Unit-IV Store Accounting with Practical using Tally

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Materials Management:Meaning

Materials or inventory management is the act of keeping track of a company's stocked goods and monitoring their weight, dimensions, amounts, and location. The goal of inventory management is to minimize the cost of holding inventory by helping business owners know when it's time to replenish products, or buy more materials to manufacture them.

Materials form a very significant proportion of total cost in most of the industry. If an industry manufactures an article for Rs. 100, it spends more than Rs.60 towards the materials for manufacturing that article. Therefore, if any industry intends to economise the cost of production, it can do so by economising the use of materials, i.e. by exercising materials control.

Materials management can be defined as the systematic control over the purchase, storage and asage of materials so as to maintain continuous flow of materials and avoiding, at the same time, excessive investment in stores. In other words, it is the system, which ensures the supply of required quality of materials in required quantity at the required time with the minimum investment in stocks. Thus, material control covers the efficient functioning of the following operations.

i) Purchase of materials ii) Receiving of materials

iii) Inspection of materials iv) Storage of materials

v) Issue and usage of materials vi) Maintenance of stores record

vi) Stock Audit

This material control attacks material cost on all the forefronts and economise the cost of materials and improves the input output ratio of the concern.

Importance of Materials management

An efficient materials management leads to the following advantages:

1) Eliminates the waste in the use of materials.

2) Reduces the risk of loss from fraud, theft and pilferage

3) Reduces the working capital requirement and saves the interest thereon.

4) Enables the maintenance of up-to-date stock records.

5) Informs the management about availability of materials and movements in materials

6) Reduces the cost of handling and storage of materials.

7) Prevents the risk of spoilage and obsolescence.

8) Prevents production delays and interruptions.

9) Ensures purchase of quality materials at reasonable price.

Inventory Control

Inventory Control is the system designed to ensure the provision of right quality and quantity materials for maintaining uninterrupted flow of production and at the same time minimising investment in the inventories, so that maximum efficiency is achieved in production and sales. A stated earlier, inventory is comprised of stocks of raw materials, components, work-in-progren finished product. Inventory constitutes the major item in the working capital of majority of trading industrial concerns. To maintain continuity of operations of business enterprise, a minimum stock inventory is required. But if large and unnecessary stock of materials are held in stock, the invettur carrying costs (such as interest on capital, material storage and handling costs, losses due to dama breakage, deterioration, obsolescence, pilferage and evaporation, etc.) increase.

Objectives of Inventory Control

A proper inventory control lowers down the cost of production and improves the profitability the undertaking. Following are some specific objectives that are achieved through inventory co which highlight its importance.

(1) It reduces the investment in Inventory.

(2) It eliminates the bottlenecks in production.

(3) It leads to efficient use of physical as well as financial resources.

(4) It ensures proper and efficient use of materials.

(5) It minimises wastage of materials.

(6) It promotes manufacturing efficiency.

(7) It economise purchasing.

(8) It improves efficiency and profitability of firms.

Store Keeper:

Storekeeper is a person appointed for taking care of store. He is in-charge of the store and respons for the control of store. Normally, all the big manufacturing concern appoints a storekeeper. He a important role in store keeping. The storekeeper must have some technical knowledge and experi is store routine. Except this, he should be trained, honest, loyal and responsible. Storekeeper is called store manager or store superintendent.

Duties and responsibilities of storekeeper

Storekeeper should be responsible for the following functions:

i. Avoiding damage and deterioration of goods.

ii. Providing security against loss, fire and accident.

iii. Performing checking function on work completed.

iv. Protecting against the consequences of non-availability of materials.

v. Recording and receiving of materials in store.

vi Classification and codification of items which is received by store.

vii. Prohibited unauthorized persons from entering inside the store.

Functions of Store Keeper:

After receiving materials by receiving or store keeping department, store keeping has to perform various activities relating to materials. It is known as store keeping procedures or store routing under store routine, following procedure has to be done:

i) Checking of Materials:-

Checking of material He should verify the materials received with consignment note, inspection report and materials received report. Therefore, he should send the copy of materials received report received by him, after due verification to the Accounts Department for payment purposes.

ii) Classification and codification of materials.:-

Classification and codification of materials is necessary for keeping the material in store. All items in the stores department are properly classified and codified to prevent mixing of one type of materials with the other and minimise the cost of retrieval. Materials are classified according to nature in appropriate categories, e.g., Materials related with engineering are classified as bronze, copper, steel, and mild steel etc., and each category is further classified suitably. To save time in handling of materials, a written document known as material manual, is prepared in which

description and code number to each store item is given. Following are the methods of coding of materials:

a) Alphabetical method

b) Numerical method

c) Alphabetical-cum-Numerical method

a) Alphabetical method

In this method first alphabet letters are used for codification of each category of materials. Fo example, steel wire is coded as SW or steam coal is coded as SC etc.

b) Numerical method

This method is used where materials accounting is to be mechanised by use of punched cards computers. For numerical coding a list is prepared for various departments and allotting to each them a suitable number. The first two digits of the code number represent the department for whic the materials are meant and other two digits state the name of material as mentioned in the standa list or materials manual. For example, if code is 2341 it means Material No.41 [copper wire] is to used in Department No.23.

c) Alphabetical-cum-Numerical method

In this method, a combination of these two methods is used for coding of materials. For example steel wire of gauge 4mm quality A stored in rack/ bin No.22, is given the code number SW4A Such a method gives exact information than any of the above two methods. Codification of mater helps in two ways.