

# MATERIAL CONTROL

Prepared by: **Janice Maria Jose**

Department of Commerce

Subject: Cost accounting

Academic year :2020-2021

# MEANING

- Material control simply means control over materials.
- It may be defined as “ a system which ensures the provision of the right quantity of materials of the right quality, at the right time and place at the minimum cost.”
- It is the systematic control over the procurement, storage and usage of materials so as to maintain an even flow of materials and to avoid excessive investment in overstocking.

- 5 R's involved in material control system:
  - Right quantity
  - Right quality
  - Right price
  - Right time
  - Right source

# Importance of material control

- Ensures continuous supply of required materials.
- Minimizes wastages , pilferage and so on.
- Leads to effective utilization of funds.
- Reduces the amount of capital tied up in inventories.
- Reduces storage cost.
- Ensures efficient and optimum use of resources.
- Ensures maintenance of proper and up-to-date records of inventory.
- Provides information to management to take inventory decisions

# Objectives

- Ensures continuous flow of materials.
- Avoid overstocking or under stocking of materials.
- Minimizes wastages and losses of materials.
- Ensures the procurement of materials of required quality at the lowest possible prices.
- Provide required information to management regarding materials.
- Ensure efficient utilization of materials.
- Ensure proper storage of materials.
- Ensure better services to customers.

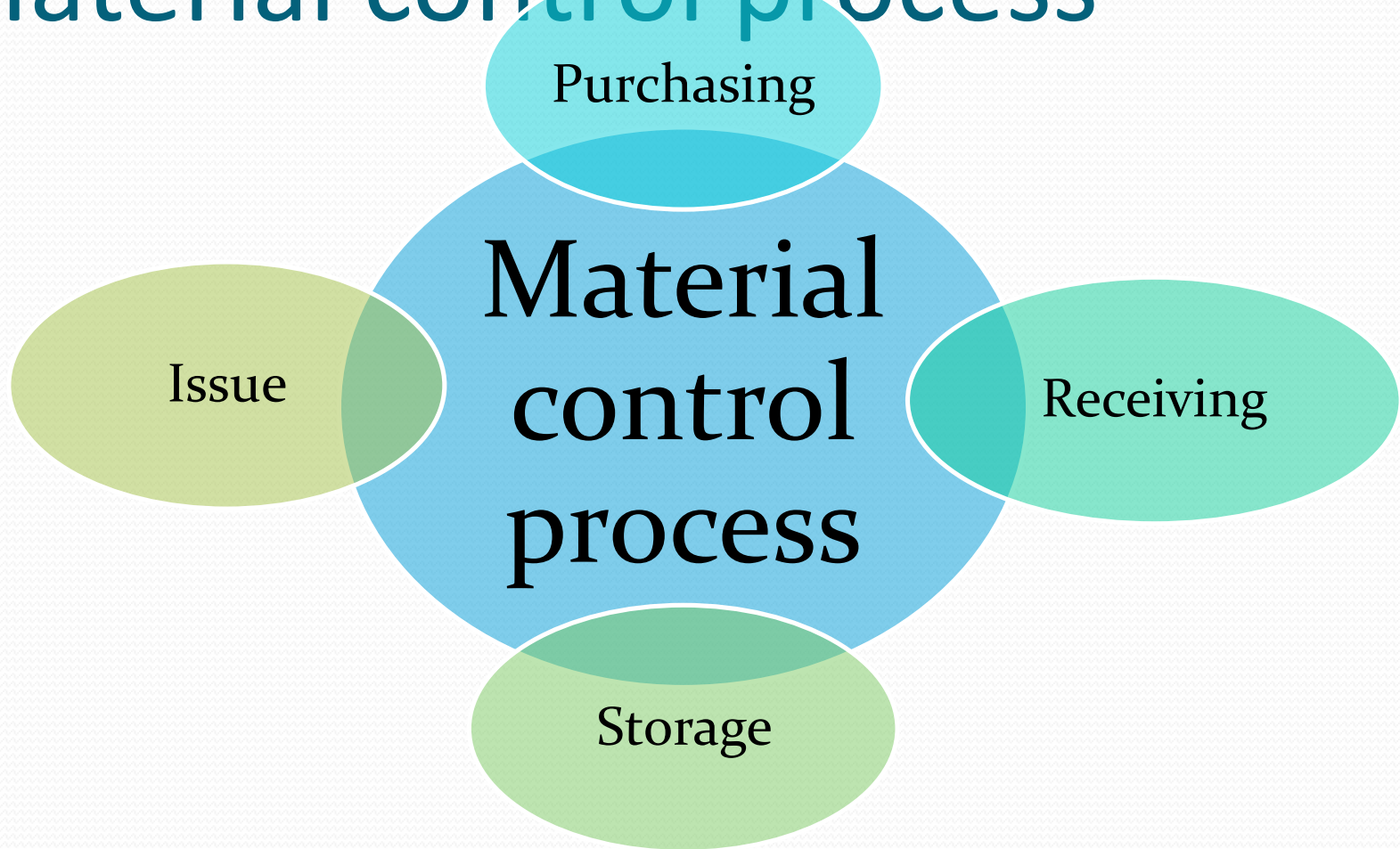
*Maximum efficiency in production with minimum investment in inventory*

# Essentials /principles of sound system of material control

- Proper co-ordination and co-operation among the different departments.
- Purchases should be made by centralized department.
- Proper classification and codification of materials.
- Inspection department.
- Standard forms should be used for orders, requisitions etc.
- Material requirement should be properly planned.
- Materials should be purchased at the right time.

- Proper system of internal check.(automatic check).
- Perpetual inventory system should be operated.
- Appropriate and suitable records should be maintained.
- Suitable methods of pricing materials issues is essential.
- Various stock levels should be fixed.

# Material control process





# Purchasing

- An efficient purchasing ensures the procurement of materials at the right quality in the right quantity at the right time from the right source and at the right price.
- **Centralized purchasing**  
The purchase department will purchase materials for the entire organization.
- **Decentralized purchasing**  
Each department makes its own purchases.

# Functions of purchase department

- Establish purchase policies, procedures and practices.
- Identify and choose the best source of supply of materials.
- Receive purchase requisition from all departments and determine the quantity of material requirement.
- Place purchase order with the supplier.
- Purchase required quantity of materials of higher quality at lowest price.
- Check the quantity and quality of materials received.
- Verify and approve the invoices of payment.
- Maintain proper records.
- Co-ordinate the activities with other departments.