Costing and Control for Materials

Titles in this series

Published

H. K. Jaeger

THE STRUCTURE OF CONSOLIDATED ACCOUNTING

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VARIANCE ACCOUNTING

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COSTING AND CONTROL OF MATERIALS

Forthcoming

R. J. Briston

INTRODUCTION TO ACCOUNTANCY AND FINANCE

Costing and Control for Materials

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**Published in association with the
Macmillan Education**

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First published 1980 by
THE MACMILLAN PRESS LTD
in association with
The Research Foundation of the Institute of
Cost and Management Accountants

London and Basingstoke
Associated companies in Delhi Dublin
Hong Kong Johannesburg Lagos Melbourne
New York Singapore and Tokyo

Typeset in 10/12 IBM Press Roman by
Reproduction Drawings Ltd, Sutton, Surrey

British Library Cataloguing in Publication Data

Osborn, Frank

Costing and control for materials. –
(Institute of Cost and Management Accountants/
Macmillan Press series).

1. Materials management

I. Title II. Series

658.7 TS161

ISBN 978-0-333-25745-6

ISBN 978-1-349-16342-7 (eBook)

DOI 10.1007/978-1-349-16342-7

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Contents

<i>List of Plates</i>	ix
<i>List of Figures</i>	xi
<i>Foreword</i>	xiii
<i>Preface</i>	xv
1 Management and Control	1
The Sequence of Control	1
2 The Nature of Materials	4
Types of Materials	4
Raw materials; Partly manufactured parts; Bought-out finished items	
Costing Classification for Materials	7
The State of Materials	8
Stores stocks; Work in progress; Finished goods	
Other Forms of Materials	11
Packing materials; Consumable materials; Process materials; Maintenance materials; Tools; Patterns	
<i>Recapitulation Tests and Questions</i>	17
3 Materials Classification and Coding	18
The Product Specification	19
Some Needs for Coding and Classification	20
Some Systems of Coding	21
Alphabetical; Mnemonic; Simple numeric or sequence; Block; Group or field; Decimal	
<i>Recapitulation Tests and Questions</i>	26

4	Material Movement and Storage	27
	Key Objectives in the Movement Cycle	27
	Costs Incurred in the Physical Movement	28
	The Simple Cycle	28
	The Complex Distributive Channels	29
	To the consumer; To the manufacturer	
	Complex Manufacturing and Assembly	31
	Storage	37
	Services provided; Types of store and location; Costs;	
	Storage layout; Some qualities of the storekeeper	
	<i>Recapitulation Tests and Questions</i>	44
5	The Control Cycle for Materials	45
	Functions and Responsibilities in the Control Cycle	46
	for Materials	
	Sales; Design; Production control; Planning; Stores;	
	Buying; Goods receiving; Inspection	
	Documentation of Materials Control	49
	Product specification; Materials and parts list; Sales	
	order; Sales requirement; Manufacturing programme;	
	Works order; Route card; Materials requisition; Materials	
	transfer note; Inspection reports, scrap notes, reject notes;	
	Purchase requisition; Purchase order; Supplier's dispatch/	
	advice note; Goods received note; Reject/dispatch note;	
	Manufacturer's dispatch/advice note	
	<i>Recapitulation Tests and Questions</i>	58
6	Accounting for Value	
	The Challenge of Control	59
	Establishing the Value: The Purchase Invoice and Its	59
	Verification, Analysing and Processing	
	Verifying the charge; Analysing, classifying and	
	processing the charge for control purposes; Making	
	payment	
	Control of Value	68
	The Stores; Work in progress; Finished product stock;	
	Cost of sales; Some policy exceptions	
	Methods of Valuation	80
	Focus on stock valuation; Focus on product costs	
	and profit	

Stock Valuations	92
Factors qualifying apparent value of stock;	
Accounting treatment of stock reserves	
<i>Recapitulation Tests and Questions</i>	99
7 Records and Physical Controls	105
Costs of Materials Supply	
Stores costs; Buying costs; Consequential costs	
Control of Effectiveness	109
Costs of holding stock, of stock ordering; Economic order quantity; Fixed order-quantity method; Fixed interval method; Some policy exceptions	
Quantity Records	126
Bin card; Material control card	
Physical Controls	133
Stores control procedure; Control of custodianship	
Centralised and Decentralised Stores	143
<i>Recapitulation Tests and Questions</i>	
8 Standard Costing Related to Materials	151
Standard Costing and Budgetary Control	151
Product Standard Costs	152
Revisions of Standards	155
Control through Use of Standard Costing	158
Variance Analysis for Materials	160
Price, Quantity and Usage variances;	
Combinations of variances; Summary of variances; Some special features	
Some Advantages of Standard Costing	179
Surveillance of Current Costs	181
<i>Recapitulation Tests and Questions</i>	183
9 Materials and Budgetary Control	191
Introduction	191
Budgets: Purposes and Types	192
Fixed budget; Flexible budget; Master budget;	
Functional budget; Direct material budget; Purchase budget for direct materials; Forecasting stock levels and valuations; Indirect material budget and its use in control; Functional budget for materials	

viii *Contents*

Appraisal of the Use of Budgetary Control	218
Some advantages; Some disadvantages	
<i>Recapitulation Tests and Questions</i>	221
10 Inflation and Material Control	226
The Effects of Inflation upon Business Operations	
Effects upon working capital; Effects upon Profit	226
Inflation and Management Control Information	232
Reflecting Inflation through Revaluation	233
<i>Index</i>	237

List of Plates

(between pages 128 and 129)

- 2.1 Examples of finished products of one business becoming materials of another business
 - (a) Stock of grain — product of the farming industry
 - (b) A modern milling process — the sifter room
 - (c) Production of bread
 - (d) Steel bars for billets — product of the steelworks
 - (e) A steel block being forged
 - (f) Machining a steel forging
- 2.2 Examples of bought-out finished goods
 - (a) A range of plastic knobs
 - (b) Electrical equipment for motor-car manufacture
- 2.3 Examples of tools and patterns
 - (a) Small tools
 - (b) Multi-head power presses
 - (c) Press tool dies in position; a range of pressings
 - (d) A half-pattern being removed from a mould
 - (e) Placing cores in a mould
 - (f) Tapping a cupola furnace
 - (g) Pouring a small casting
 - (h) A casting after the mould is broken
 - (i) The casting as it leaves the mould and after fettling
- 3.1 An example of a product specification
 - (a) A product specification binder
 - (b) A single specification sheet

x *List of Plates*

- 4.1 Examples of technological aids in materials movement
 - (a) The continuous process of an oil refinery
 - (b) Stacker truck and roller feed conveying material
 - (c) Shipyard crane lifting steel plate
 - (d) Speciality high loader for high storage
 - (e) Fork truck loading bulky goods under open-air conditions
 - (f) Hand-operated electric hoist
 - (g) Portable gantry with hoist
- 4.2 Examples of storage locations
 - (a) Oil refinery beside the waterfront
 - (b) A steel stockyard of a shipbuilder
 - (c) Outside storage of heavy materials
- 4.3 Examples of stores layouts
 - (a) A finished-product store using cantilever shelving
 - (b) Generous use of floor space for automated material handling
 - (c) Full use of floor space for storage
- 6.1 Materials on open issue

List of Figures

4.1	Diagram of a complex manufacturing and assembly process	32
4.2	Diagram of an engineering machine shop in which the machines of a like kind are grouped together, showing the movement of one part through twelve sequences for successive operations	34
4.3	Diagram of an engineering machine shop in which the machines are arranged in the operation sequence of a particular part	35
5.1	A pattern of control demonstrating the interrelations of the functions and the documentation	56
6.1	A form of supplier's invoice	64
6.2	Sample of analysis form attached to supplier's invoice	65
6.3	Example of an individual material stores account	68
6.4	Material control account supported by memorandum accounts of individual stores material accounts	70
6.5	Example of a stores requisition	71
6.6	Example of a materials summary	73
6.7	Example of an individual job cost	74
6.8	Diagram illustrating the sequence of control for value	77
6.9	Simple example of valuing issues by the FIFO method	81
6.10	More extensive example of valuing issues by the FIFO method	82
6.11	Example of valuing issues by the weighted average method	83
6.12	Example of valuing issues by the standard price method	85
6.13	Example of valuing issues by the LIFO method	88
6.14	Further example of valuing issues by the LIFO method	88
6.15	Example of valuing issues by the LRP method	89
6.16	Example of valuing issues by the HIFO method	90
6.17	Example of valuing issues by the NIFO method	90
6.18	Summary of valuations by each pricing method	91
7.1	Diagram of average stock	110
7.2	Diagram of inconsistent usage	111
7.3	Tabulation of costs at alternative order quantities to depict the order which causes the least cost	112
7.4	Graphical presentation of the data of Figure 7.3	113
7.5	Diagram of courses of action in an ideal stores situation	115

xii *List of Figures*

7.6	Diagram of a normal performance with the minimum stock unused	117
7.7	Diagram of an abnormal performance with the minimum stock having been wholly absorbed by abnormal demand during the lead time	118
7.8	Diagram of an abnormal performance with the minimum stock having been wholly absorbed by late delivery beyond normal lead time	118
7.9	Diagram of an abnormal performance with the minimum stock exhausted by abnormal demand in the lead time, aggravated by a late delivery of the re-order quantity beyond normal lead time	119
7.10	Diagram of an abnormally low demand during the lead time	119
7.11	Diagram of an abnormal demand occurring outside the lead time	120
7.12	A re-ordering process in a fixed order-quantity method of control	123
7.13	A re-ordering process in a fixed interval method of control	124
7.14	Example of a bin card with sample data	124
7.15	A composite form of material record card with representative entries	130
7.16	A suggested form of monthly stores control report from the stores controller	134
7.17	Example of a stock audit report with summary	140
8.1	Diagrammatic examples of material waste	154
8.2	Example of a standard cost record (front side)	156
8.3	Example of a standard cost record (reverse side)	157
9.1	A manufacturing programme involving several products	197
9.2	Example of a method for calculating the direct material budget requirements	198
9.3	Example of a method of forecasting work in progress valuations	206
9.4	Example of a method of forecasting the finished stock account and the finished stock valuation from the budget of sales and manufacturing programme	207
9.5	Example of a flexed budget for a service department using four secondary bases of variability to reflect activity	217
10.1	Material content of stocks in weeks of usage value	229
10.2	Material content of working capital in weeks of usage value	229
10.3	Material price increase contained in working capital in weeks of usage value	230

Foreword

For many years the pursuit of increases in the productivity of labour and of capital equipment has been the principal concern of most managements. An occasional crisis, as in the supply of petrochemicals in 1973, may concentrate the attention of managers in a particular industry for a period, but the claims of labour and new technology for attention usually take precedence over those of the materials which are to be transformed into the products upon which the health and reputation of the business will depend.

Mr Osborn has used his wide experience of manufacturing industry to illustrate how materials can be controlled and has not been afraid to set out the principles to be followed before tackling the detailed arithmetic which effective control entails. The first part of the book is concerned with the cycle of control and the way in which materials and records and information flow through a manufacturing business; the second with the mechanisms of budgeting and variance analysis which will lead management to the causes of poor material yields or to weaknesses in the system of control.

The student will obtain from this book a first-class introduction to the management of materials, while the practitioner will find a great deal of interest and profit in the discussion of expectation and performance when standards and budgets are being set. A tailpiece on inflation accounting is, in 1979, inevitable; however the long-term prosperity of a business depends far more on the day-to-day control of the cost of materials which it uses than on the adjustments which may be necessary after the year's production has been delivered.

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The Institute of Cost and Management Accountants

Preface

Initially this book was intended solely for students of costing and management accounting, but when it was completed suggestions were made that many managers would also benefit from it, to widen their interest in aspects of control applicable to materials and also to see this set in the larger area of total business control.

Ideas for the book were first conceived in the classroom from a realisation that many students were tackling their studies with little or inadequate knowledge of the practical business atmosphere. Many more students are now entering their professional studies direct from the various educational institutions and so lack the opportunity of appreciating the practical scene. Those undergoing industrial training often have inadequate opportunity to set the individual parts of their training into the whole management strategy.

The endeavour, therefore, has been to frame the practical manufacturing background against which costing and management accounting is set, to make the objectives and processes more realistic, and to show the whole theme of control within which it operates. It has needed a whole book to demonstrate this effect just from the materials aspect.

It will not escape the notice of the reader that the majority of examples are drawn from the engineering industry and for this I can hardly apologise because it was here I worked for thirty-five years before turning to full-time lecturing.

FRANK OSBORN