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Base stock method information

September 24, 2018 September 24, 2018 / Steven Bragg September 24, 2018 / Steven Bragg / Everything you need to know about methods of inventory management. Inventory valuation affects profitability, the business unit must be sufficiently cautious to determine the correct value of the inventory. To ensure this, the method of valuation of the inventory should not be changed from year to year. Inventory includes inventory of raw materials, work in progress, finished products and stores, and spare parts. Inventory control means adjusting inventory by accounting and physical methods. Also known as inventory control, inventory control is, according to the definition of official terminology, the systematic adjustment of inventories. In other words, it is a system designed to control investments in stocks. This involves inventory planning and decision-making in terms of quantity and time of purchase, fixation of inventory, maintenance of inventory and current inventory. The methods of inventory management are as follows:- 1. FIFO method (First-in-First-out) 2. Last in First Out (Lifo) method 3. Hifo method (highest in-first-out) 4. Base inventory method 5. Inflated price method 6. Standard price method 7. Market or replacement price method 8. Average cost method 9. Determination of Replenishment Quantity 10. Fixation on inventory levels 11. ABC Analysis 12. To bin System 13. Forever storage system 14. FNSD analysis and a few others. Methods and techniques for inventory management: FIFO, LIFO, HIFO, Basis Stock Method and a few other methods of inventory management - 8 key methods: First in First Out (FIFO) Method, Last in First Out (LIFO) Method, Highest-in-First-out (HIFO) Method and a few other Inventory valuation affects profitability, the business unit must take enough care to determine the correct value of the inventory. To ensure this, the method of valuation of the inventory should not be changed from year to year. The cost of inventory is assigned using one of the following methods: 1. First in First Out (Fifo) method. 2. Last in First Out (LIFO) Method. 3. Hifo method (highest in the first place). 4. Basic storage method. 5. Inflated price method. 6. Standard price method. 7. Market or replacement price method. 8. Average cost method. Method # 1. First-in-First-out (FIFO): This method follows the principle that items received first are sold first. In other words, the earliest material materials are exhausted only on the assumption that units are sold in the order in which they were acquired. After the first batch of purchased goods is exhausted, the next lot is put up for sale. The statement is priced in recent inventory. Method # 2. Last-in-First-out (LIFO): This method is based on the principle that materials included in the production are the most recently purchased. In other words, the materials purchased at the end are used for production. The purpose of this method is to compare the current costs in relation to the income, revenue, income that excludes gains and losses by holding stocks. Method #3. HIGHEST-in-First-out (HIFO): This method is based on the assumption that the closing stock must always remain at the minimum value, so that higher-value materials are issued first and exhausted at the earliest. However, this method is not popular as it always underestimates the stock, which is equivalent to creating secret reserves. This method can be used in the case of costs plus contracts or monopoly products. Method #4. Base inventory: Under this method, a fixed minimum stock of material is always maintained as a base warehouse to meet the emergency requirements when there is a delay in the supply of raw materials. This is also known as security storage. All quantities in addition to the base inventory are issued for production. This method used in conjunction with either fifo or lifo method and base storage method will have pros and cons of the method by which it is used. The purpose of the basic storage method is to issue the materials at current prices, which can be obtained if used with the LIFO method, although it can also be used with the FIFO method. Method #5. Inflated price: This method is adopted for pricing the issues that are the subject of normal waste due to reasons such as evaporation, shrinkage, climatic conditions, etc. This method provides an accurate comparison of costs and revenues because purchase prices are identified with sales prices. However, the disadvantage of this method is that it is not valued at current prices and is impractical where storage devices lose their identity. Here, too, this method does not prescribe a specific order in which materials are to be issued. Method #6. Standard price: By this method, issuances are priced at a certain price, regardless of the price at which materials are purchased. The standard price is set after considering all the factors that affect the price of material, such as market conditions, the quantity to be purchased, insurance, storage costs, chances of price increases, etc. The benefits of this method are that it is easy to work and it acts as a tool to measure purchasing efficiency. But on the other hand, it also suffers from draw backs. The problems are not valued at cost prices and cannot be used for a long period of time. Method #7. Market or replacement price: The materials are issued for production, priced at the market price or the replacement price. This method shall be followed where the market value is lower than the cost, so that any losses can be taken into account. Again this method is useful if the material has become obsolete or lying in the store for a long period of time. Method #8. Average price: This method calculates the average price of the unit. This average unit price can be calculated either by simple average price method or by weighted price method. The simple average price is the price average without taking into account the quantities concerned. In the weighted average, the total quantities and the total cost are taken into account in the average price. The quantity purchased is added to the on-hand inventory, and the new revised balance is then divided by the new total value of the total inventory. The weighted average is calculated each time a purchase is made. Inventory management methods – 7 main methods: Reorder quantity determination, inventory level fixation, ABC analysis, two bin system, and a few other inventory includes inventory of raw materials, work in progress, finished products and stores, and spare parts. Inventory control means adjusting inventory by accounting and physical methods. In order to ensure effective control of the warehouse, the following methods shall be used: 1. Determination of the quantity of reorder or economic order quantity; 2. Fixation of inventory levels – reorder level, limit level, minimum level, safety storage, hazard level, average storage; 3. ABC analysis 4. Two containers 5. An eternal storage system 6. Periodic inventory system, and 7. Physical control of the warehouse. The above-mentioned inventory management methods help to achieve inventory management goals, i.e. inventory management. These methods are discussed briefly one by one below: 1. Reordering Quantity Determination: Replenishment Quantity (also called order quantity) refers to the quantity for which an order should be placed at any time. Determining the reorder quantity (how much to order) is of great importance as it directly affects storage costs. The replenishment quantity should be such as to minimise the total annual cost of placing orders and inventory. Such a reorder quantity, which minimizes both order and transport costs together, is also called economic order quantity (EOQ). Ordering costs and transportation costs are inversely related when one increases the other decrease. For example, if purchases are made in the <a0></a0> field If the order size is small, the order costs will be high. Financial order quantity ensures that these two costs are minimum. Financial order quantity can be determined in the following two ways: (a) EOQ formula method: This method is generally used when the purchase price remains the same regardless of the order quantity. In other words, when the vendor does not extend any quantity discount. In this case, the EOQ formula minimizes the total storage costs that consist of – (i) the costs of placing orders and receiving the goods (order costs); and (ii) the costs of storing the goods and interest on the capital (bearing costs). These costs are inversely related when one increases the other decrease. In the case of large orders, transport costs will be high and order costs will be low. But the opposite will be the case if orders are too many, but of small size. The formula for determining the financial order quantity is: the EOQ formula provides the optimal quantity for which an order must be placed at some point. It should be noted that the formula only lasts prices are unlikely to change, consumption is regular and inventory and ordering costs are constant. (b) Table calculation method: This method can be used when the purchase price varies depending on the amount of material purchased. In this method, we calculate the total material cost per year, including purchase costs plus order costs plus the cost of carrying different order quantities at different purchase prices. 2. Fixation of inventory levels: Carrying too much or too little inventory is disadvantageous to a company. If the stock is too small, the company will face frequent stock-outs and incur heavy ordering costs. If the stock is very large, the company will incur high bearing costs in addition to the unnecessary blocking of scarce capital. An effective material control system therefore requires the company to maintain stocks at an optimal level. At this level, storage costs are minimal, and at the same time there is no inventory, which can result in production freezes. This requires that the level of reordering, the limit value, the minimum level, the safety stock, the hazard level and the average stock be determined. It is also possible to calculate the replenishment quantity using inventory levels. a) Replenishment Level: This is the level or point at which it becomes important to initiate purchase orders for fresh supplies of inventory items. When an item affects the reorder level, the purchase procedure is automatically activated so that new inventory can be purchased in time. Normally, the replenishment level is a point between the maximum and minimum levels. New orders must be placed before the actual inventory affects the minimum level, so that time differences between ordering and receiving items are addressed. The level of replenishment also covers emergencies such as abnormal use of the materials or an unexpected delay in purchasing fresh supplies. The replenishment level is usually calculated by one of the following formulas: The replenishment level is specified on the relevant g/l account or bin card. As soon as the warehouse approaches the reorder level, the warehouse assistant or warehousekeeper informs the purchasing department by filling in a purchase requisition list. Then, the purchasing department will take steps to buy and replenish the inventory. The reorder level is also called the reorder point or order level. (b) Maximum stock level: Material control requires the setting of the upper storage limit above which the stock may not increase. Such a limit is called 'limit level'. The determination of the limit value shall take into account the following factors: (i) The level of reorder; (ii) minimum consumption rate in the delivery time(iii) minimum delivery time or reorder and (iv) Replenishment Quantity. Therefore, the maximum inventory level is determined by the following formula: (c) Minimum inventory level: This is the level below which inventory must not decrease. A minimum stock is avoided storage situation that results in This stock is a buffer or safety stock used only in abnormal conditions or in emergency situations and which takes care of fluctuations in delivery time and/or consumption speed. When determining the minimum level, the following shall be taken into account: (i) the level of reorder; (ii) Average (normal) consumption rate and (iii) Average lead time. The minimum level can thus be determined by means of the following formula: (d) Reordering period or delivery time: an undertaking would not be required to maintain any stock if the goods were available immediately at the end. However, experience has shown that this is not the case. The purchase company requires some time to process and place the order. The delivering company also requires some time to execute the order. This period is called 'reorder period' or 'lead time'. To continue production during this period, it is important to maintain the required inventory that indicates the reorder level. (e) Safety repository: For all practical purposes, the minimum store is a security stock and is determined in the manner explained above. The security store is maintained to take care of fluctuations in delivery time and consumption. For security storage, the main relevant costs are the cost of the carrier and the storage costs. The optimal security storage can also be determined by striking a balance between carrying costs and storage costs. The optimal security stock will exist at a level where the total annual storage costs and carrying costs are minimal. (f) Danger level: It is a signal to the persons concerned to ensure the purchase of materials as soon as possible in order to avoid disposal. It can be either between the reorder level and the minimum level, or below the minimum level. When the hazard level is between the reorder level and the minimum level, the goal is to check whether ordered materials arrive in time. In order to take specific steps for the purchase of materials, the hazard level is set below the minimum level and can be determined by multiplying the average consumption per day by the delivery time required to make emergency purchases. For example, if the average consumption per day of a material is 10 units, and the time required to make emergency purchases is 4 days, the hazard level will be- 10 units x 4 days = 40 units. (g) Average inventory level: It can be calculated in the following three ways: (h) Replenishment Quantity: If data for calculating the financial order quantity by EOQ formula are not available, the reorder quantity can be determined using inventory levels as sub-3. ABC Analysis: It's an important technique for inventory control on a selective basis. Large production organizations have so many items in their stores that it is often not possible for management to pay the same attention to every single warehouse item. ABC analysis is a technique whereby the extent of control over an item in inventory varies directly with its use value. In other words, high-value records closer than low value items. It would normally be that a number of items that give a very high value. Thus, 5 to 10 percent of total items can make up 70 to 85 percent of total material costs. Such items are classified as A entries. An additional 10 to 20 percent of total items can account for 10 to 20 percent of total material costs. These items can be categorized as B items. The rest, i.e. 70 to 85 percent of items (though many) will form only 5 to 10 percent of total material costs. These can be called C elements. Management can exercise very close control over A-elements. It will determine maximum, minimum, reordering and hazard levels of A-elements very carefully. It will also be up to keep a close eye on the consumption of these items. The number of economic order for each of the goods in this category shall be drawn up. Similarly, other inventory management techniques on A-items should also be used. As A-items make up the bulk of the investments in total inventory, it would be worthwhile to bring them under close control and apply modern inventory management techniques. However, occasional or moderate control of B elements may be considered satisfactory and the frequency of purchases and issues of these goods may be planned in such a way as to maintain them at a minimum level. In the case of C elements, control can only be exercised in general terms. For example, ordering for C items can be placed annually or once for six months or so. It is obvious that since C-items do not have a high value, the total investment in such items will not be large. 4. Two Bin System: A bin is a large box-shaped containing for storing stores goods. It includes drawers or other containers used for the storage of different kinds of materials or articles. The two-bin inventory management system is used for inventory and inventory. Under the two-bin system, the bin is divided into two parts, one small and the other large. The small container is used for storing the minimum level of stores, and the large container is used for storing material above the minimum level. The issue of materials is made of the big bin. When emptying the large bin, it indicates the time when an order is placed and the amount of material in the small bin services as the minimum amount of inventory or as a security store. 5. Perpetual Inventory System: This is a system of inventory control where continuous registration of receipt and issue of material is maintained by the stores department. It shows the physical movements of stocks and their current balance sheet. A continuous balance sheet program usually supports an eternal storage system. Sometimes the two terms are loosely considered synonymous. However, there is a difference between the two. An eternal storage system means the system to be registered, while continuous balance sheet means physical control of the actual stock with the registers. Strictly speaking, this means permanent maintenance of such registers (inventory control cards, bin cards and store ledger) showing receipts, issues and balance for all in stock at any time. However, in order to ensure accuracy, the system must be supplemented by a system of continuous inventory control, ensuring that the physical inventory is in line with the book figures. The system is essential for planning production and for ensuring that production is not interrupted due to lack of materials and stores. 6. Periodic inventory system: This system records issues of materials after a periodic interval. This does not coincide with the physical movement of stocks. Physical checks on the stock shall also be carried out at regular intervals. The value of the issue of material shall be determined at the end of the period on the basis of physical checks. The value of the opening stock plus received material minus the value of the remaining inventory is used as the value of the issued stock. This system does not contain information about the number and value of inventory items on a continuous basis. Therefore, periodic inventory is used for low-value items. This system also does not reveal significant losses during storage, as material by hand at the beginning of the period plus material purchased during the period minus material by hand at the end of the period is taken as material to be issued. 7. Physical control of stock: To determine the accuracy of balances of stores shown in bin cards and stores ledger, physical control of stores is essential. The bin cards and stores ledger show the balances 'must be' or 'should have been'. Only physical checks would reveal the actual balances. The physical checks of stores can be continuous or periodic. Continuous verification: In the case of continuous inventory verification, checks are carried out on stores during the year. The ongoing physical verification of stores is a complement to the permanent storage system. Such a system generally renounces the need to take stock at the end of the financial year and ensures much better control of shops. Any inconsistencies, irregularities or deficiencies detected as a result of the stock controls shall be adjusted without delay and reported to the relevant authorities for necessary corrective action. The system acts as a very good moral control of the staff of the shops and acts as a deterrent to dishonesty. Because the warehouse staff do not know in advance which items will be checked on a particular day, this ensures effective inventory management. Periodic checks: Under this inventory verification system, the entire inventory is checked at regular intervals or at the end of the year before the end of the financial year. This system complements the periodic storage system. The checking of stocks at the end of the annual accounting period facilitates the assessment of stocks so that they can be carried out in the final accounts. However, this results in a cessation or interruption of production during the days when the inventory control was checked. The stock controls should therefore be carried out as quickly as possible possible and, where possible, it should be organised in such a way that the balance sheet coincides with a period of slack business activity to minimize disruption to ordinary work. Inventory checks can also be carried out at intervals of less than one year if desired. However, such a course is expensive as the periodic inventory verification system involves the interruption of activities during the status period. In addition, no permanent staff or special staff are employed for stock control men from different departments/sections of the organisation are prepared at short notice for assistance. In addition, periodic inventory checks do not help to control the risk of pilferage, losses due to theft, etc., as stores that store staff have prior knowledge when the inventory will take place. However, periodic checks are necessary for ongoing work, consumption warehouses and unused stores in the production department or stores, capital assets, loose tools and spare parts, etc. Inventory verification registration: The result of inventory verification should be adequately recorded. This can be done by using inventory codes or by preparing inventory confirmation sheets or by making a record on the bin card itself. The reason for discrepancies between physical quantity and balances displayed with bin cards and store ledger must be identified. The discrepancies due to avoidable reasons such as incorrect entry, incorrect issuance, incorrect posting, incorrect placement, pilferage, breach and spill, etc., should be remedied by making appropriate adjustment items in the relevant registers and by taking appropriate measures to prevent their recurrence in the future. If inconsistencies are due to unavoidable reasons such as inherent shrinkage or evaporation, revenues and issuances in different units, climatic conditions, etc., it will be sufficient to transfer the necessary adjustment items. Stock tags: These are the errors used in physical inventory checks. The stock mark has two parts (see Figure 2.8). The upper part is associated with the warehouse location whose inventory has been checked. A bin that does not contain a warehouse code indicates that the item in that bin is still to be confirmed. The lower part of the mark is torn off and held together to serve the purpose of stock verification registers. Inventory sheet: This sheet is ready to record the result of inventory verification (see Figure 2.9). It is also called inventory verification sheets. All of these sheets maintained date-wise to provide an inventory check in a chronological order. The actual quantity of each stockkeeping unit that was found at the time of verification of the physical inventory is recorded in the appropriate column in the inventory sheet. Side by side is entered the balance per bin card/store ledger. When the inventory confirmation work is completed, inventory sheets are sent to the warehouse holder/inventory module to make the necessary entries so that the balances displayed by the inventory entries match the quantity in the bins. On the basis of this registration, a necessary investigation is also carried out identify the reasons for possible inconsistencies and also to introduce remedial measures to avoid such a recurrence in the future. Inventory management methods – 8 key techniques: Inventory levels, financial order quantity or Re-Order quantity, ABC analysis, and a few other Different inventory management techniques are as follows: 1. Inventory levels 2. Financial order quantity or Order Order Quantity 3. ABC Analysis 4. BY Analysis 5. Just in time Technique #1. Stocks: One of the main objectives of a system of material control is to ensure that there is no over-conservation or during storage. A scientific approach is to achieve this goal is to introduce a system of stocks. Storage costs represent about 10-20% of the total cost of a product. Therefore, it is necessary to have an effective inventory planning system for managing the materials in the stores. On the basis of stocks, each material will automatically be stored within appropriate control limits. The warehouses are intended to know when to place the order to replace the inventory. The following are the different inventory levels that are not fixed but change from time to time: (i) Re-Order Level: It is just above the minimum inventory level, but below the maximum inventory level. This is the point at which the shopkeeper should initiate purchase requisition for new delivery of materials. This level is between the minimum level and the maximum limit. The following factors shall be taken into account when determining this level: (a) Material consumption speed. (b) Delivery time or delivery time, i.c) Minimum level. Re-order level is calculated as follows: Re-order Level = Maximum consumption x Maximum Re-order period (ii) Minimum Stock Level: This is the level below which the stock should not normally be allowed to fall. If a material element falls below this level, there is a risk of production freezes and priority should be given to the purchase of new materials. It is also called security or buffer storage. The following factors shall be taken into account when determining this level: (a) Lead time (b) Material consumption rate (c) Minimum level of re-order level is calculated as follows: (iii) Maximum storage level: The level above which the material store should not normally be allowed to raise. The following factors shall be taken into account when determining this level: (a) Free storage space (b) working capital (c); (d) Material type (e) Inventory cost (f) Market trends (g) Government policies (h) Economic order quantity The maximum inventory volume is calculated as follows: Maximum inventory level = Re-order level + Re-order Number (or EOQ) – (Minimum consumption x Minimum Re-order period) (iv) Average inventory level: Only the average of the stock is available at the beginning and end. The average concept is useful in the calculation of turnover ratios, EOQ, etc. This inventory level is calculated as follows: (v) Hazard level: When the inventory level drops below the minimum inventory level, it is referred to as the hazard level. It is this material level that means the urgent need to purchase the materials as soon as possible regardless of material costs. It is a warning sign of urgent action. This level is calculated as follows: Hazard level = Average consumption x Earliest possible lead time Remember: (a) Always calculate first re-order level and then other levels. (b) the final responses to stocks shall be expressed in units or in any other quantitative respect. Technique #2. Financial order quantity: It is also known as Replenishment Order Quantity. It refers to the quantity to be ordered and materials must be purchased at a reasonable price. By specifying this quantity, the buyer is saved the task of recalculate how much he should buy each time he orders. Replenishment quantity must be taken into account on the basis of purchases of the materials at a minimum price. It must be taken into account on the basis of inventory costs and ordering of economic order quantity on costs and calculated as follows: A = Annual consumption of materials B = Purchase cost per order C = Cost per material unit S = Inventory and accounting cost percentage No. for one year is calculated as follows: Technique #3. ABC Analysis: It is a technique of value-based system of material control. This technique is also called Always Better Control. Below this, all items are classified according to their value. ABC technique denotes 'A' items- It refers to high value of goods or expensive materials and a small or smaller quantity of goods. Management shall exercise strict control over such posts. In this type, the value of materials is 70% and the amount of materials is 10%. 'B' elements- It refers to the mean value of materials under normal control procedures and the management must exercise moderate control over such items. In this type, the value of materials is 25% and the amount of materials is 30%. 'C' items- It refers to low value of materials, which can represent huge amount of materials and management need to focus the least attention on such items. In this type, the value of materials is 5% and the amount of materials is 60%. The purpose of classifying material inventory as A,B & C is to ensure that material management focuses more on A items, and there must be greater care when storing 'B' items and that 'C' products receive the least attention. Technique #4. VED Analysis: It is the technique to separate the parts in stores according to their needs and importance to the production activities and not the value. This technique is specifically used for spare parts. According to VED analysis technique spare parts are divided into three categories. They are- V = Vital, E = Essential and D = Desirable. Vital spare parts are not expensive, but they are important and without it there are the possibility of production stoppage or production may not continue due to critical situations. Therefore, the value of such spare parts cannot be measured in money. For example- Bolts and nuts used for the machine, use of gaskets and valves, etc. Essential spare parts are those that are not very important, but essential, and without it production can continue for a shorter period of time. For example- Chain, covers, grease, etc. Desirable spare parts are those that are necessary, but the costs of shortages of these parts are negligible and therefore a reasonable delay does not harm the situation. For example, accessories in car such as brake lights, rear view mirror, seat cover, etc. The limitation of ABC analysis is categorization does not occur on the basis of the importance of materials, but it is based on the concept of materials. VED analysis is suitable in a crisis production planning. Technique #5. Just in Time (JIT): It refers to proper planning to be done to get the materials well in time for production. The purpose of joint investigation teams is to reduce stocks to a minimum and maintain a continuous relationship with suppliers and to supply raw materials often in small quantities based on the requirement according to the current market price. It helps reduce storage costs, material handling costs, spoilage or breakage, deterioration of quality, weight loss, etc. Methods of Inventory Control - 6 main techniques: ABC Analysis, VED Analysis, FNSD Analysis, SDE Analysis, SOS Analysis and HML Analysis Technique #1. ABC Analysis: ABC Analysis, popularly known as Always Better-Control, was developed by an Italian economist, Vilfredo Pareto. This technique is based on the 'Management by Exception' principle and is also called Control by Importance and Exception or Proportional Value Analysis. The analysis is based on a comparative study of the quantity and consumption value of different types of materials. It is a general observation that out of the various materials handled by a company, there are some goods that account for low quantity and high value, and some goods account for large quantities and low value. Category A - Items are low quantity with high value. Category B - Items are of medium quantity and value. Category C – Items are of high quantity with low value. The exact quantification of high/low classification depends on the comparative value and varies from company to company and also from time to time. It is the technique that follows the general principle of the distribution of Pareto (80/20).. It states that in order to check a number of material items, a select small fraction of the number of items will always account for a large part of the consumption value. For example, 80% of a nation's wealth is owned by 20% of the country's population, and the remaining 80% of the population thus owns only 20% of the country's net worth. In order to achieve maximum 20% of the entire population should be closely monitored and monitored. ABC analysis classifies the entire inventory into three categories according to their consumption value. The technique requires that: i. A-group elements must be carefully controlled at all stages of material handling. The procedure should be drawn up and subject to surprising scrutiny by senior management. ii.B group elements must also have extensive controls, but the scope and frequency of the surprise check may be smaller. (iii.C group entries, due to their relatively low value, are not subject to detailed control procedures. The procedure can be simple. In this process, the time, attention and costs involved in material management are evenly distributed in terms of value. In times of changing prices, the analysis of materials in A, B, C groups should be reviewed on an ongoing basis. The technique aims to achieve maximum control over stocks/material with minimal control costs. Benefits of ABC Analysis: (a) Minimum investment - ABC analysis ensures that a minimum investment will be made in stocks so that the risk of interruptions in production due to lack of material can be kept in check. (b) The cost of placing an order is minimized if they are supported by the financial quantity of orders. (c) it ensures strict control of expensive items where a large amount of capital is tied. (d) This helps to maintain a high stock turnover. (e) Administrative time is saved by the emphasis on selected goods. (f) Outdated storage can be easily identified. Disadvantages of ABC Analysis: (a) It should be introduced with standardization and codification to get better results. (b) The grading of different elements of the ABC analysis may include a lot of subjective elements or parameters. (c) The results of the ABC analysis should be reviewed regularly and updated. Technique #2. BY Analysis: Vital, Essential, and Desirable (BY) analysis is based on the criticality of raw materials. According to this analysis, records are divided into three categories in descending order. The stock of vital items requires more action; because without it, production has stopped. The products covered by 'V' must be stored sufficiently for smooth production. V-class products are essential for the satisfactory functioning of the production system. If such products do not exist, the plant and machines would cease to operate and production would cease. Essential elements are necessary for the efficient operation of production; and without it, production will be delayed; but reasonable care is taken for E items to ensure they are always in stock. Desirable goods are useful for increasing efficiency, and the availability of these products does not affect production immediately. D class products do not have an immediate effect on production. But their availability reduces fatigue and increases efficiency. VED analysis can be very useful for capital intensive process industries. As it analyses the points based on it can be used for the special raw materials that are difficult to obtain. Strict control must be exercised over V-elements. Proper analysis must be carried out, adequate stocks must be maintained and a good network of reliable suppliers must be created. A modified form of this technique is called VENE (Vital, Essential, Meaning and Normal), which is used to control the plant and machineries. When this technique is used in conjunction with VED analysis, it becomes one of the effective techniques of material control. Under this technique, vital spare parts are arranged for all types of plants - vital, essential, important and normal. Similarly, essential spare parts are arranged for all four categories of machinery. Technique #3. FNSD analysis: During FNSD analysis, items are divided into four categories based on their usage rate in descending order: F = Fast moving goods N = Normal moving goods S = Slow moving goods D = Dead stock. Fast-moving items are consumed regularly, and the inventory of these items must be observed constantly, and the replenishment order must be placed in time to avoid inventory situations. Fast-moving materials are consumed very often in the production process and therefore they need to be replenished at regular intervals. In other words, the storage rates for such records are high. These elements should be tightly controlled. Proper monitoring, timely placement of replenishment orders, and regular follow-up are necessary to ensure that inventory payment does not occur. Normal moving goods are exhausted over a period of the year or so. Slow moving items are existing inventory that would last for two years or more at the current usage rate, but it is still expected to be used up; and its stock must be reviewed very carefully before replenishing the order to minimize the risk of a surplus stock. Slow-moving material, on the other hand, is consumed less frequently. In other words, it has a low turnover rate. Dead stock is the existing stock for which there is no foreseeable demand. The money spent on dead stock cannot be realized, but it takes up space. Efforts are being made to find alternative use of D-elements, otherwise they will be disposed of. There is another category of items called items that do not move. These are the materials that are not needed for current production, but these stocks will be in demand in the near future. A careful guard must be kept on all these three category of materials, so as to keep additional stock of slow and dormant stock to the minimum while increasing the stock of fast moving materials. Technique #4. SDE analysis: This technique is used to exert control over materials depending on their clear availability. S = Scarce items D = Difficult elements E = Easy items. Any material which is scarce in the suppliers must be stoned in excess, regardless of its value, quantity and frequency of its movement in A constant effort must therefore be made to provide material type. However, no additional effort is required in case of easy to get material type. Technique # 5. SOS Analysis: S = Seasonal MATERIALS OS = Off-season materials Under this technique of material control, materials are classified into two types. However, it is the seasonal materials that will have a greater impact on purchases. Technique #6. HML analysis: H = High-priced goods M = Intermediate goods L = Cheap goods Compared to ABC Analysis, which takes into account the consumption value of material, this analysis takes into account the unit value of inventory goods. The material will be given greater importance and tight control with high purity. The M elements with a moderate unit value are given a low degree of control and L elements are given the least control. Control.

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