
Screenshot 2026-02-25 at 11.36.07

Document Exported: February 26, 2026

Materials Management

Material Cost Analysis

The average material cost is **64%** of the sales value. The only **36%** cost is for wages and salaries, overhead and profit, etc.

In addition to the cost of material **64%**, inventory carrying cost be **20%** of the material cost. Thus the total material cost will be **77%** of the sales revenue [64% plus 20% of 64%]. This shows the importance of materials management.

Material Management will increase the productivity of the capital by preventing capital being locked up.

Objectives of Material Management

1. To reduce material cost which in turn reduce the cost of the product.
2. To control inventories efficiently.
3. To ensure Uniform flow of material.
4. To ensure right quality and quantity from right suppliers.
5. To ensure maximum Utilisation.

Functions of Material Management

1. Material planning
2. Procurement of materials
3. Receiving and warehousing
4. Storage and Store administration
5. Inventory control
6. Standardisation, Simplification and Value analysis