

Unit - II. Ref. BOOK: - Cost Accounting - Jain & Nalang

Materials - Techniques of material control.  
Level setting - EOQ - ABC Analysis - VED  
Analysis - Perpetual inventory systems -  
Stores records - Bin card and stores  
ledger - Methods of valuing materials  
issues.

Meaning of Materials:-

Material includes physical commodities used to manufacture the final end product. It is a very important factor of production.

Meaning of Material control:-

It is a system which ensures that right quality of material is available in the right quantity at the right time and right place with the right amount of investment.

# Techniques of Material control.

- I Level setting
- II Economic Order Quantity (EOQ)
- III Just-in Time Inventory System
- IV Always Better Control (ABC) Analysis
- V VED Analysis
- VI Perpetual Inventory System.
- VII Material Turnover Ratio
- VIII FNSD Analysis
- IX Material cost Reports

Problem No. 1 / P. NO. II - 10.

Compute i) Re-order level ii) minimum level  
 iii) maximum level iv) Average stock level

	Components	
	A	B
	Units	Units
Maximum consumption per week	150	150
Average consumption per week	100	100
Minimum consumption per week	50	50
Re-order Period	8 to 12 (weeks)	4 to 8 (weeks)
Re-order Quantity	400	600.

Problem NO. 2 / P. NO. 13-II Jain & Narang.

Find out the EOQ :-

Annual usage = 6000 units

Cost of material per unit Rs. 20

Cost of placing & receiving one order Rs. 60

Annual carrying cost of one unit = 10% of Inventory value.

Problem NO. 3 / P. NO. II-36 / P. NO. (9)

Methods of valuing materials issues :-

A) Cost Price Methods

i) FIFO

ii) LIFO

iii) Average cost

iv) Inflated price

v) Specific price.

vi) Base stock

vii) Highest in First out

B) Market Price Methods

i) Replacement Price

ii) Realisable value.

C) Standard Price Methods

i) current standard price.

ii) Basic standard price.

Problem NO. 4 / P. NO. II - 63

Prepare Stores Ledger Account under FIFO and LIFO method from the following data:-

Jan. 1 opening balance: 500 units @ Rs. 4  
 Jan. 5 Received from vendor 200 units @ Rs. 4.25  
 Jan. 12 " " " 150 units @ Rs. 4.10  
 Jan. 20 " " " 300 units @ Rs. 4.50  
 Jan. 25 " " " 400 units @ Rs. 4

Issues of material:-

Jan 4 - 200 units ; Jan. 19 - 100 units  
 Jan. 10 - 400 " ; Jan. 26 - 200 units  
 Jan 15 - 100 " ; Jan. 30 - 250 units

Problem NO. 5 / P. NO. II - 68

Date	Receipts Quantity	Rate Rs.	Issue Quantity
2.9.2018	200	2.00	-
10.9.2018	300	2.40	-
15.9.2018	-	-	250
18.9.2018	250	2.60	-
20.9.2018	-	-	200

Record the above transactions in the Store Ledger, pricing the issues at:-

a) Simple Average rate b) Weighted Average Rate

Problem NO. 6 / P. NO. II - 84 / Ex. NO. (12) Home work