

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is crucial for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various methods and tools used to collect and analyze data. It highlights the need for consistent and reliable data collection processes to support informed decision-making.

3. The third part of the document focuses on the role of technology in modern data management. It discusses how advanced software solutions can streamline data collection, storage, and analysis, leading to more efficient and accurate results.

4. The fourth part of the document addresses the challenges associated with data management, such as data quality, security, and privacy. It provides strategies to mitigate these risks and ensure that data is used responsibly and ethically.

5. The fifth part of the document concludes by summarizing the key findings and recommendations. It stresses the importance of ongoing monitoring and evaluation to ensure that data management practices remain effective and up-to-date.

# UNIT 3 PROCUREMENT, STORAGE AND ISSUE

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## Structure

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Direct and Indirect Materials
- 3.3 Material Control
  - 3.3.1 Definition
  - 3.3.2 Objectives
  - 3.3.3 Advantages
  - 3.3.4 Basic Requirements
- 3.4 Purchase Procedure
  - 3.4.1 Centralised Purchasing
  - 3.4.2 Decentralised Purchasing
  - 3.4.3 Steps Involved in Purchase
- 3.5 Storage of Materials
  - 3.5.1 Functions of Storekeeping
  - 3.5.2 Location and Lay-out of Stores
  - 3.5.3 Issue of Materials
  - 3.5.4 Treatment of Surplus Materials
- 3.6 Let Us Sum Up
- 3.7 Key Words
- 3.8 Answers To Check Your Progress
- 3.9 Terminal Questions

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## 3.0 OBJECTIVES

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After studying this unit you should be able to:

- a define and distinguish between direct and indirect materials
- define material control and state its objectives
- a explain the steps involved in connection with the purchase of materials
- a explain the objectives and functions of storekeeping
- a explain the procedure involved in connection with the issue of material.

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## 3.1 INTRODUCTION

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Material constitutes an important part of the cost of production of an article. It is, therefore, necessary to exercise proper control over the procurement, storage and issue of materials. In this unit you will study the procedure and documents involved regarding the purchase of materials, its storage and issue to the various production orders.

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## 3.2 DIRECT AND INDIRECT MATERIALS

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If you analyse the cost of production of any articles, you will find that materials constitute an important component of the cost of production. They account for nearly 60 per cent of the cost of production of a large number of private and public sector organisations. The materials can be divided into two categories: (1) Direct materials; and (2) Indirect material's,

The materials which can easily be identified and attributed to the individual units are known as 'direct materials'. These materials form part of the finished product. Leather used in the manufacture of shoes and yarn required for the production of cloth are examples of direct materials. All costs which are incurred to obtain direct materials are known as 'direct material cost'. Indirect materials, on the other hand,

do not form part of the finished product and cannot be conveniently and accurately **allocated** to a particular unit of product. Examples of such materials are: consumable stores, cotton waste and lubricating oils, required for the maintenance of machines, etc. Costs associated with indirect materials are known as 'indirect material costs'

The grouping of materials into direct and indirect sometimes become a matter of convenience. Materials of small value which should actually be termed as direct may be treated as indirect for the sake of simplicity. For instance, in the manufacture of shirts, the thread forms part of the shirts and hence should be classified as direct materials. But, considering the time and expense involved in measuring the thread required for each shirt, it is desirable that the cost of thread be treated as indirect material cost. Similarly in the manufacture of shoes, the cost of nails used is treated as indirect material cost.

### 3.3 MATERIAL CONTROL

As stated earlier, materials constitute an important part of the cost of production of a product. It is, therefore, important to keep a strict control over the cost of materials. Any savings made in the cost of material will go a long way in reducing the cost of production and improving the profitability of the concern. It is essential to keep a proper control over materials and supplies from the time orders for materials are placed with the suppliers until they have been consumed. Proper control of material can make a substantial contribution to the efficiency of a business.

#### 3.3.1 Definition

Material control may be defined as the regulation of the functions of an organisation relating to procurement, storage and usage of materials in such a way as to maintain an even flow of production without excessive investment in material stock. Thus, materials control involves control of three important functions viz., procurement, storage and usage. It has been rightly pointed out that just as the handling of cash is of utmost important in the case of a non-manufacturing business, an efficient handling of materials is of vital importance in the case of a manufacturing business.

#### 3.3.2 Objectives

The following are the main objectives of material control.

- 1) There should be a continuous availability of all types of materials in the factory so that production may not be held up for want of any material.
- 2) Over stocking of materials should be avoided. By doing so the various losses caused by overstocking can be avoided.
- 3) Materials should be purchased on the most favourable terms. This helps in effecting maximum economy in the cost of buying of course, the quality should not be sacrificed at the cost of lower price.
- 4) Purchase of materials should be of the right quality consistent with the standards prescribed in respect of the finished product.
- 5) Materials should be properly stored so as to prevent losses during storage.
- 6) The management should be frequently provided with information regarding the cost of materials and the availability of stock.

#### 3.3.3 Advantages

The main advantages of a good system of material control are as follows:

- 1) It ensures unrestricted and continuous supply of materials and may be greatly helpful in preventing production delays.
- 2) It minimises capital investment in the stock of materials.
- 3) It considerably reduces the cost of storage and issuing of materials.
- 4) It eliminates wastage and loss of materials arising on account of spoilage, pilferage, theft, etc.

- 5) It is immensely helpful in introducing the system of perpetual inventory control by which accurate ascertainment and valuation of closing stock are facilitated.
- 6) It ensures the purchase of materials at **reasonable** prices.
- 7) It aids **management** in initiating and formulating proper purchase policies regarding materials.

### 3.3.4 Basic Requirements

Materials control extends to all spheres of materials management viz., buying, receiving, inspection, storage consumption and accounting. The following are the basic requirements of a good system of materials control.

- 1) There should be proper co-ordination of all departments which are involved in the purchasing, receiving, testing, approving, storage of materials and payment of price.
- 2) The purchase of materials should be centralised.
- 3) Proper forms should be used with regard to receipt, issue and transfer of materials from one job to another.
- 4) There should be a budget for materials and supplies so that economy in purchasing and use of materials is realised.
- 5) A system of internal check should be introduced in order to have proper check on the purchases of materials, and supplies.
- 6) A well organised system of storage of materials should be undertaken in order to avoid deterioration, pilferage, wastage and evaporation of materials.
- 7) There should be a system of perpetual inventory so that it is possible to find out the quantity and value of materials in stock at any point of time.
- 8) Minimum **limit** for each item of material should be **fixed** below which the stock is not allowed to drop. Similarly, the maximum limit should be fixed above which the stock should not be kept.
- 9) There should be a proper system for the issue of materials so that there will be delivery of **materials** on requisition to the department, processes or jobs in the right quantity and at the moment they are needed.
- 10) **Information** about availability of materials should be made continuously available to the management so that planning of production may be done keeping in view the inventory balances in stores. Information about obsolete and defective stock should also be given to the management from time to time so that steps may be taken for the disposal of such stock.

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### Check Your Progress A

- 1) Select the correct answer in each of the following cases:
  - i) In most of the industries, the most important element of cost is
    - a) Material
    - b) Labour
    - c) Overheads
  - ii) Direct material is a
    - a) Fixed cost
    - b) Variable cost
    - c) Semi-variable cost
  - iii) Direct material is a
    - a) Manufacturing cost
    - b) Administration cost
    - c) **Selling** and distribution cost
    - d) Any of the above
  - iv) Which of the following items of cost should not be treated as direct material
    - a) Electricity representing 90% of the total cost
    - b) Sand paper used in production
    - c) Thread used in stitching **garments**
    - d) All of the above

- 2) Define materials control.

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### 3.4 PURCHASE PROCEDURE

You should know that **purchasing** is the most significant step in the process of material control. In order to ensure that the required materials are available at the right time, in the right quantity and at the right price, there should be a separate purchase department under the control of a purchase manager.

Keeping in view the size and the requirements of an organisation. The function of purchasing can be either centralised or **decentralised**. Let us study these two systems in detail.

#### 3.4.1 Centralised Purchasing

Under centralised purchasing purchases are made at one central point for the whole **organisation** and from that central point materials are issued to respective departments or jobs as and when **required**. In other words, **centralisation** of purchasing refers to the placement of authority for the whole purchasing function in the purchasing department headed by the purchase manager. In medium sized and big companies purchasing function is generally centralised.

##### Advantages

- 1) **Centralised** purchasing brings about **economies** in purchasing. Higher trade discount or economies in transport can be obtained because the quantity involved will be large.
- 2) The buying staff concentrates on purchases alone and develops specialised knowledge and skill leading to expert and economical buying.
- 3) It **ensures** consistent policy with regard to purchases. It avoids haphazard buying and the **consequent effect** on the finances of the concern.
- 4) Centralised purchasing facilitates the maintenance of one complete set of records for **purchase** transactions which enables the management to exercise a better and effective control over purchases.
- 5) It relieves the departmental heads of the responsibility of procuring variety of materials. They can thus concentrate on the functions assigned to them.
- 6) Centralisation of purchasing is helpful to the vendors. Their selling costs are reduced as they can easily co-ordinate and supply goods to a single buyer instead of large number of buyers.

##### Disadvantages

- 1) The procedure adopted for the purchase of **materials** is less flexible which may cause undue delays in obtaining supplies.
- 2) **The** administrative cost of setting up a separate purchase department is likely to be quite high.
- 3) There are chances of misunderstanding **between** the **department** which requires the material and the purchasing department with the result that wrong purchase of material can be made.

### 3.4.2 Decentralised Purchasing

Decentralised purchasing is the reverse of centralised purchasing. Each department makes its own purchases. Decentralised purchasing is also known as 'localised purchasing'.

#### Advantages

- 1) It is quite flexible and **can** be quickly adjusted in accordance with the changed requirements of a particular plant.
- 2) In case of emergency, **localised** purchasing is best suited and purchases can be procured more quickly.
- 3) Technical requirements of each plant **can be ascertained**.

#### Disadvantages

- 1) As compared to centralised **buying**, it offers lesser economy in purchasing.
- 2) There are problems of **co-ordination** among various departments of the organisation and it usually leads to unplanned buying.
- 3) Uniformity in prices may not be ensured because every departmental head may not possess the calibre of an expert buyer.

After analysing the merits and demerits of both the systems, it can be said that centralised purchasing is decidedly better than decentralised purchasing. However, neither of them is considered wholly satisfactory in the case of all types of concerns. **Centralised** purchasing is eminently suited to a concern operating only one plant. It is also suitable for a concern operating two or more plants located not far away from one another and producing more or less homogeneous products. However, a manufacturing concern which operates several branches or factories at different places and manufactures different products requiring different types of materials, can have decentralised purchasing and different factories can meet their requirements by making purchases in the local markets.

### 3.4.3 Steps Involved in Purchase

Although the details of the purchase **procedure** may **vary** with individual concerns, the **following are the** various steps which are usually followed in connection with the purchase of materials.

#### 1 Purchase Requisition

A form known as '**purchase** requisition' is commonly used as a formal request to the purchase department to order goods or services. The purchase requisition serves the dual purpose of **authorising** the purchasing department to make a purchase and provides a record of the description and quantity of materials required.

The purchase requisition is prepared by the storekeeper for regular stock materials and by the departmental head for special materials not stocked as regular items. Regular purchase requisitions are prepared when stock is reduced to re-order level, **i.e.**, the level when the order for replenishment should be **placed**. The requisition is approved by an executive.

Purchase requisitions are **generally** prepared in triplicate. **The** original copy is sent to the purchase department, the record is retained by the storekeeper **or** the executive initiating the purchase requisition and the third copy is sent to the **costing** department.

The purchase requisition contains the requisition number, date, department, code number, description and quantity of materials required, signature of the person initiating the requisition and signature of one or more executives approving the purchase requisition.

Specimen form of **purchase requisition** is given in Figure 3.1.

**PURCHASE REQUISITION**

No. .... Date .....

Date by which materials are required .....

Serial No.	Description	Code No.	Quantity	Remarks

Requested by ..... Checked by ..... Approved by .....

**2 Selecting the Supplier**

Having decided to purchase the material, the purchase department invites tenders or quotations for the supply of materials. On receipt of the quotations from the suppliers, a comparative statement known as 'schedule of quotations' should be prepared so that a suitable supplier may be selected.

While making the selection, the purchase manager should not mechanically identify the supplier whose quotation is the lowest. He should judiciously decide with whom he has to place the order and in doing so he must consider such factors as price, quality, time of delivery, dependability of the supplier, discount, credit facility, terms of payment, etc.

The specimen of the comparative statement of quotations is given in Figure 3.2

Figure 3.2: Specimen of Schedule of Quotations  
COMPARATIVE STATEMENT OF QUOTATIONS

Tender No. .... Date .....

Material ..... Date .....

Serial No.	Name of the supplier	Quantity	Rate	Terms of delivery	Time of delivery	Remarks

Purchasing clerk ..... Purchase Officer .....

**3 Purchase Order**

After choosing the supplier, the purchase department prepares a purchase order for the supply of stores. The order is the written authorisation to the supplier to supply the particular material or materials. The purchase order is an important document not only from the legal point of view, but from the accounting point of view also. It is the evidence of the contract between the buyer and the supplier that binds both the buyer and the supplier to the terms under which the order is placed. It also gives authority to the receiving department to receive the materials ordered for and to the account department to accept the bill from the supplier for payment.

The purchase order should contain such particulars as date, name and address of the supplier, description and specification of the material, quantity ordered, date, time and place of delivery, price, terms of payment, transport charges, packing and shipping instructions, the name and address of the buyer, and the signature of the purchase manager.

The number of copies of the purchase order depends upon the size of the organisation. A large concern usually issues five copies. Of these the original copy is sent to the supplier, the second to the receiving department, third to the department initiating the purchase requisition, the fourth to the accounts department and the fifth copy is retained in the purchase department. The copy retained in the purchase department is used to check the progress of the order and to ensure that the delivery promise's are adhered to.

A specimen of the purchase order is given in Figure 3.3.

PURCHASE ORDER

To ..... Date .....  
 ..... Requisition No.

(Name and address of supplier)

Please supply the following items in accordance with the terms and conditions mentioned herein.

Item No.	Description	Quantity	Code No.	Price	Total	Remarks

Packing and despatching instructions .....

Discount .....

Terms of payment .....

Condition regarding empties .....

Excise duty and sales tax .....

For X Y Z Co. Ltd.

(Signature)  
 Chief Purchasing Officer

**4 Receiving and Inspection of Materials**

The receiving department is responsible for taking delivery of packages and to get a physical verification of the contents. When the packages are received, the receiving official gets them opened and makes a detailed verification of the contents. After the contents of the packages have been checked, the details of the materials received are entered in a Goods Received Note. Five copies of the note are prepared. One copy is kept by the receiving department while the remaining copies are routed to the purchase department, the department originating the purchase requisition, the stores department, and the accounts department.

The form of the Goods Received Note is given in Figure 3.4.

Figure 3.4 : Specimen of Goods Received Note  
 GOODS RECEIVED NOTE

Supplier's name ..... G.R. No.....  
 Purchase order No. .... Date .....

Item No.	Description	Code No.	Quantity ordered	Quantity received	Amount	Remarks

Received by ..... Inspected by .....  
 Storekeeper .....  
 Stores ledger posted by .....

Where the factory has a separate inspection department, its main function is confined to testing the material received, for quality and specifications. The engineer or the chemist may be called to check the quality of the materials. He is to ensure that the quality is according to the purchase order. After checking the quality of the materials, the department will submit a report as to the quality and if some of the materials are



rejected, the reasons therefore. An unfavourable inspection report is **utilised** by the purchasing department in obtaining adjustments or an authority for the return of goods to the vendor. This forms the basis for the issue of a debit note.

**5 Checking and Passing of Bills for Payment**

Invoice is the document giving details of goods supplied and the amount to be paid. Invoice received by the purchase department is forwarded to the Accounting Department to check the authenticity as well as the **arithmetical** accuracy. The quantity and the price mentioned in the invoice are checked with reference to goods received note and the purchase order respectively. For Adjustment of discrepancies, the inspection report and goods returned note should be compared with the invoice, It is equally necessary to check extensions and totals.

If the contents of the invoice are found to be correct, an endorsement to that effect is made on it with a rubber stamp. With the signature of the purchase manager, the invoice is passed on to the accounts department for payment.

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**Check Your Progress B**

- 1) Indicate whether the following statements are True or False.
  - i) Purchase requisition note is prepared by the purchasing department.
  - ii) Purchase order is prepared by the stores department.
  - iii) Original copy of the purchase order is sent to the supplier.
  - iv) Goods **received** note is prepared by goods receiving department.
  - v) Payment of the invoice is made by the **purchase** department.

- 2) List the steps involved in purchase of materials.
 

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- 3) What do you mean by centralised purchasing?
 

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**35 STORAGE OF MATERIALS**

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After the purchase, receipt and inspection of materials, the next most important step in the process of material control is concerned with the storage of materials which is termed as 'storekeeping'. Storekeeping is that aspect of material control which is concerned with the physical storage of goods. For carrying the task of storekeeping, a separate stores **department under** the charge of a storekeeper is set up. The storekeeper should have the technical knowledge and experience in stores routine and the ability of **organising various** activities relating to the storage of goods. An efficient system of storekeeping should:

- 1) . Ensure **uninterrupted** supply of materials and stores without delay to various production and **service departments** of the organisation.
- 2) Prevent **overstocking** and **understocking** of materials.
- 3) **Minimise** the cost of storage.

- 4) Prevent all kinds of stores from theft, deterioration, evaporation and pilferage.
- 5) Ensure an effective utilisation of available storage space and workers engaged in the process of storekeeping.
- 6) Develop a system of providing necessary information about the material items in the stores as and when required.

### 3.5.1 Functions of Storekeeping

The following functions are performed by the stores department:

- 1) Receipt of material from the goods receiving department and ensuring that every item of stores received by a storekeeper is duly supported by a indent, a purchase order, an inspection note and a goods received note.
- 2) Issue purchase requisition to the purchase department when the stock of material reaches the re-order level.
- 3) Maintain proper record of receipt, issue and balance of all items of materials, and check the bin card balances with the physical quantities in the bins.
- 4) Placing and arranging materials received at proper and appropriate places and adhering to the golden principle of storekeeping, i.e., a place for everything and everything in its place.
- 5) Issue stores, against proper authorisation, in right quantity of right specification, and at the right time.
- 6) Minimising the storage handling and maintaining costs.
- 7) Ensuring that the stocks neither exceed the maximum level nor go below the minimum level at any point of time.
- 8) Preventing the entry of unauthorised persons into the stores.
- 9) Co-ordination and supervision of staff in the stores department.
- 10) Carrying out a regular review of the items of stores in hand for locating slow moving and non-moving items so that the necessary steps may be taken for their disposal before they become obsolete.

### 3.5.2 Location and Lay-out of Stores

The location of stores department should be undertaken very carefully. The management should keep in mind various important considerations before selecting proper site for locating the stores department. It should be close to the receiving department so that the transportation charges can be minimised. At the same time, there should be an easy access to all other departments of the factory, roads, railways siding and wharf.

Proper lay-out of stores is also of vital importance. Lay-out refers to the internal arrangement or placement of materials inside the stores. It aims at effective utilisation of space available for storage of materials. The stores should be divided into racks which should be sub-divided into small spaces. All these spaces are known as bins. For every kind of material a bin is allotted. All bins should be serially numbered.

The stores department should be equipped with racks, shelves, boxes crates, barrels, drums, cylinders and other receptacles for storing the different items. The receptacles should be arranged in such a way as to make the fullest utilisation of available space. At the same time, they should be easily accessible. Enough space should be provided for the movement of trucks, conveyors, lifts and other mechanical devices.

A proper location and lay-out would ensure economy in materials handling, transportation costs, minimise wastage, ensure effective supervision and control.

### 3.5.3 Issue of Materials

All items in stores are meant issuance to various production departments. The procedure for the issue of material is normally laid down by the management.

The storekeeper should not issue the materials unless a properly authorised *material requisition* is presented to him. The requisition is prepared by the foreman or the head of the department. It is prepared in triplicate, two copies are sent to the stores department and the third copy is retained by the requisitioning department for its own reference. On receipt of the materials requisition, the storekeeper issues the necessary materials against the signatures of the person receiving the materials. One of the copies of the materials requisition is used by the storekeeper for making the necessary entries in the bin card. The other copy is sent to the costing office for pricing the issues and making the necessary entries in the stores ledger.

A specimen of the materials requisition is given in Figure 3.5

Figure 3.5: Specimen of Materials Requisition

**MATERIALS REQUISITION**

Department ..... Serial No. ....

Job No..... Date .....

Quantity	Description	Code No.	Bin card No.	Stores ledger folio No.	Rate	Amount

Authorised by ..... Received by .....

Storekeeper's signature ..... Checked by .....

You will notice in the above specimen of materials requisition that it contains information regarding the date, requisition number, description, quantity of the material, name or job order number or work order number or process on which material is to be used, and the signatures of the person receiving the materials. The entries in the rate and amount columns of the requisition slip are made by the costing office.

**Bill of materials**

Material requisition slip considerably increases the work-load, both in the production department and the stores department. Production may be delayed if requirements are not submitted in time or if the materials are not available in stock. The use of the bill of materials overcomes all these difficulties.

A bill of materials is a standard list (also called specification list) of all materials required for a particular work order, job or process. It is prepared by the production department on receiving the order. It can be used as a substitute for materials requisition. It provides advance intimation to the storekeeper about the requirements of different jobs or work orders.

The bill of materials serves the following purposes:

- 1) The clerical work involved in preparing a number of requisitions is considerably reduced and there is economy in the use of stationery.
- 2) The cost of transportation involved in receiving the required quantity of every type of material is also proportionately reduced since all the materials required for a particular job can be transported to the receiving department only once.
- 3) It serves an advance intimation to the storekeeper and constitutes an authorisation for the issue of materials.
- 4) It may also be used as an authorisation for procurement of materials if these are not available in stock. Thus it eliminates the need for the issue of purchase requisitions for procuring materials not available in stock.
- 5) It may be used as a basis for passing accounting entries in the stores ledger.
- 6) The procurement and issue of materials can be planned in advance to avoid delays in production and deliveries.

### 3.5.4 Treatment of Surplus Materials

Sometimes materials **may** be issued in excess of the requirement for a particular job or work order. **This** may be done either to facilitate convenient handling or **sometimes** it may not be possible always to ascertain exactly the quantity of material that **will** be required. This would result in a surplus of material at the work site. We can dispose of the surplus in two ways. We **can** either return the **surplus** material to the stores or **transfer** the **material** to some other job or jobs where those materials have been requisitioned.

**Return of Materials:** The document used for return of excess materials to the stores is known as '**materials returned note**' or '**shop credit note**'. The form of the materials returned note is similar to that of material requisition slip. But to distinguish between the two, **forms** of different colours are generally used. The materials returned note is prepared in duplicate. One copy is retained by the department returning the material and the other copy is kept by the storekeeper who gets it along with the material returned. The materials returned note is forwarded to the costing office where the necessary credit for value of materials returned is given to the particular job.

**Transfer of materials:** Sometimes excess materials in relation to a job or work order **may** become useful to another job. In such a case, a material **transfer** note should be prepared transferring the material from one job to another. This obviates the need to return the excess materials to stores and draw the same again.

You should note that the direct transfer of material from one job to another is undesirable and should be discouraged as far as possible. It is, however, justified when an urgent job has to be completed and it is necessary to appropriate the surplus materials in order to avoid the delay **which** may be caused if the normal routine of returning the material to stores and then getting them reissued is followed. But, all such transfer of materials must be accompanied by a **Materials Transfer Note** which is signed by the foreman of the sending and receiving departments and forwarded to the costing office where the necessary adjustments shall be made in the respective job accounts. If a transfer of the material is made without the knowledge of the costing office, it **will** result in excess debit to one job and lower debit to another. As such the true costs of jobs cannot be ascertained and cost comparison would be misleading.

#### Check Your Progress C

- 1) Fill in the blanks in the following.
  - i) ..... items should be stored as near as possible to the department requiring them.
  - ii) Materials should be issued by the storekeeper against .....
  - iii) A list of all materials and parts required for a particular job is called .....
  - iv) ..... is a document which records the return of unused materials.
  - v) ..... is a document on which is recorded the transfer of materials from one job or department to another.
- 2) List any three functions of store keeping.
 

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### 3.6 LET US SUM UP

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Materials are divided into two broad categories: direct and indirect. Direct materials can be easily identified with the finished product whereas indirect materials cannot be

so identified. However, **sometimes** materials of **small** value, though forming part of the **finished** product are treated as **indirect** for the sake of simplicity.

Since materials constitute an important part of the cost of production, it is important to **keep** a proper **control** over them **from** the time orders for materials are placed with the suppliers until they have been consumed. Proper control over material can make a **significant** contribution to the efficiency of **business**. Materials control involves the **control** over the procurement, storage and usage of materials.

The responsibility for the purchase of materials is entrusted to a separate purchase department under the charge of a purchase manager. The purchase function may be **centralised** or decentralised. Centralised buying is decidedly better than the **decentralised** buying due to relative merits of the **former** over the latter. However, neither of them can be considered as wholly satisfactory in the case of all types of concerns; **The purchase department** adopts a standard procedure for the purchase of materials. It involves (i) **receiving** purchase requisition (ii) inviting quotations (iii) selecting the supplier, (iv) placing the order, (v) **receiving** the materials and **transferring** them to stores, and (vi) passing bills for payment.

Storage is the art of preserving raw materials and finished goods in the stores in the best possible manner. The stores department should be located as near as possible to the goods receiving department. It should have facilities for the storage of all types of goods in such a manner so as to avoid the possibility of loss in storage. **The** issue of materials from stores should be on the basis of properly authorised materials requisition slip. Surplus materials issued to a job may either be returned to stores or transferred to some other job where the same materials are required. Accordingly, the shop will prepare the materials returned note or the materials transfer note.

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### 3.7 KEY WORDS

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Bill of Materials : A standard list of materials and components **required** for a particular work order.

Centralised Purchasing : Purchase of materials by a specialised department.

Decentralised **Purchasing** : Purchases to be made by individual departments.

Goods Received Note : A document prepared by the receiving department on receipt of materials.

Lay-out of Stores : Internal arrangement or placement of materials inside the stores.

Material Control : Regulating the functions of procurement, storage and usage of materials in such a way as to maintain an even flow of materials to production and avoid excessive investment in stock of materials.

**Materials** Returned Note : A document used for the return of excess materials to the stores.

Materials Requisition Slip : A document on the basis of which materials are issued by the storekeeper.

Materials Transfer Note : A document used for the transfer of materials from one job to another.

Purchase Order : A request made by the **purchaser** to a supplier to **deliver** certain goods of requisite quality and quantity at the terms and conditions agreed upon.

**Purchase** Requisition Slip : A document requesting the purchasing department to purchase certain materials.

Storekeeping : Function of maintaining stores.

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### 3.8 ANSWERS TO CHECK YOUR PROGRESS

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A 1 i) a ii) b iii) a iv) d

B 1 i) False ii) False **iii) True** iv) True v) False

Procurement, Storage and  
Issue

- C 1 i) Bulky  
ii) Materials Requisition  
iii) Bill of Materials  
iv) Materials Returned Note  
v) Materials Transfer Note

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### 3.9 TERMINAL QUESTIONS

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- 1) What do you understand by direct material and indirect material? Give examples.
- 2) What do you understand by materials control? Give its main objectives.
- 3) What are the important requirements of an efficient system of material control?
- 4) Distinguish between centralised purchasing and decentralised purchasing.
- 5) Outline the routine for the purchase and receipt of stores noting the important documents involved.
- 6) What is a Goods Received Note? Give its specimen form and state the purpose it serves.
- 7) Describe the functions of the stores department.
- 8) State the procedure for the issue of materials.
- 9) State the documents used in connection with receipt, issue, transfer and return of materials from production to stores.
- 10) Under what circumstances should surplus material be transferred to another job?

**Note:** These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the University. These are for your practice only.