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1. What do you mean by Material? What are different types of Materials.

Ans: Material is the crude which is used in the production process. In other words, material is the primary part of the factor of production and covers near about 50 to 80 percentage of cost of finished product.

There are two types of materials i.e. direct Material and indirect Materials.

i) Direct Material:

It can easily be identified and charged to product in terms of quality and quantity.

ii) Indirect Materials:

It is subordinate part of product and can not identify in finished product.

2. Differentiate between direct and indirect Materials.

Ans: The differences between direct and indirect materials are as follows:-

	Direct Materials		Indirect Materials.
i)	It remains as a part of product.	i)	It does not remain as a part of product.
ii)	It can be easily identified with final product.	ii)	It cannot be easily identified with final product.

iii) Direct Material is a part of prime cost.

iii) Indirect material is a part of overhead.

iv) It needs effective control.

iv) It does not need any effective control.

3. What are the objectives of Materials and Material control.

Ans: Material control is the process of procuring, storing and supplying material to production unit.

The objectives of Material and Material control are as follows:-

i) Continuous supply of Materials:

The primary function of material control is to supply material uniformly to production units. It should ensure that no production activity is continue without proper materials. It should be noted that both direct and indirect materials have equal importance to maintain continuity in the production process.

ii) Appropriate investment in materials:

In general, the material covers nearly more than 50 percentage of the total cost of the product and hence it needs comparatively more investment. The ~~pre~~ procurement of a huge quantity of material at a time may bring uniformity

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in the production process.

iii) Favourable in Price:

In a competitive market price of a material is the most important matter of consideration because it has a direct impact on the per-unit cost of production. Therefore, the purchase of materials should be made at the most favourable price under the best possible terms without considering needed quality.

iv) Minimize handling cost:

The location of a store should be managed in such a way that it will minimize handling cost and time of materials. As far as possible the distance of production plant and store house should be less so that materials can be delivered within a short period of time.

4. What are the essential of Material Control?

Ans: Material control is the process of procuring, storing and supplying material to production unit.

The essential of Material Control are as follows:-

i) Proper coordination:

There should be proper coordination in all departments of the enterprise for management and use of materials viz. production, purchase, receiving, inspections, ~~store~~ storage and accounting.

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ii) Determining purchase procedures:

The determination of purchase procedures is essential to develop a formal system of materials purchase. It is necessary to see that purchase are made after making probable enquires, at the most favourable terms to the organization.

iii) Preparation of budget:

The preparation of budgets concerning materials, supplies and equipment is another requirement of materials control. It is helpful to ensure the economy in purchasing and use of materials.

iv) Development of internal check:

It is helpful to maintain cross-check of the functions of one employee by other employees of the firm. The implementation of proper approval and checking of materials, supplies, and equipment by the concerned authority ensures effective use of materials.

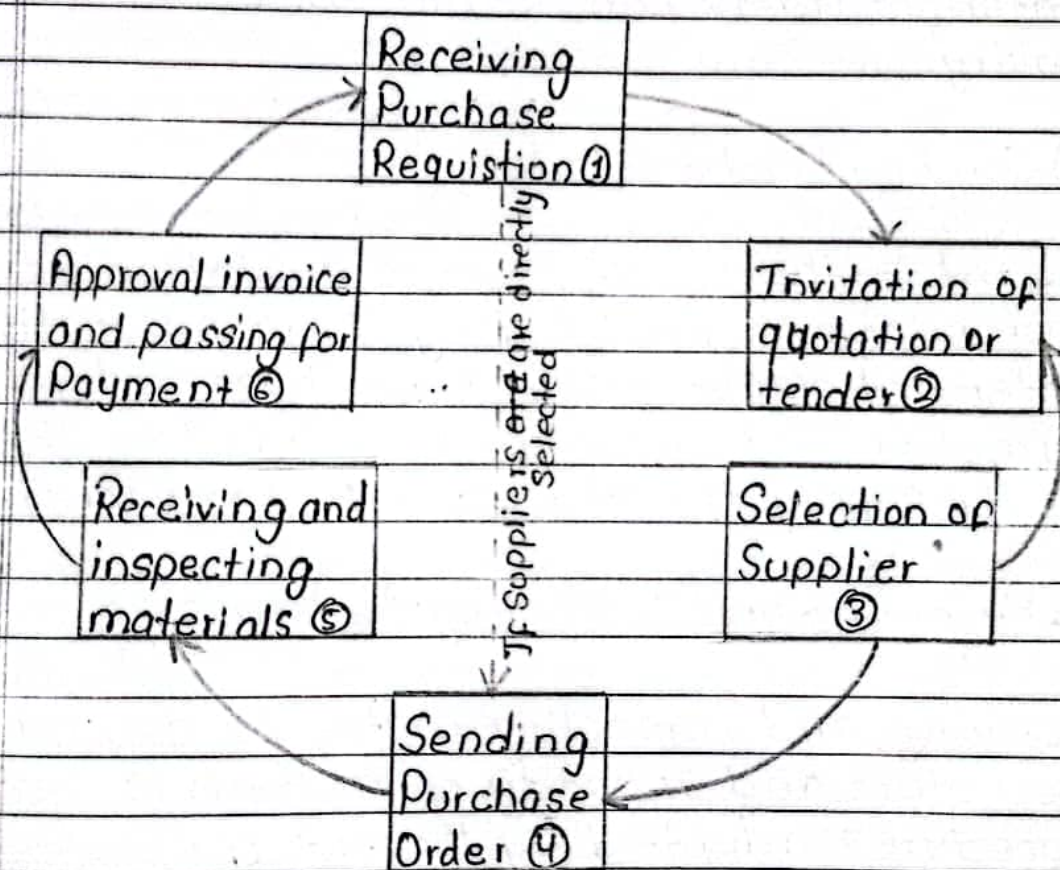
5. Explain the procedure of purchasing and receiving material.

Ans: Material is the crude which is used in the production process. In other word, material is the primary part of the factor of production and covers near about 50 to 80 percentage of cost of finished product.

The materials purchase procedures may vary from one organization to another. Every organization may adopt its own standard procedures to purchase materials from suppliers. It depends upon nature and size of business and management policy.

The generally accepted procedures followed by the purchasing department are as follows:-

Procedures of Purchasing



i) Receiving Purchase Requisition:

The request for purchase requisition is the first step in the purchase procedure. In general, the purchasing department initiates the action for purchase on

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a request made either by the storekeeper, or by the production department for specific materials.

ii) Invitation of Quotation or Tender and selection of Supplier:

In normal terms of business, when the purchasing department has sufficient information about quality, quantity, price, suppliers and terms, materials orders can be placed without further inquiry.

iii) Sending Purchase Order:

The purchase order is issued to the supplier whose quotation is appropriate as provided by the comparative statement of quotations. A purchase order is a formal written document forwarded to the supplier for the supply of materials under terms agreed in quotation.

iv) Receiving and Inspecting Materials:

The process of receiving and inspecting materials depend upon the nature and quantity of materials and procedures adopted by the enterprise. Generally in a large organization, a separate department for receiving and inspecting is a set up whereas in a small organization this work is entrusted to the storekeeping department.

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✓ Approval Invoice and Passing for Payment:

This is the final step of purchase procedures. When the original invoice of the supplier is received it will be checked with reference to the purchase order form and materials received a report for its authenticity.

6. What do you mean by Purchase department?

Ans: The purchase department involves purchasing materials in accordance with the purchase policy of the management.

7. What do you mean by Centralized Purchasing?

Ans: In centralized purchasing, all the materials required of an organization are purchased by the central purchase department in one place.

8. What are the advantages of Centralized Purchasing?

Ans: In centralized purchasing, all the materials required of an organization are purchased by the central purchase department in one place.

The advantages of Centralized Purchasing are as follows:-

i) Better control of materials:

In centralized purchasing, it is possible to have a scientific system of inspection, testing, and checking of materials on receiving. A better layout of the store will be

helpful to maintain control of materials in the store.

ii) Purchase on most favourable terms:

In centralized purchase, the organization can employ specialized, experienced and professional purchase executives who can study the trends of the market and gain purchase in the most favourable terms.

iii) Minimize delivery cost:

In centralized purchasing delivery system may be planned and maintained in a better and effective way. Besides, delivery of a huge quantity of goods at a time also gets concession in per-unit cost delivery.

9. What are the advantages/disadvantages of centralized purchasing?

Ans: In centralized purchasing, all the materials required of an organization are purchased by the central purchase department in one place. The disadvantages of centralized purchasing are as follows:-

i) Needs more investment in working capital:

The purchase of huge quantity materials at a time needs more investment of money in working capital. It may create the drawback of the capital block only on materials storing.

ii) Not practicable located far off branches:

The centralized purchasing is not practicable in an organization where branches are located far off from the central store. In one way it needs more delivery expenses and another way it may create the problem of scarcity of materials.

iii) Maximize delivery expenses:

The centralized purchasing needs to bear delivery expenses two times, firstly for receiving a delivery from suppliers and again for providing delivery from suppliers ~~an~~ to ~~se~~ branches. This will maximize delivery expenses especially when branches are located in different places far from a central store.

10. ~~iii)~~ What do you mean by decentralized Purchasing?

Ans: In decentralized purchasing, materials purchase will be made at the various authorized branches or sub-units of organization. In this system of purchase, the authority of purchase of materials or stores has been delegated to a responsible employee of the branches.

11. What are the advantages and disadvantages of decentralized purchasing?

Ans: In decentralized purchasing, materials purchase will be made at the various authorized branches or sub-units of organization.

Disadvantages

i) Lack of benefit of bulk purchase:

In decentralized purchase, materials are purchased in small quantities from the local market. It does not provide the benefit of bulk purchases like trade discounts, cash discounts, quantity discounts, etc.

ii) May not be possible for material control:

Since the purchasing authority is delegated to different branches or production units, it may not be possible to maintain effective control over the proper use of material.

iii) Possibility of over-under purchase:

In decentralized purchase, there is a possibility of over or under the purchase of materials. It is possible because of a lack of efficient and professional purchase executives.

12. What do you mean by Store Keeping?

Ans: Store Keeping is one of the most important functions of material control. It consists of systematic ~~prev~~ preservation of materials in proper place which is known as storeroom or warehouse.

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13. What are the objectives of Store Keeping?

Ans: Store Keeping is one of the most important functions of material control. It consists of systematic preservation of materials in proper place which is known as storeroom or warehouse. The objectives of Store Keeping are as follows:-

i) To collect material and verify them in reference to materials received note and purchase order in regard to quality, quantity and price.

ii) To receive materials and enter those into goods receive notes and store them in the proper place.

14. What are the types of store Keeping?

Ans: Store Keeping is one of the most important function of material control. It consists of systematic preservation of materials in proper place which is known as storeroom or warehouse.

The types of Store Keeping are as follows:-

i) Centralized Stores

ii) Decentralized Stores

iii) Centralized Stores with sub-stores.

15. What do you mean by Centralized Store?

Ans: In centralized stores, a single store house is set up for the whole organization and all materials purchased are preserved in that store. In this type of store, any materials purchased would receive by a single store and would provide issues to different branches situated in different places.

i) To receive materials formally:

It is the duty of the store keeper to receive material formally by making necessary verification materials received concerning purchase order, inspection note and receive note.

ii) Regular review of materials:

It is the responsibility of the store-keeper to review materials regularly. It is essential to maintain a perpetual inventory position.

iii) Systematization of store function:

As a technical professional, it is the duty of the store keeper to develop all kinds of documents, books and systems required in store keeping handling.

20. What do you mean by codification of Materials?

Ans: Codification of materials are a process of the systematic layout of materials in store in the proper place. Generally, classification and codification go together and their main motive is to know about the basic nature and features of all materials used in the organization.

21. What are the methods of codification?

Ans: Codification of materials are the process of the systematic layout of materials in store in the proper place.

The methods of codification are as follows:-

i) Alphabetical method

ii) Numerical Method

iii) Combination of alphabetical and Numerical method.

22. What do you mean by Bin Card?

Ans: Bin card is a card of certain size which shows the quantity of materials received, issued and balances of materials in stores.

23. What do you mean by Store ledger?

Store ledger is a register used to record materials turnover in stores. It is maintained by cost department is support of evidential document like goods received note, Store requisition note.