

Hello friends, OK,

the title of this unit is material control.

The module name is need essentials,

an advantages of material control.

The model number is 11.

I am doctor Oscar bregenzer demello.

I'm an associate professor at CVS.

College months ago and I've been

there for the last 24 years.

The outline of this module is the need,

the essentials,

an ad vantages of material control,

the learning outcome at the end

of this module you will be able to

recognize the need for material

control and identify the essentials

and advantages of material control.

Now the need for material control

you would have known that

materials constitutes the most

important element of cost,

and in any manufacturing organization

nearly 65 to 70% and above.

Cost.

Of materials constitutes the biggest

element in the manufacturing process.

And according to the

Indian Metals Association,

a 5% reduction in the middle cost can

lead to a 30% reduction in the total

cost of production or equivalent

with 30% increase in profitability.

And this 5% reduction in material

cost is possible only if there

is a proper material control.

So we come now to the need

for material control,

the first point being availability of

materials. Material control is required.

So as to make materials available as

an when required in the organization.

If there is lack of material control,

it is possible that there might

be a complete.

Lack of materials at the right

time and leaving the organization

with complete shortages.

Second is no excessive investment

in materials.

If you want to reduce your material

cost being the most important element,

of course there is a need to see

that you do not over exceed your

investment in material costs

because materials is inventory.

An inventory is money and therefore if

you want to to avoid over investment

in materials and block a huge sum of money.

There is a need for metal control.

The third important point is

reasonable price.

You require material control so

as to be able to procure the raw

materials at the right price so that

the cost of the materials in total,

the landed cost comes down.

So one very important aspect of

material control is procurement of materials.

At reasonable price,

the 4th is minimum wastage.

There is a need for material

control to avoid.

Unnecessary wastage in organisations.

There is a there is a chance that

if you do not have material control

there will be lack of control and

that will lead to unnecessary wastage.

Spoilage village there will be

pilferage so to avoid any type of

stage we require material control.

The next point is what is to avoid

the risk of spoilage and obsolescence

excessive quantity of materials when

procured when purchase can lead to obsolescence.

Can lead to spoilage.

Can lead to several other consequences

as a result of lack of control.

So material control is required in

organization because spoilage is

an obsolescence have a direct bearing

on the cost

of materials.

All materials that are lost in

terms of spoilage is unnecessary.

Costs. Another important point is

avoid misappropriations organizations

that do not have proper metric

control usually encounter.

Misappropriation and this

misappropriation could be an attempt

made by employees or workers to do

either pilfer material or theft etc.

So if you can avoid misappropriation

because there are better controls

through metro control and finally

is the right amount of payment to  
the suppliers you don't want to pay  
the suppliers a single rupee extra.

And if you have little control  
then you know exactly how much of  
materials have been purchased.

You can cross check the amount to be  
payable to the suppliers and the right  
amount payable can be verified only  
if there is a proper material control.

Now this material control when we  
talk about is largely dependent  
on a few essentials.

So what are the essentials of material control?

The first one is proper  
coordination among departments.

Now if you know if you want to  
really have good material control  
then you require coordination  
among several departments because  
so many departments are involved.

First of all you have got the

requiring department.

You have got the stores department

where the requisition is placed

with the stores department.

The stores Department intern places a

requisition with the purchase department.

The order is finally executed

and a copy goes to the finance

department for settling the bill.

So if you want to have

a good material control,

you need to have proper

coordination among departments.

The second one is appropriate

purchase system. See material control.

You cannot reduce metro price.

How you cannot have proper control unless

you attack materials from three major.

Major sites,

so you have the purchase side.

You've got the storage and the issue sites,

so the subsequent points also will tell

you you require a good purchase system.

You might have a very good or inadequate

elaborate storage system or an issue system,

but if your purchase system

may be centralized,

decentralized method of procurement,

the purchase procedure

is not followed properly.

Then the middle controlling

the organization will fail.

The third is proper storage system.

Basically,

as I said the previous point,

an organization might have a

good purchase system,

might have a good issue system,

but if metals are not stored properly,

if there kept any place it will lead to

misappropriations spoilage pilferage



and there will be workers coming in

and out of the storage department.

There will be no coordination.

There will be no accountability.

So one important essential or metal

control is a proper storage system.

The 4th is an issue system,

so I said you might have a purchase system.

I have a storage system,

but the issue has to be done.

Properly,

an issue should be back properly

by proper records,

so documentation should be proper

so that you do not over issue

you do not under issue an.

This is an important element

of material control.

Then you have a good stocktaking system

so you have the periodic stocktaking

or you have got what is known as a

perpetual stocktaking system regardless

of the type of stocks taking system,

the stocktaking system is an important

element of metal control because if

you're going to have a type of a system.

Their errors in the stocks or

mistakes are not identified on time.

Entire material pricing will go wrong

and the metal control will fail.

You have a proper accounting system which

is required because bills are required.

Payments are to be made to suppliers,

etc and finally a good reporting

system because at the end of it cost

and management accounting is all about

providing crucial information to the

management for making right decisions.

So one very important essential mental

control. Proper reporting system.

We go to our last expect what is

known as advantages or metal control.

The first one being now the full field  
objectives or middle control is what is  
known as advantage of metal control.

So the first point is when you have a  
metal control you will see that there  
is a continuous flow of materials  
avoiding any type of delay.

So there will be not a time when  
all the workers will be waiting  
idle overheads will increase,  
labor costs will increase simply  
because there is shortage of metal.

So in organization that has good metal  
control will ensure that there's  
a continuous flow of materials.

An awards deley second optimum investments  
you don't want to over invest because  
when you over invest in materials,  
it's a blockage of your funds.

You've lost your money.

There is a high amount of carrying cost

so when you have proper metric control,  
one of the biggest advantages is  
you have optimum investment.

The third one is minimum total cost.

So when you talk in terms of total costs,  
you talk in terms of your purchasing cost,  
you're ordering costs and you're  
carrying costs.

So if you have medical costs,  
you can exactly use certain tools  
and techniques in lowering or.

Total cost and then your total landed  
cost also will come down and your  
material cost in total will come down,  
leading to a total decrease in  
the cost of production.

Of course,  
a wide waste ages and losses that was  
one of the needs for metric control.

So if you have little control you  
have avoided unnecessary vestiges

losses because of pilferage spoilage,  
theft, evaporation etc.

The second last point is proper records  
on the advantage of metal control is  
now you have proper documentation.

And you have proper recording system  
and this recording system helps.

In our last point,  
what is known As for providing  
crucial information to the management  
for making decisions.

And these decisions are in in  
the interest of the company.

I have meant references to three  
books we have, Jane and Aram.

We have tulsii and we have Aurora.

Thank you.