

CHAPTER 2

MATERIAL

It is the cost of *tangible physical input* used in production.

Material cost can be classified into –

1. Direct Material cost
2. Indirect Material cost.

DIRECT MATERIAL	INDIRECT MATERIAL
<p>An item of material is considered as direct if it satisfies the following conditions:</p> <ol style="list-style-type: none"> i. Direct relationship with finished product; ii. Such relationship is capable of being quantified. (eg. Each unit of output requires 2 kgs of raw material X & 4 kgs of raw material Y) iii. Such quantification achieves control purpose. 	<p>Those material cost which does not satisfy the above criteria is treated as Indirect material.</p>

TECHNIQUES OF MATERIAL COST CONTROL

1. Purchase procedures
2. Material accounting procedures
3. Setting of various stock levels
4. Economic Ordering Quantity (EOQ)
5. ABC analysis
6. Two bin system
7. Stores location and layout
8. Use of perpetual inventory records and continuous stock verification
9. Physical stock verification
10. Review of slow moving and non moving stock
11. Accounting for landed cost
12. Wastage and scrap control
13. Budgetary Control
14. Ratio analysis

The copies are distributed to each of the following department:

- o Stores department.
- o Cost Accounts Department.
- o Production Control department.
- o Engineering or Planning department.

A comprehensive Materials List should rigidly lay down the exact description and specifications of all materials required for a job or other unit of production and also required quantities so that if there is any deviation from the standard list, it can easily be detected

ADVANTAGES OF BILL OF MATERIAL:

Department	Advantages
Stores department	<ul style="list-style-type: none"> ✓ It serves as an important basis of preparing material purchase requisitions by stores department. ✓ It acts as an authorisation for issuing total material requirement. ✓ Time savings ✓ Cost savings ✓ The clerical activity is reduced as the stores clerk issues the entire/part of the material requirement to the users if the details of material asked are present in the bill of materials.
Cost Accounts Department	<ul style="list-style-type: none"> ✓ Useful for preparing an estimate/budget of <u>material cost</u> for the job/process/operation. ✓ Aids to control the excess cost of material used. ✓ This is done after determining material variances and ascertaining the reasons for their occurrence.
Production Control department	<ul style="list-style-type: none"> ✓ It is used to <u>control</u> the usage of materials. ✓ Saves time which otherwise would have been wasted for preparing separate requisitions of material.
Engineering or Planning department	<ul style="list-style-type: none"> ✓ Used to prepare a material list in a standard form. ✓ A copy of list is sent to stores, cost accounts and production control department.

- c. Reduction in time involved in material movement from stores to production centres.
- d. Avoidance or reductions of wastage in material movement and handling.

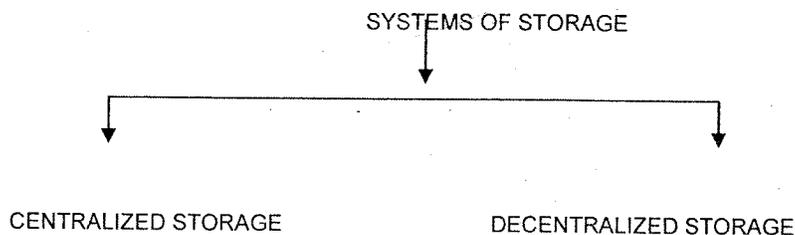
STORES LAYOUT

- Adequate facility should be there in store, i.e., necessary racks, drawers and other suitable receptacles for storing materials should be there.
- Each place (for example, a drawer or a corner) where materials are kept is called a **bin**.
- Each bin should be serially numbered and for every item a bin should be allowed.
- All receipts of the item of the same type should be kept in the bin allotted, for convenience of access.
- The number of the bin should be entered in the Store Ledger concerned accounts.

In designing a stores layout the following points should be considered:

- a. The stores should be adequately provided with the necessary racks, drawers and other suitable receptacles for storing materials. Each container or place where materials are kept is called a bin.
- b. Each bin should be serially numbered.
- c. Separate bin should be allotted for each item of material.
- d. All receipt of the items of the same type should be kept in the bin allotted, for the convenience of access.
- e. The number of bins should be entered in the stores ledger for reference purposes.
- f. Bins should be properly covered and neatly maintained.

CENTRALIZED AND DECENTRALIZED STORES: Another major decision that the company has to take is about whether to have a centralized store or a decentralized store.



In the case of a centralized store, the responsibility of receiving, storing and issuing all the materials is entrusted to only stores department this system has the advantages of efficient supervision of materials, encourages the personnel, maximum economy in storage expenses etc.

However, this system suffers from a few limitations such as high transportation costs, delay in the issue of materials, high incidence of loss in the case of fire etc. With a view to overcome these limitations of centralized storage system, decentralized stores are suggested. Under this system, a number of stores departments are maintained and they will be entrusted with the responsibility of receiving, storing and issuing materials.

DIFFERENT CLASSES OF STORES

There are three classes of stores viz.,

- central or main stores,
- sub-stores and
- departmental stores.

STORE RECORD

The record of stores may be maintained in;

- o Bin Cards
- o Stock Control Cards,
- o Stores Ledger.
- ◆ The first two forms of accounts are records of quantities received, issued and those in balance, but the third one is an account of their cost also.
- ◆ Usually, the account is kept in both the forms, the quantitative in the store and quantitative-cum-financial in the Cost Department.

BIN CARDS	STOCK CONTROL CARDS
<ul style="list-style-type: none"> • It's the quantitative record of stores 	<ul style="list-style-type: none"> • It's the quantitative record of stores and stock on order.
<ul style="list-style-type: none"> • It is kept attached to the bins or receptacles or quite near thereto so that these also assist in the identification of stock. 	<ul style="list-style-type: none"> • These are kept in cabinets or trays or loose binders
<p>ADVANTAGES</p> <ul style="list-style-type: none"> i) Entries are made as soon as the transaction take place; ii) Instand entries will reduce the possibility of committing mistakes; iii) High control over stocks; iv) Rectification of mistake if any is possible at earlier stage itself; v) Verification and reconciliation of actual stock quantity with the book balance is possible at any point of time; vi) It facilitates easy identification of different items of materials; 	<p>ADVANTAGES</p> <ul style="list-style-type: none"> i) Records are kept in a more compact manner so that reference to them is facilitated. ii) Records can be kept in a neat and clean way by men solely engaged in clerical work so that a division of labour between record keeping and actual material handling is possible. iii) As the records are at one place, it is possible to get an overall idea of the stock position without the necessity of going round the stores.

DISADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> i) Records are dispersed over a wide area; ii) Dirt and grease will spoil the bin cards; iii) Persons handling the bin cards are not clerical workers, they may not have enough knowledge to handle the records; 	<ul style="list-style-type: none"> i) On the spot comparison of the physical stock of an item with its book balance is not facilitated. ii) Physical identification of materials in stock may not be as easy as in the case of bin cards, as the Stock Control Cards are housed in cabinets or trays.

STORES LEDGER

- It is a collection of cards or loose leaves specially ruled for maintaining a record of both quantity and cost of stores received issued and those in stock.
- It is subsidiary of main cost ledger;
- It is maintained by the Cost Accounts Department.
- It is posted from Goods Received Notes and Materials requisition.

Advantages:

- It enables distribution of work among a number of clerks
- It ensures to receipts and issues are posted quickly and regularly.
- It enables centralization of stock records.
- It gives the assurance for accuracy of posting.
- The records are clearer and neater.
- Recurring cost of maintaining them is much less than those kept manually.
- If up-to-date records are available, the management will be able to exercise greater control over quantities held in stock from time to time.
- It helps to a great deal is saving both the amount of investment in stock and their cost.

Distinguish between Bin Cards and Stores Ledger:

(May 2002, Nov.2003, 2004)

Bin Cards	Stores Ledger
i) It contains information as record to quantities that is their receipts, issue and balance.	i) It contains both quantitative and value information in respect of their receipts, issue and balance.
ii) Bin cards are maintained by the stores-keeper.	ii) Stores ledger is maintained by cost accounting department.
iii) It is the store recording document.	iii) It is accounting record
iv) Balance in Bin Cards represents closing stock of material on hand	iv) Balance in Stores Ledger has to be reconciled with <ul style="list-style-type: none"> a. Bin Card – for Quantity Verification b. General Ledger – for Value verification

v) bin card entries are made at the time when transaction takes place.	v) In stores ledger entries are made only after the transaction has taken place.
vi) Bin cards record each transaction.	vi) It records the same information in a summarized form.
vii) Inter-departmental transfers of materials do not appear.	vii) Inter departmental transfers of materials appears here.
viii) Records are spread over wide area.	viii) Records are available in one place i.e., in cost accounting department.
ix) Physical identification of material is very easy	ix) Physical identification of material is not easy on the basis of Stores Ledgers

DUTIES OF STORE KEEPER

1. To have control over all activities in Stores Department
2. To ensure safe keeping both as to quality and quantity of materials.
3. To maintain proper records.
4. To initiate purchase requisitions
5. To initiate action for stoppage of further purchasing when the stock level approaches the maximum limit.
6. To check and receive purchased materials and to arrange for their storage in appropriate places.
7. To reserve a particular material for a specific job when so required.
8. To issue materials only in required quantities against authorized requisition notes.
9. To check the book balances, with the actual physical stock at frequent intervals by way of internal control over wrong issues, pilferage, etc.

TREATMENT OF SHORTAGES IN STOCK TAKING

At the time of stock taking generally discrepancies are found between physical stock shown in the bin card and stores ledger. These discrepancies are in the form of shortages or losses.

The causes for these discrepancies may be classified as

- a. Unavoidable or
- b. Avoidable.

UNAVOIDABLE CAUSES	AVOIDABLE CAUSES
<ul style="list-style-type: none"> ✓ Losses arising from unavoidable causes should be taken care of by setting up a standard percentage of loss based on the study of the past data. The issue prices may be inflated to cover the standard loss percentage. Alternatively, issues may be made at the purchase price but the cost of the loss or shortage may be treated as overheads. 	<ul style="list-style-type: none"> ✓ Avoidable losses are generally treated as abnormal losses. ✓ These losses should be debited to the Costing Profit and Loss Account. ✓ Losses or surpluses arising from errors in documentation, posting etc., should be corrected through adjustment entries.

- | | |
|--|--|
| <ul style="list-style-type: none"> ✓ Actual losses should be compared with the standard and excess losses should be analysed to see whether they are due to normal or abnormal reasons. ✓ If they are attributable to normal causes, an additional charge to overheads should be made on the basis of the value of materials consumed. ✓ If they arise from abnormal causes, they should be charged to the Costing Profit and Loss account. | |
|--|--|

TWO BIN SYSTEM

It is a system of storage where in each bin is divided into two parts

1. Base part &
 2. Issue part
- Base part or smaller part, where the quantity equal to the minimum stock or reordering level is kept
 - Issue part, where the remaining quantity is stored.
 - Issues are made out of the larger part i.e., the issue part but as soon as it becomes necessary to use quantity for the base part, fresh order is made.
 - This system is supplement to the record of respective quantities on the bin card and stores ledger.

JUST IN TIME (JIT) SYSTEM

(May '99)

Just in time philosophy is dedicated to elimination of waste.

If we make our raw material suppliers agree that they should deliver their goods only at time and in quantity we need, then we are almost eliminating raw material inventories as well. We shall then have virtually zero inventories or near about zero. This is called Just-In-Time system.

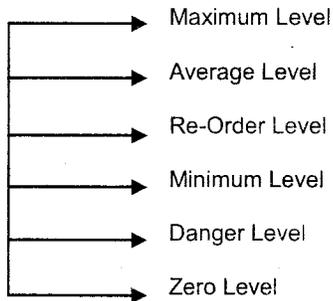
This System founded by Taiichi Onno (VP of Toyota Japan) and first successfully implemented at the Toyota motor car plant in Japan and now being tried at various industries all over the world.

Advantages of JIT purchasing:

- a. It results in considerable savings in material handling expenses.
- b. It results in savings in factory space.
- c. Investment in raw materials and WIP is substantially reduced.
- d. Last quantity discounts can be obtained and paperwork is reduced because of using of blanket long term orders to fewer suppliers instead of purchase orders.
- e. JIT purchasing are now attempting to extend daily deliveries to as many as areas as possible so that the goods spend less time, in warehouse or on store shelf before they are exhausted.

SETTING OF VARIOUS STOCK LEVELS

Various stock levels



VARIOUS STOCK LEVELS	FORMULA	MEANING
Minimum level (Nov.2003)	Re-order level – (Average Usage × Average Lead time)	It indicates the lowest figure of inventory balance, which must be maintained in hand at all times, so that there is no stoppage of production due to non-availability of inventory.
Maximum level (Nov.2003)	Re-order-level + Re-order quantity – (Minimum Usage × Minimum Lead time)	It indicates the maximum figure of inventory quantity held in stock at any time.
Re-order level (Nov.2003)	Maximum Usage × Maximum Lead Time	This level lies between minimum and the maximum levels in such a way that before the material ordered is received into the stores, there is sufficient quantity on hand to cover both normal and abnormal consumption situations
		In other words, it is the level at which fresh order should be placed for replenishment of stock.
Average Level	Minimum level + 1/2 Re-order quantity or <u>Max level + Min level</u>	It's a simple average of maximum stock level and minimum stock level.
Danger level	<i>Minimum usage</i> × Minimum Lead Time Or Minimum usage × Minimum Time for emergency purchase	It is the level at which normal issues of the raw material inventory are stopped and emergency issues are only made

DISTINGUISH BETWEEN RE-ORDER LEVEL AND RE-ORDER QUANTITY

(May 2003)

Re-order level (ROL) is defined as that level of an inventory item where a fresh order for its replenishment is placed. Re-order level = Maximum Usage × Maximum Lead Time.

Re-order quantity (ROQ) is defined as that quantity of an inventory item for which order is placed again and again. Economic Order Quantity (EOQ) is a Re-order quantity but not vice-a-versa.

ECONOMIC ORDERING QUANTITY (EOQ)

(May 2007)

"The size of an order for which both ordering and carrying costs are minimum is known as economic ordering quantity."

It refers to quantity to be purchased every time so as to minimize the total of two types of costs associated with purchase.

If purchases of material are made in bulk then inventory carrying cost will be high. On the other hand if order size is small each time, then the ordering cost will be high. In order to minimise ordering and carrying costs it is necessary to determine the order quantity which minimises these two costs, known as economic order quantity.

Total cost = Purchase value of Raw material + Associated cost

Associated cost = Ordering cost + carrying cost

Ordering cost

- It is also known as Buying Cost
- It is incurred every time a purchase order is made

Eg.

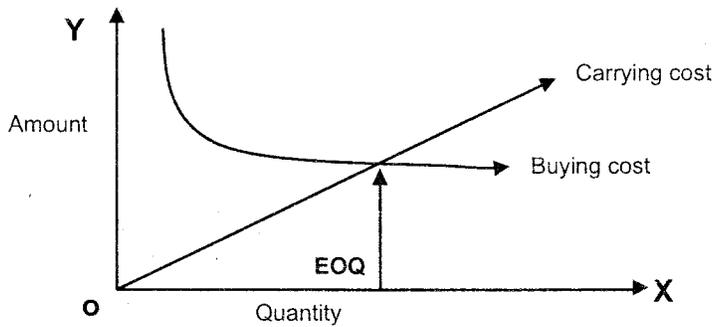
- preparation of purchase order
- cost of receiving goods
- transport cost
- documentation processing cost
- setup cost

Carrying cost

- It is also known as stock holding cost
- These are costs associated with carrying one unit of the raw material stock.

Eg.

- storage cost
- handling cost
- insurance cost
- obsolescence cost
- opportunity cost (required rate of return on investment)



Formula (Wilson's formula)

$$\sqrt{(2AB) / C}$$

where,

A = Annual requirement of raw material in units

B = Buying cost or Ordering cost per order

C = Annual carrying cost of one unit (i.e., carrying cost percentage × cost of one unit)

Assumptions

The calculation of economic order of material to be purchased is subject to the following assumptions:

1. Annual requirement of raw material in units are known in advance
2. Ordering cost per order is fixed & known in advance
3. Carrying cost per unit per annum is fixed & known in advance
4. Cost per unit of the material is constant.
5. Uniform availability of raw material throughout the year (i.e. the lead time is zero)
6. Uniform production schedule throughout the year
7. There is no discount

COMPUTATION OF EOQ, WHEN QUANTITY DISCOUNTS ARE OFFERED

The computation of EOQ with discounts involves the following steps by Tabular Method or Trial and Error method

Steps	Description
1.	Determine various order size
2.	Determine the number of orders at the order size chosen above Number of orders = $\frac{\text{Annual Requirement}}{\text{order size}}$
3.	Compute Ordering cost p.a = No. of order X cost per order
4.	Compute Carrying cost p.a = $\frac{1}{2}$ of the Order size X Carrying cost per unit p.a
5.	Compute Associated cost p.a = Ordering cost + Carrying cost
6.	Determine cost of purchase p.a
7.	Compute Total cost p.a = Associated cost + Cost of purchase.

ABC ANALYSIS

(Nov.2004,2005, May 2008)

- It is a system of inventory control.
 - It exercises discriminating control over different items of stores classified on the basis of the investment involved.
 - ABC analysis is also known as "PARETO ANALYSIS" or 70:20:10 Analysis or Selective Stock Control Analysis.
 - Usually the items are divided into three categories according to their importance, their value and frequency of replenishment during a period.
 - In this system the inventories are categorized into three parts.
 - A category item
 - B category item
 - C category item
- (i) 'A' Category of items consists of only a small percentage *i.e.*, about 10% of the total items handled by the stores but require heavy investment about 70% of inventory value, because of their high prices or heavy requirement or both.
- (ii) 'B' Category of items are relatively less important; they may be 20% of the total items of material handled by stores. The percentage of investment required is about 20% of the total investment in inventories.
- (iii) 'C' Category of items do not require much investment; it may be about 10% of total inventory value but they are nearly 70% of the total items handled by store.

Particulars	'A' Category	'B' Category	'C' Category
Quantity involved	10%	20%	70%
Value involved	70%	20%	10%
Level of importance	High	Moderate	Least
Level of control	Strict	Selective	Little
Review of stock	Regular basis	Periodical review	Rarely
Lead Time	Maximum efforts to reduce the lead time is undertaken	Moderate effort to reduce the lead time is undertaken	Minimum effort to reduce the lead time is undertaken
Level of management	Taken care by senior officers	Supervised by middle management	Supervised by the clerical staff
Follow-up	Maximum follow up is required	Periodic follow-up is required	Follow-up is required only in exceptional cases

ADVANTAGES OF ABC ANALYSIS:

- a) **Cost savings:** The cost of placing orders, receiving goods and maintaining stocks is minimized.
- b) **Control by exception:** Management's time is saved since attention needs to be paid only to some of the items rather than all the items.
- c) **Smooth flow:** It ensures that, without there being any danger of interruption of production for want of materials or stores, minimum investment will be made in inventories of stocks of materials or stocks to be carried.
- d) **Standardization of Work:** With the introduction of the ABC system, much of the work connected with purchases can be systematized on a routine basis to be handled by subordinate staff.

PERPETUAL INVENTORY RECORDS VS. CONTINUOUS STOCK VERIFICATION**PERPETUAL INVENTORY:**

- Perpetual inventory represents a system of records maintained by the stores department.
- It comprises: (i) Bin Cards, and (ii) Stores Ledger.
- A perpetual inventory is usually checked by a programme of continuous stock taking.
- Perpetual inventory is essential for material control.
- It incidentally helps continuous stock taking.

CONTINUOUS STOCK VERIFICATION:

- Continuous stock taking means the physical checking of those records (which are maintained under perpetual inventory) with actual stock.
- The checking of physical inventory is an essential feature of every sound system of material control.
- The system of continuous stock-taking consists of counting and verifying the number of items daily throughout the year so that during the year all items of stores are covered three or four times.
- The stock verifiers are independent of the stores, and the stores staff have no foreknowledge as to the particular items that would be checked on any particular day.
- But it must be seen that each item is checked a number of times in a year.
- Annual stock-taking, however, has certain inherent shortcomings which tend to detract from the usefulness of such physical verification.
- For instance, since all the items have to be covered in a given number of days, either the production department has to be shut down during those days to enable thorough checking of stock or else the verification must be of limited character.
- Moreover, in the case of periodical checking there is the problem of finding an adequately trained contingent.

DISTINGUISH BETWEEN PERPETUAL INVENTORY & CONTINUOUS STOCK TAKING

(May 2001, Nov.2006)

Basis	Perpetual inventory	Continuous stock taking
Definition	Refers to inventory records, that are bin cards and stores ledger that are maintained on up to date basis at all points of time. Stock verification takes Place at the end of a financial period say a year.	Stocks are verified at regular intervals during the year. Since stock taking- takes place regularly, it is called as Continuous Stock Taking.
Time covered	All items of stock are covered in a single stretch of verification, say over 2-3 days.	In each verification, 2-3 items are covered. In an entire period, all items are covered on rotation basis.
Stoppage	Regular stores procedures like material receipts, issues etc. may have to be stopped to facilitate stock taking.	There is no interference with regular workflow.
Discrepancies	Discrepancies can be known only at the end of the year. Responsibility cannot be easily fixed.	Discrepancies are ascertained immediately in order to take corrective actions and avoid re-occurrence.
Updation	The inventory records also are updated periodically, say weekly or monthly, in fact, at any time before physical verification.	Due to surprise element involved, inventory records must be maintained up to date at all times.
Effects on Interim Financial Result	These do not facilitate or help the quick computation of interim or final financial result.	It provides stock figures on real-time basis. Hence, final accounts can be completed quickly; interim results can be prepared conveniently.

ACCOUNTING AND CONTROL OF WASTE, SCRAP, SPOILAGE AND DEFECTIVES

WASTE:

- It represents the portion of basic raw materials lost in processing having **no recoverable value**.
- Waste may be
 - a) visible (remnants of basic raw materials) or
 - b) invisible (disappearance of basic raw materials through evaporation, smoke etc)
- Shrinkage of material due to natural causes may also be a form of a material wastage.

TYPES OF WASTAGE	ACCOUNTING TREATMENT
Normal waste	Forms part of cost of production
Abnormal wastage	Transferred to the Costing Profit and Loss Account

CONTROL OF WASTE:

- Normal allowances for yield and waste should be made from past experience,
- Actual yield and waste should be compared with anticipated figures and appropriate actions should be taken where necessary.
- Responsibility should be fixed on purchasing, storage, maintenance, production and inspection staff to maintain standards.
- A systematic procedure for feedback of achievement against laid down standards should be established.

SCRAP: (Nov.2008)

It is the incidental residue from manufacture having small amount recoverable without further processing.

Scrap may be treated in cost accounts in the following ways:-

TYPES OF SCRAP	ACCOUNTING TREATMENT
Normal scrap <ol style="list-style-type: none"> a. if the value of scrap is negligible b. otherwise 	<ol style="list-style-type: none"> a. Excluded from cost b. It is treated as other income
Abnormal scrap	After adjustment of normal loss, scrap value balance should be transferred to the Costing Profit and Loss Account

CONTROL OF SCRAP:

- It means the maximum effective utilisation of raw material.
- Scrap control starts from the stage of product designing.
- Selection of most suitable type of material
- Selection of most suitable type of equipment
- Selection of trained labour
- Fixing of standard allowance for scrap
- Actual scrap should be collected, recorded and reported properly to achieve timely control

SPOILAGE:

Materials which are **badly damaged** in manufacturing operations, and they **cannot be rectified economically** and hence **taken out of process** to be **disposed of in some manner** without further processing.

(Nov.2003, May 2005, 2007, Nov.2007)

TYPES OF SPOILAGE	ACCOUNTING TREATMENT
Normal spoilage	form part of cost of production
Abnormal spoilage	transferred to the Costing Profit and Loss Account

CONTROL OF SPOILAGE:

- o Actual spoilage should be compared with standard set.
- o If there is abnormal variation, report should be made to achieve proper action

DEFECTIVES: (Nov.2008)

It signifies those units or portions of production which can be rectified and turned out as good units by the application of additional material, labour or other service.

Eg. duplication of pages or omission of some pages in a book.

It arise due to:

- sub-standard materials,
- bad-supervision,
- bad-planning,
- poor workmanship,
- inadequate-equipment and
- careless inspection.

To some extent, defectives may be unavoidable but usually, with proper care it should be possible to avoid defect in the goods produced.

(May 2000, Nov.2003, May 2005, 2007, Nov.2007)

TYPES OF DEFECTIVE	ACCOUNTING TREATMENT
Normal defective <ul style="list-style-type: none"> a. in general b. if deflating department is not identified c. if deflating department is identified d. due to specific job 	<ul style="list-style-type: none"> a. form part of cost of production b. charged to general overhead c. charged to departmental overhead d. charged to specific job
Abnormal defective	transferred to the Costing Profit and Loss Account

CONTROL OF DEFECTIVE

- by proper training of the employees
- by adequate supervision
- by purchasing of quality material
- by installation of proper material handling system
- by usage of proper tools & equipments

Control of defectives may cover the following two areas:

- a) Control over defectives produced
- b) Control over reworking costs.

LOSSES DUE TO OBSOLETE STORES

- Obsolescence is defined as “the loss in the intrinsic value of an asset due to its supersession”.
- It may arise due to change in design, nature of product, need of customer, taste of customer or government restriction
- It is no more required for production
- The value of the obsolete material held in stock is a total loss and immediate steps should be taken to dispose it off at the best available price.

TYPES OF OBSOLESCENCE	ACCOUNTING TREATMENT
Normal obsolescence	form part of cost of production
Abnormal obsolescence	transferred to the Costing Profit and Loss Account

CONTROL OF OBSOLESCENCE:

- By avoiding excessive production
- Provision should be made for obsolete material
- By Proper inventory control

CHAPTER 3

LABOUR

Meaning:

Cost incurred for the human resources to produce the product is called labour cost. It may be Direct labour cost or Indirect labour cost.

(Nov.2001)

Direct Labour	Indirect Labour
It is directly attributable to product	It is not directly attributable to product
It varies directly with the volume of output	It may or may not vary directly with the volume of output
It will form part of prime cost	It will form part of overheads
Eg. Wages paid to factory workers	Eg. Salary paid to admin people

LABOUR COST CONTROLLING TECHNIQUE

To exercise an effective control over the labour costs, the essential requisite is efficient utilisation of labour and allied factors. The main points which need consideration for controlling labour costs are the following:

1. Assessment of manpower requirements.
2. Control over time-keeping and time-booking.
3. Time & Motion Study.
4. Control over idle time
5. Control over overtime.
6. Control over labour turnover.
7. Wage and incentive systems.
8. Control over casual, contract and other workers.
9. Job Evaluation and Merit Rating.
10. Labour productivity.

TIME-KEEPING

(Attendance Procedure)

It refers to total time spend by the workers inside the factory ie. correct recording of the employees' attendance time.

OBJECTIVES OF TIME-KEEPING : (May 1994)

- (i) For the preparation of payrolls.
- (ii) For calculating overtime.
- (iii) For ascertaining and controlling labour cost.
- (iv) For ascertaining idle time.
- (v) For disciplinary purposes.
- (vi) For overhead distribution.