

To Study the Methods available for inventory cost control

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Introduction

Inventory play important role in total cost because mostly production cost incurred a inventory such as raw material, work in progress material, closing stock etc. today is competitive work many organization produce a same nature goods and service so it is necessary to in market business organization sale there product in minimum prices and maximum quality & it is possible when business organization control their production cost

Inventory control system helps management to control inventory cost it include very much technique such as ABC analysis,Golf,SOS,FSN,EOQ etc

Meaning of inventory:-inventory is a stock of physical goods held by business it include Row Material, material in work in progress and closing stock of finished goods

Inventory = Row material + Work in progress + Finished goods + other equipment necessary for production

Objectives of Inventory Control

- To Reduce Production cost
- To maintain quality in inventory
- To ensure a continuous supply of raw materials to facilities Continuation of production
- To maintain sufficient stocks of raw materials in periods of short supply and anticipate Price change
- To minimize the carrying cost and time of Inventory

Technique of Inventory Management:

- ABC analysis
- Government Open Market (GOLF)
- Seasonal and of seasonal (SOS)
- Fast moving Slow moving Normal moving (FSN)
- Inventory Management Software

ABC Analysis:-it is technique of classification and control of inventory on the basis of the value of each component. When inventory consist of item in thousands, all the items cannot be controlled by using the same degree of control. therefore inventory item are classified on the basis of their value i.e. cost significance of each item in relation to total cast and inventory value .thus high value item are more costly controlled than value item in ABC analysis item are classified as below

Category	% of item in total item	% of Cost in total Cost
A	5 to 10	70 to 85
B	10 to 20	10 To 20
C	70 to 85	5 To 10

This method generally use in manufacture which is produce same features goods in differ quality e.g. any Mobil company classified there goods in above type of classification it help in control and safety of high cost product

Government Open Market (GOLF):-In golf analysis is based on nature of suppliers .The analysis classifies the items into four group G-O-L-F .G group stand for Government suppliers. there are many items of imports which are channelized through the government there are special procedures to be followed for procuring such items .these items are purchase through state trading corporation, India drugs and pharmaceuticals ltd

O Group comprises of items procured from ordinary or non-government suppliers

L group covers the item purchase from local suppliers these item are purchase I cash or are purchased on blanket orders

F group contain those items which are purchased from foreign suppliers .the transaction which are purchased from foreign suppliers.

Seasonal and of seasonal (SOS):-it is another technique of inventory management this method based on seasonality of the item it classified the item into two groups i.e.S (Seasonal) and OS (Off seasonal some of

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the item required the seasonal in nature e.g. Cotton, sugarcane etc. They require special purchasing and stocking strategies. Many commodities especially of agricultural origin and seasonal in character have to be purchases at the best time a buying and stocking strategy for seasonal item would depend on a large number of factor and more on a high degree of sophistication taking place in this matter. Operational research techniques would have to be used to obtain optimum result

FNS:-Rapid advancement of technology creates a threat to inventory management because large number of items might become obsolete during storage .change in product mix or and deviation of actual consumption can also result in accumulation of inventory .thus inventory can be categorized as fast moving or slow moving .It is therefore, necessary for the material manager to keep a track of the accumulated inventory to take advance proactive action .FNS analysis is a technique to facilitate this aspect .in FNS analysis we categories inventory under tree heads F=Fast Moving S=Slow Moving N= Normal Moving FNS analysis is to be repeated at periodic interval. This will enable managers to know which items of inventory are showing sign of deviation from the planned forecast .when items show a fast moving tendency, the procurement action required to be advanced in case of fixed quantity order system (Q)or increase the quantity of order in case of fixed period system (P)and vice versa in case of slow moving items. Slow moving items by definition can also become a dead inventory. Hence adequate steps are now needed to dispose off such dead inventory. The following methods are available a) Dispose of at market price b) find out alternate use by substitution and interchangeability studies

Inventory Management Software:- Today world are computerize world.so many business organization developed an inventory controlled software as per their own need. This software help to business in controlling a inventory inflow and outflow of inventory and also provide an adequate information regarding inventory to the manager in time to time .Today Tally SAP and many other software available in market to maintain stock record. Sometime business organization developed their own software as per their necessity.in this software use above techniques such as ABC analysis .EOQ,GOLF,ENS,etc

Conclusion

Inventory cost is a very important part of total cost of production, so it is essential to control inventory cost and also keeping sufficient inventory in business above technique help manager to control inventory cost and also keeping adequate inventory stock.in ABC technique total inventory distribute on the basis of cost and quantity in A categories include high cost and minimum quantity item ,in B categories average cost and quantity item and in C categories maximum quantity and low cost of item.in GOLF technique inventory distribute Government supplier .non Gov.supplier. Localsupplier it help to manager purchase inventory from whom and which quantity and which time.in SOS technique inventory classified in seasonal and of seasonal inventory it help manager purchase sufficient inventory which is produce some specific season in FNS technique FNS analysis categories inventory under tree heads F=Fast Moving S=Slow Moving N= Normal Moving it help manager to controlled inflow and outflow of inventory. And in inventory software business organization developed their own software as per his need.

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