

- x) Neatness in stores to facilitate physical verification.
- xi) Co-ordination and supervision of staff in the stores department.
- xii) Periodical review of various scales, measuring instruments, conversion ratios etc.
- xiii) Protect stores from fires, rust, erosion, dust, theft, weather, heat, cold, moisture and deterioration etc.

(a) Re-ordering Level

Re-ordering level is that point of level of stock of a material where the storekeeper starts the process of purchase requisition for fresh supplies of that materials. This level is fixed somewhere between the minimum levels in such a way that the difference of quantity of the material between the re-order minimum level will be sufficient to meet the requirements of production until the fresh supply of the materials is received.,

Re-ordering Level = Maximum Level x Minimum re-order period.

Here, maximum re-order period means the maximum period taken to get the material once the order for new material is placed. It has taken the maximum period and maximum consumption during that period so that factory may not stop production due to shortage of materials.

(b) Economic Ordering Quantity

The quantity of material to be ordered at one time is known as economic ordering quantity. This quantity is fixed in such a manner as to minimize the cost of ordering and carrying the stock. The total costs of a material usually consist of:

Total acquisition cost + total ordering cost + total carrying cost. Since the acquisition cost per unit of material is same whatever is the quantity purchased, it is usually excluded when determining the quantity of a material to be ordered at one time. The only costs to be taken care of are the ordering costs and carrying costs which vary with the quantity ordered.

Carrying Cost: It is the cost of holding the materials in the store and includes:

1. Cost of storage space which could have been utilized for some other purpose.
2. Cost of bins and racks
3. Cost of maintaining the materials to avoid deterioration.
4. Amount of interest payable on the amount of money locked up in the materials.
5. Cost of spoilage in stores and handling.
6. Transportation cost in relation to stock.
7. Cost of obsolescence of materials due to change in the process or product.
8. Insurance cost
9. Clerical cost etc.

Ordering Cost: It is the cost of placing orders for the purchase of materials and includes:

1. Cost of staff posted in the purchasing department, inspection section and stores accounts department.
2. Cost of stationary postage and telephone charges.

Thus, this type of costs includes cost of floating tenders, cost of comparative evaluation of quotations, cost of paper work, and postage involved in placing the order, cost of inspection and cost of accounting and making payments. In other words, the cost varies with the number of orders. When the quantity of materials ordered is less, the cost of carrying will decrease but ordering cost will increase and vice versa.

c) Minimum Level or Safety Stock level