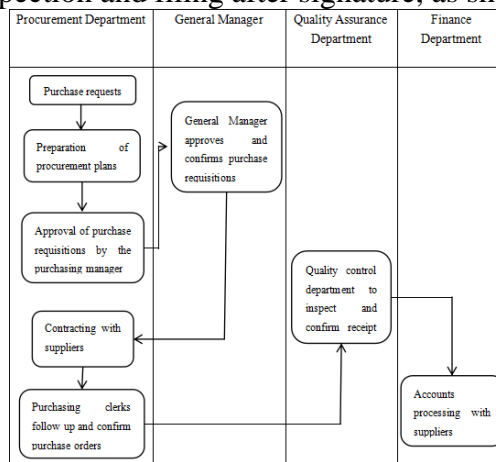


Figure 1: Flow chart for inventory purchase at Jiangxi Zheng Xinchu Health Food Co.

### 3.2.2. Receiving and storage

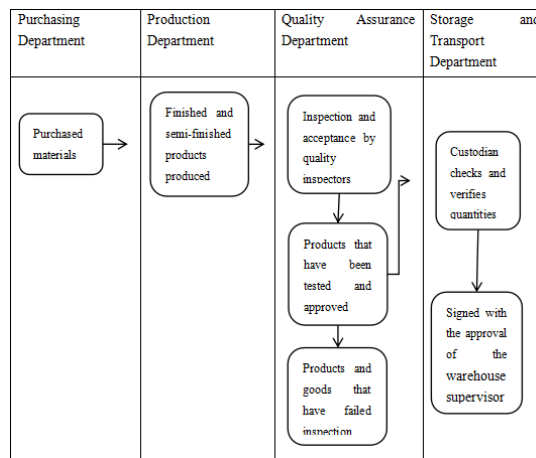


Figure 2: Flowchart of inventory acceptance and warehousing at Jiangxi Zheng Xinchu Health Food Co.

Jiangxi Zheng Xinchu Health Food Company Limited has set clear standards and standardised procedures for the receipt and inspection of stock. Receiving and storing goods requires three important links between managers in the three departments - purchasing, warehousing and finance. Firstly, purchasing staff must insist that goods are delivered within the timescales set out in the purchasing contract and that they check the grade, quantity and quality of purchased materials as they are received. Once they have passed the checks, they sign an acceptance certificate. The second part of the warehouse receives and completes the inventory book upon receipt of the acceptance certificate. The stock book is entered and the four sheets containing the invoice, cheque, receipt and delivery note are returned to the purchasing department. In the third step the purchasing department hands over the material to the finance department for bookkeeping. The products in



question are registered and sent to the warehouse for storage according to strict procedures. There are two quality control procedures for non-conforming products. Firstly, a returns point is set up where non-conforming items and materials are accepted for recycling by the relevant personnel; secondly, suppliers are contacted to return products that do not meet the standards of handling and manufacturing processes. Secondly, the finance department accounts for the relevant original receipts upon receipt from the supply department, as shown in Figure 2.

### 3.2.3. Warehouse management links

The warehousing department, as the name implies, focuses on sorting, grouping and categorising all materials in the warehouse. The aim is to provide an efficient and effective warehousing service through an organised and coordinated process that makes the best use of the company's warehouse resources. The quality of warehouse management has a direct impact on the economic efficiency of the company and determines its competitiveness. For materials that have not yet been warehoused, the warehouse manager must strictly verify the quantity, quality and grade of the goods purchased and materials received, and keep a detailed record of the receipt of materials from suppliers and specific dates in the inventory ledger. Information on the location and manufacturer of manufacturers and other materials is provided and the warehouse department retains the original receipts processed and regularly checks the receipts for goods and the consumption of goods during the processing of stock in and out of the warehouse. The semi-finished or finished goods produced by each production unit are subject to material entry procedures and the warehouse manager keeps a special register of semi-finished goods produced by the enterprise. When the stored materials, raw materials and semi-finished products are damaged, deteriorated or destroyed and can no longer be used for production, use and sale, and lose their original value, the custodian should first report to the management, and then issue an approval document after the person in charge of the company has verified and clarified how to deal with them, as shown in Figure 3.

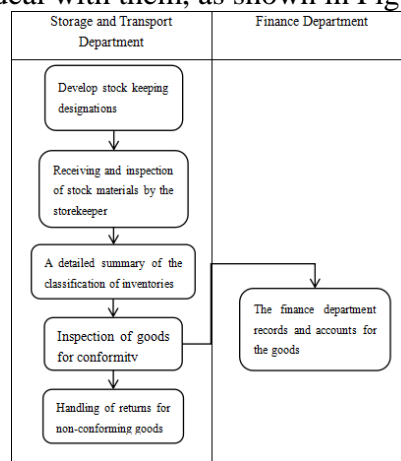


Figure 3: Flow chart of the storage and warehousing chain of Jiangxi Zheng Xinchu Health Food Co.

### 3.2.4. Receiving and discharging

The production department completes the receipt of materials in accordance with the production instructions, fills in the raw material data accurately as required, and after approval by the person in charge, the production and warehouse personnel carry out sorting or quality control before receiving the materials. Quality issues are prevented once production has started to ensure that the company's production levels are qualified. The warehouse department of the sales department fills in the inventory list and the person responsible for leaving the warehouse checks that the waybill

containing quantities, specifications, persons in charge, dates and other data confirmed by the warehouse personnel is correct before the warehouse, reports to the finance department and then keeps a record of the work in a timely manner. If the finance department does the original receipt, the warehouse receives the inventory staff and warehouse staff should sign on the document and enter it into the office system to ensure that the actual number of goods out of the warehouse and the approval of the number of goods out of the warehouse match, the specific process is shown in Figure 4.

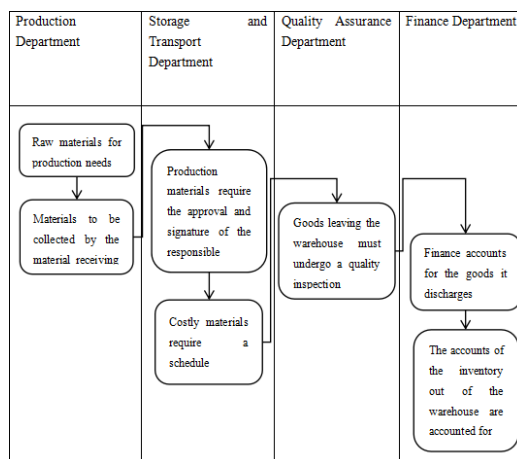


Figure 4: Flowchart of the receiving and discharging process of Jiangxi Zheng Xinchu Health Food Co.

### 3.2.5. Stocktaking and Inventory Sessions

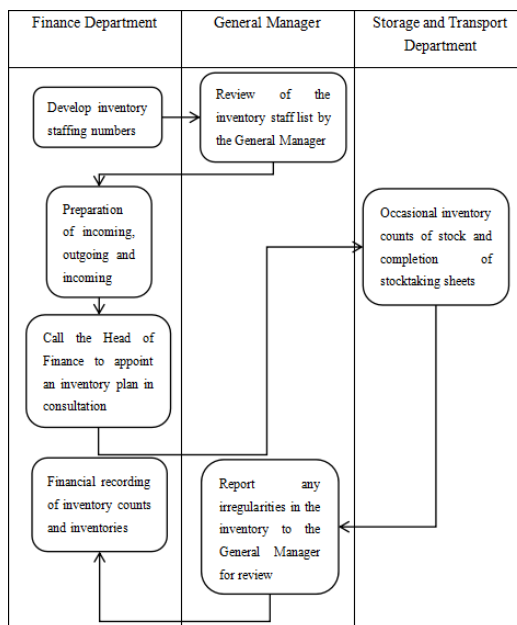


Figure 5: Flowchart of Inventory Stocktaking and Inventory Check at Jiangxi Zheng Xinchu Health Food Co.

Inventory at Jiangxi Zheng Xinchu Health Food Co Ltd is mainly carried out by the warehouse and finance departments. The warehouse is responsible for the inventory plan, the warehouse and finance departments carry out the inventory in accordance with the inventory plan and the audit and supervision departments carry out regular spot checks. At the end of the inventory, a detailed report

on the structure of the inventory is drawn up and an inventory report is drawn up which must be signed by the staff member concerned and the department responsible. If there are discrepancies in the inventory results retained in the original records, the person responsible is immediately contacted to resolve the matter, a regular inventory results report is issued to the head of the department and the general manager, who is then told to the finance department for approval by the general manager, who will then post the accounts, analyse their causes and then hold the general manager responsible. The purchasing department is responsible for taking stock of the purchasing plan, the storage and transportation department takes stock of important inventory, and the finance department makes a financial summary of the inventory at the end of the year; the storage and transportation department must also have a detailed understanding of the inventory plan, and the application of unclear principles must be identified and analysed in detail, as shown in Figure 5.

### 3.3. Problems with internal control over inventories at Jiangxi Zheng Xinchu Health Food Co.

#### 3.3.1. Lack of an effective control environment for inventories at Jiangxi Zheng Xinchu Health Food Co.

Table 3: Questionnaire on the current state of the company's internal control environment in 2021  
Units (%)

Questions	Strongly agree (%)	Agree (%)	Unclear (%)	Disagree (%)	Strongly disagree (%)
The company management attaches great importance to the construction of corporate culture	7.12	17.65	22.13	34.37	18.73
I am very familiar with our corporate culture	5.44	12.29	34.69	24.81	22.77
The internal control of the company's inventory is closely related to my work	7.48	15.65	23.81	33.33	19.73
I regularly attend job-related training sessions held by the company	3.40	10.88	20.41	48.98	16.33
The company currently has a well-established human resources policy	4.76	11.56	29.25	36.73	17.70
My postings are in line with the separation of incompatible duties	26.52	37.53	18.67	10.70	6.58

Data source: Jiangxi Zheng Xinchu Health Food Co. 2021 Questionnaire

The survey results in Table 3 show that Jiangxi Zheng Xinchu Health Food Co., Ltd. has not done well in creating a company culture, with only 24.77% of employees believing that the company management attaches great importance to creating a company culture. Inventory is an important short-term liquid asset for an enterprise and a very important task for the management of the enterprise is internal control of inventory. As a food processing company, due to the nature of this industry, Jiangxi Zheng Xinchu has a large and diverse inventory, which makes internal inventory control difficult, but the company does not pay enough attention to internal inventory control. Management was increasingly focused on the growth of production volumes and whether orders could be fulfilled within set timeframes, while deficiencies in internal control of inventory were ignored and arguably blinded by profits. It is not uncommon for internal control systems not to be followed in inventory management and some managers even consider the introduction of an internal control system for inventory to be a mere formality and a waste of the company's human and material resources.

### 3.3.2. Poor exchange and communication of inventory information at Jiangxi Zheng Xinchu Health Food Co.

Table 4: Company 2021 Information Exchange and Communication Status Questionnaire Unit (%)

Questions	Strongly agree (%)	Agree (%)	Unclear (%)	Disagree (%)	Strongly disagree (%)
The company's management attaches great importance to the communication of information relating to inventories	7.28	18.37	21.09	27.89	25.37
The inventory management system currently used by the company works very well	8.84	17.01	19.05	33.33	21.77
Very close collaboration between the various departments involved	6.12	12.97	23.13	39.41	18.37
Real-time sharing of inventory-related information across departments	7.48	17.69	21.09	31.29	22.45

Data source: Jiangxi Zheng Xinchu Health Food Co. 2021 Questionnaire

As can be seen from Table 4, only 25.65% of employees believe that management attaches great importance to the transfer of inventory information, 74.35% believe that the existing inventory management system is ineffective, 80.91% believe that there is not close cooperation between the various departments of the company Only 19.09% believe that inventory information can be transferred between departments in real time. A comprehensive information management system can help a company improve its inventory management by providing management with a real-time attempt to understand the status of inventory, can facilitate returns management in line with the company's overall business strategy, and understand problems in the inventory management process, which can then be acted upon to solve problems and enable production and operational activities to run smoothly. Improved information communication is an important safeguard for the effective implementation of internal controls over inventory. Effective information communication helps to strengthen the links between different parts of the company and work together to achieve the company's strategic objectives.

### 3.3.3. Insufficient awareness of inventory risk prevention at Jiangxi Zheng Xinchu Health Food Co.

Table 5: Company Risk Assessment Status Questionnaire 2021 Unit (%)

Questions	Strongly agree (%)	Agree (%)	Unclear (%)	Disagree (%)	Strongly disagree (%)
The company's management attaches great importance to inventory risk assessment	3.76	9.88	26.85	38.78	20.73
The company has a robust risk assessment mechanism	5.12	10.93	23.77	38.10	22.08
I regularly attend risk assessment training sessions held by the company	3.40	7.48	15.65	52.74	20.73
I am very aware of the risk vulnerabilities in my work	6.80	18.37	17.01	38.10	19.72

Data source: Jiangxi Zheng Xinchu Health Food Co. 2021 Questionnaire

As shown in Table 5, 86.36% of the company's employees believe that management does not attach much importance to inventory risk assessment and 83.95% believe that the company does not

currently have a sound risk assessment mechanism, laws and regulations, etc. For a long time, less attention has been paid to internal risks. Supervision and control of products supplied by suppliers was weak, resulting in substandard materials entering the company and affecting production. The progress and quality of meat products is not rigorously assessed by key personnel, so that some employees who are not familiar with the work techniques and work in poor conditions are not supervised and adjusted.

## **4. Solutions to the problems existing in inventory internal control of Jiangxi Zhengxinchu Health Food Co.**

### **4.1. Strengthening the supervision of inventory internal control**

#### **4.1.1. Improving the competence of employees**

Improving employees' ability will help them perform their duties correctly in the workplace, improve the operation of the company's internal control system, and achieve the goal of enterprise management and development. Building a cultural system in enterprises can ensure the scientific and long-term development of enterprise's execution and communication ability. The core of enterprise construction is to serve all employees, create a sense of security within the company, build a correct cultural system, and ensure that the quality and sense of responsibility of employees are consistent with the overall planning of the company's long-term development.

#### **4.1.2. Improving the management's awareness**

Improving the management's awareness of internal control the degree to which a company establishes its internal control system directly depends on the management's understanding of the importance of inventory internal control. Therefore, in order to create a good internal control environment, it is necessary to improve the management of Jiangxi Zhengxinchu Health Food Co., Ltd.'s understanding of the management ability of internal control, and to reverse the current mentality of the company's top management that emphasizes operation over management. It is necessary to raise the management's awareness of the importance of internal control. An internal control expert compiled an internal control report, introduced the inventory control status and risks of Jiangxi Zhengxinchu Health Food Co., Ltd. to the management, emphasized the defects existing in the company's internal control at present, and reminded them of the importance of the company's internal control to provide guidance to the management.

### **4.2. Strengthen the exchange and communication of inventory information**

#### **4.2.1. Make full use of the inventory information management system**

Through the information management system, various information related to inventory management can be collected, processed, and forwarded to different departments, providing data support for the company's management to make strategic decisions. Jiangxi Zhengxinchu Health Food Co., Ltd. should focus on researching the functionality of the inventory management system. When receiving and providing information to company management, each department should rely on the data provided by the management system to avoid manual input errors and effectively improve work efficiency.

#### **4.2.2. Active communication among all departments of the company**

In all aspects of internal inventory control, the responsibilities, restrictions, examination and approval authority, rules and conditions of departments are strictly defined, in order to make the various departments of the company form a state of mutual restraint but maintain relative balance. By clarifying the responsibilities of each department, we can strengthen the sense of responsibility, prevent the situation that responsibilities are shirked from each other, and improve the efficiency of business processes.

#### **4.3. Strengthening the construction of inventory risk assessment system**

##### **4.3.1. Perfecting the inventory risk assessment mechanism**

Risk assessment is very important for the development of enterprises. The internal risk management control of Jiangxi Zhengxinchu Health Food Co., Ltd. can effectively prevent local risks, and promote business management through risk prevention and clear understanding of effective control procedures. There are six aspects of internal inventory management, namely, purchasing, receiving, warehousing management, receiving and shipping, clearing and counting, inventory and disposal are six important links, and each aspect includes risk management control to achieve full system performance and prevent business risk crisis.

##### **4.3.2. Enhance the awareness of risk prevention**

Jiangxi Zheng Xinchu Health Food Co., Ltd. has carried out effective internal inventory control, and should raise the awareness of risk prevention. In order to achieve effective prevention, we need to carry out risk assessment. Risk assessment includes risk identification, risk determination and risk prevention. Risks are always accompanied by any enterprise, and Jiangxi Zhengxinchu Health Food Co., Ltd. is no exception. All aspects of inventory flow make the company face risks, big or small. If the procurement budget is unscientific, it will cause a waste of resources. If the procurement quality and price comparison system is not perfect, the company may choose inappropriate suppliers at the expense of product quality. If the inventory purchase process is not standardized, the company value will be lost, and if the inventory is inspected, If the collection problem is not handled properly, the next normal production will not be carried out normally. If the inventory is not maintained properly, it will face the risk of inventory loss and damage. After the above risks are formed, corrective and preventive measures will be taken against the previous risks, so the impact on the enterprise can be imagined.

#### **5. Conclusion**

This paper is based on the theory of inventory internal control and the management of Jiangxi Zhengxinchu Health Food Co., Ltd. The following conclusions can be drawn:

(1) The corresponding optimization suggestions are put forward from three aspects: active communication between various departments of the company, strengthening risk management and enhancing risk prevention awareness, so as to make the company sustainable development.

(2) It is suggested in this paper that enhancing employees' competence, improving management's understanding of internal control, making full use of inventory information management system, actively communicating among all departments of the company, strengthening risk management and enhancing risk prevention awareness will help the company's rapid development. However, with the changes of the market, the company's development and the changes of internal management needs will inevitably change. Therefore, how to adapt quickly and formulate more suitable internal



inventory control will be further studied and discussed in the future.

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