

## **MATERIAL COST CONTROL THROUGH MANAGEMENT OF EXPENDITURE**

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### **Abstract**

Expenditure management is the way in which companies control and optimize the money they spend it. It involves cutting direct and indirect cost associated with doing business. These cost show up as material, labour and overhead cost. In other words we can say an enterprise expenditure management is managing, how to spend money to best effect in order to manufacture products and service. Through expenditure management a company can control their cost. Cost control will increase net income. An increase in net income leads to a greater earning per share and ultimately a higher market value.

*Keywords: Expenditure Management, Overhead Cost, Material Cost Control, Non-active Material.*

### **Introduction**

The term "materials" in manufacturing operations applies to raw commodities, fabricated parts and sub-assemblies released from inventory for use in productive exercise. In this sense, the term is sufficiently inclusive to encompass a part from direct and indirect material, raw materials, Factory supplies and finished parts. Raw materials are commodities which are consumed in production or are used in the course of manufacture. When these material from a part of the finished product and can be conveniently charged to specific product, Job or work process, they are known as direct material. But when they cannot be specifically assigned to a particular job or unit of product, they are known as indirect materials. Through these material are sometimes physically incorporated in the product but due to their negligible value, they cannot be conveniently charged to specific unit of cost. Examples of such item are filter, cloth, house pipe, drums, plastic bags etc. While indirect materials, which are consumed in the course of manufacture but are not physically incorporated in the finished product, are known as factory supplies. These include such items as oil, grease and wastage for machines, and cleaning material for the workshop.

In assembly type of production, some component may be manufactured in advance and stored. These are known as finished parts. They are used in completing the final product in the assembly work and become direct material while re-entering the assemble line. Finished parts are also some times sold as replacement parts. Purchased parts are those parts purchased from other companies and used in assembly work. Depending upon the relative cost advantage, finished parts may be purchased instead of being produced by a concern. These parts constitute another item of direct material. In Automobile companies the direct material may include raw material can be classified in the form of active material and non-active material.

### **Review of Literature**

Materials cost control is a process for planning, executing and controlling field and office activities in construction. The goal of materials cost control is to insure that construction materials are available at their point of use when needed. The material cost control system attempts to insure that the right quality and quantity of materials are appropriately selected, purchased, delivered, and handled onsite in a timely manner and at a reasonable cost. Materials management is the system for planning and

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