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AN ANALYSIS ON COST MANAGEMENT

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ABSTRACT

The analysis investigates Sri Sai Housing in Chennai through its cost management system practices. The research evaluates both performance measurements of cost management systems and looks for improvement possibilities. The inspection examined all financial system aspects along with control techniques for costs and inventory management practices across the entire organization. The current management practices for costs at Sri Sai Housing require additional development options which achieve satisfactory performance levels.

Through the combination of raw material turnover ratio with the inventory turnover ratio the company displays effective inventory management but results from inventory holding period and inventory to working capital ratio indicate room for improvement. Sri Sai Housing will improve their cost control system by implementing decision analysis through ABC and HML together with 3x3 matrix analysis according to the study. Market expansion and research development funding along with new inventory system software transitions will bring advantages to the company. Sri Sai Housing demands powerful cost management practices to achieve success because it needs to implement all proposed performance improvement measures to excel.

INTRODUCTION

Current organization assets include cost at a primary level. The organization depends on these assets to produce their final products. Major cost reductions can be obtained in this area. Financial operations view cost decision-making as both risk-borne and influential in terms of their financial impact. The management process for cost stands apart from other current assets due to its exclusion of financial administrators from involvement. The complete organizational structure engages in managing costs through finance, marketing, production and purchasing departments. Financial managers need to accommodate different functional views about Cost levels to meet the shareholder wealth maximization goal.

Excessive inventory accumulation generates similar operational disturbances as shortage-based disruptions do to planned manufacturing and marketing operations. Overstocks create extra costs and diminishing profitability because they require additional storage space along with increased working capital requirements along with product deteriorations and insurance expenses and taxation needs and product obsolescence losses.

REVIEW OF LITERATURE

Ogbo, Ann I and Wilfred I. Ukpere (2024), "The Impact of Effective Cost Control Management on Organisational Performance". A research investigation evaluated the impact that Cost management system effectiveness has on organizational performance at Seven Up Bottling Company Nile Mile Enugu. The researchers conducted their research to demonstrate how essential effective Cost control systems are for bottling organizations' performance. Eighty-three participants form the research sample. Organizations benefit from Cost control management because it enables easy material storage while improving sales output and lowering operational costs. Operational feasibility and the utility of Cost control management function within customer-related organizational issues mutually influence the cost effectiveness method through which organizations generate higher return on investment. Managers of all organizations must develop expertise in Cost control management because it stands as a vital operational area. Businesses should choose the Cost keeping approach which matches their operational needs.

Dr. Angel Raphella. S , Mr. Gomathi Nathan. S and Ms. Chitra. The authors Dr. Angel Raphella. S and Mr. Gomathi Nathan. S and Ms. Chitra. G published "Cost Management- A Case Study" in 2024. The uncertain economic conditions have forced organizations to look for substitute methods to maintain their market competitiveness. The analysis examines the existing forecasting model of the company while suggesting a Cost control model solution for their present issue. The company received recommendations to use Economic Order Quantity (EOQ) alongside Reorder Point which enabled them to decrease their product stock out occurrences. When production raw materials become scarce it results in process interruptions that decrease productivity levels. First through ABC analysis the Cost control system determines key multiple products and separately develops economic order quantity (EOQ) for each item to generate its individual Cost model equation.

Maigua Martin and Dr. Amuhaya Iravo (2023), "Effect of Cost Control Management on Mumias Sugar Retailers' Satisfaction Level: A Survey of Mumias Sugar Retailers in Kiambu County, Kenya". This research examined Cost control management's effect on Mumias sugar retailers' satisfaction to establish both its outcomes and recommend an improvement framework. The research objectives focused on assessing warehousing and distribution impacts on Mumias sugar retailers' satisfaction level and exploring stock

replenishment methods while also evaluating Cost storage and retrieval systems and Cost costs for understanding their influence on satisfaction level.

OBJECTIVE OF THE STUDY

- This research investigates Cost management system activities at Sri Sai Housing in Chennai.
- An evaluation of the Present Cost control technique as it functions in the company remains the study focus.
- The research defines the analysis of various ratios to inspect the financial structure of the organizations.
- The organization requires an assessment of its ideal cost management system

NEED FOR THE STUDY

- The evaluation of Sri Sai Housing's cost management systems will determine their performance effectiveness.
- Sri Sai Housing needs to find all improvement opportunities within its cost control methods.
- Organizational financial decisions use financial system and ratio analysis as a basis for business guidance.
- Sri Sai Housing should implement the best cost system by receiving recommendations from financial consultants.

SCOPE OF THE STUDY

- The research enables observation of cost management systems at Sri Sai Housing in Chennai.
- The Study will help employees understand the best cost procedures to enhance company performance.
- The added benefit of this study will allow students to learn real-world practices regarding purchasing procedures at SRI SAI HOUSING for material procurement and inspection and storage practices.

LIMITATIONS OF THE STUDY

- The research selection focuses only on vital raw materials but fails to include all materials needed.
- Distinct percentage rates play a role when organizations classify their items for different analyses.
- The study analyzes cost management systems exclusively thus excluding various operational aspects of the company.
- The study depends on reliable and accurate recorded data while the data collection process might lack objectivity.
- The absence of certain numerical data used for ABC analysis limited the abilities of this research.

RESEARCH METHODOLOGY

A structured system guides research investigations of problems and this study on Sri Sai Housing cost management practices adopts such an approach. Data collection and analysis in this research makes use of both qualitative and quantitative methods under a case study method.

DATA ANALYSIS TOOLS

- ABC Analysis
- HML Analysis

ABC analysis

In supply chain, ABC analysis is an Cost categorization method which consists in dividing items into three categories, A, B and C: A being the most valuable items, C being the least valuable ones. This method aims to draw managers' attention on the critical few (A-items) and not on the trivial many (C-items).

HML analysis

This analysis is similar to ABC analysis but here the criterion is price instead of usage value. The items in this analysis are classified into three groups, i.e. high, low and medium. The management decides the cutoff lines or prices for the three categories. This analysis helps to keep control over consumption as per the price and helps to assess storage and security requirements, i.e. the high priced items are to be stored in the cupboards. it helps to outline the buying policies to delegate authorities to buyers.

TABLE NO – 1

ABC ANALYSIS

The items under "A" classification is small and is high usage value, where as items under "B" is of medium numbers having medium usage value and "C" classification has high number of items and low usage value.

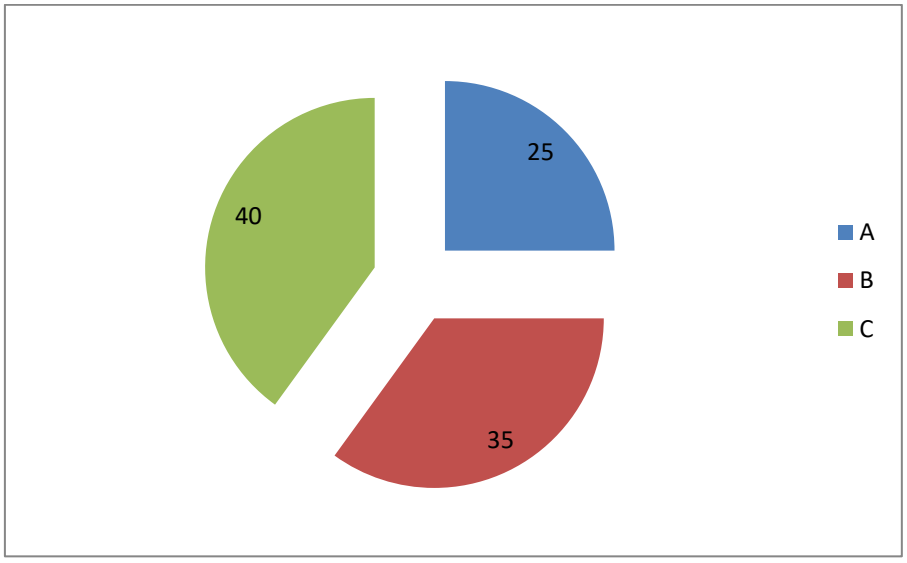
S.No	Items	Value	Cumulative frequency	Classification
1	BLADE SHAFT	530829	530829	A
2	53 T GEAR	510015.58	1040844.58	A
3	IDEAL GEAR	368908.2	1409752.78	A
4	MAIN HANDLE	359874.9	1769627.68	A
5	42 T GEAR	287228.77	2056856.45	A
6	BALL BEARING 3205	75453.33	2132309.78	B
7	FLY WHEEL	68048.64	2200358.42	B
8	CYLINDER HEAD	66051.37	2266409.79	B
9	32 T GEAR	54800	2321209.79	B
10	SIDE FRAME R	52022	2373224.79	B
11	GOVERNER SLEEVE BODY	48713	2421937.79	B
12	BALANCER DRIVING GEAR	47250.81	2469188.6	B
13	BALL BEARING 5205	44302.5	2513491.1	C
14	BALANCER GEAR UPPER	36762.51	2550253.61	C
15	BALANCER GEAR LOWER	25862	2576115.61	C
16	CAM GEAR	24696.02	2600811.63	C
17	STARTING GEARS	16474.88	2617286.51	C
18	CC COVER	16222.25	2633509.01	C
19	DOG CULTCH	8835.76	2642344.77	C
20	BALANCER IDLE GEAR	1004.02	2613348.79	C

Table -1.1

CLASSIFICATION OF ABC ANALYSIS

Class	No of items	Percentage of total value of items
A	5	25
B	7	35
C	8	40
Total	**20**	**100**

Chart 1.1



INTERPRETATION

- Five items belong to 'A' category and account for 78.70% of the consumption value.
- Seven items belong to 'B' category and account for 15.58% of the consumption value.
- Eight items belong to 'C' category and account for 5.52% of the consumption value

TABLE NO – 2

HML ANALYSIS

Under HML analysis materials are classified into three heads as High valued, Medium valued and Low valued items. This is done on the basis of the unit value of stores.

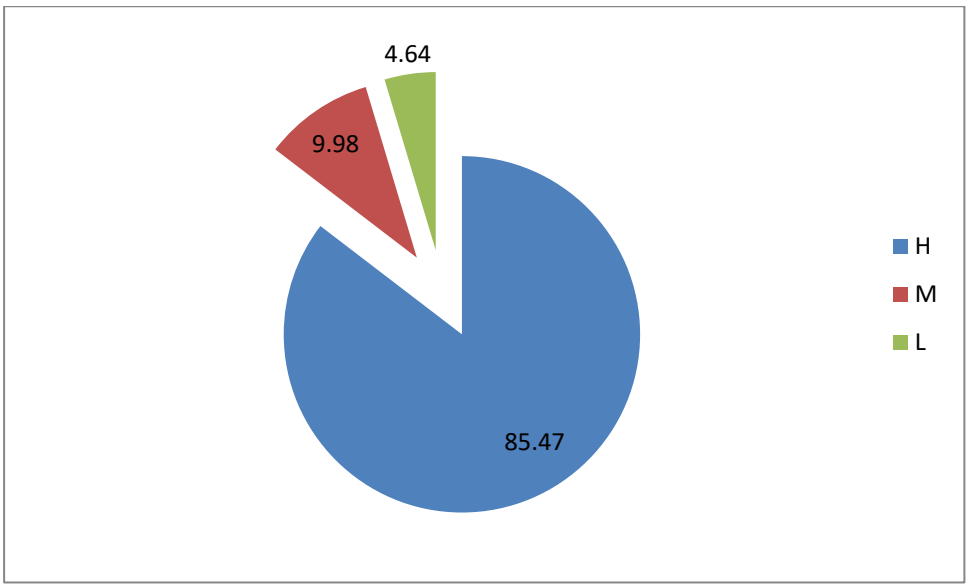
S.No	ITEMS	RATE	VALUE	CUMULATIVE FREQUENCY	CLASSIFICATION
1	FLYWHEEL	1546.56	68048.64	68048.64	H
2	BLADESHAFT	1179.62	530829	598877.64	H
3	CYLINDER GEAR	857.81	66051.37	664929.01	H
4	MAIN HANDLE	634.7	359874.9	1024803.91	H
5	53 T GEAR	602.14	510015.58	1534819.49	H
6	SIDE FRAME R	520.15	52022	1586834.49	H
7	42 T GEAR	353.29	287228.77	1874063.26	H
8	CC COVER	324.45	16222.5	1890285.76	H
9	IDLE GEAR	279.99	368908.2	2259193.96	H
10	DOG CLUTCH	274	54800	231399.96	M
11	STARTING GEARS	232.52	8835.76	2322829.72	M
12	BALL BEARING 5205	219.67	16474.88	2339304.6	M
13	BALL BEARING 3205	196.9	44302.5	2383607.1	M
14	CAM GEAR	193.97	75453.33	2459060.43	M
15	BALANCER GEAR UPPER	178.9	24696.02	2483756.45	M
16	BALANCER GEAR LOWER	155.78	36762.51	2520518.96	M
17	BALANCER DRIVING GEAR	134	25862	2546380.96	L
18	GOVERNER SLEEVE BODY	113.62	47250.81	2593631.77	L
19	BALANCER IDLE GEAR	69.59	48713	2642344.77	L
20	BALANCER IDLE GEAR	6	1004.02	2643348.79	L

Table – 2.1

CLASSIFICATION OF HML ANALYSIS

Class	No of items	Percentage of total value of items
H	9	85.47
M	7	9.98
L	4	4.64
Total	20	100

Chart – 2.2



INTERPRETATION

- Nine items belong to 'H' category and account for 85.47% of the consumption value.
- Seven items belong to 'M' category and account for 9.89% of the consumption value.
- Four items belong to 'L' category and account for 4.64% of the consumption value.

3 X 3 MATRIXES

TABLE NO – 3

USING ABC AND HML ANALYSIS

Unit Price				
Annual Consumption		H	M	L
	A	Blade shaft 53 T Gear Idle Gear Main Handle 42 T Gear		
	B	Cylinder head side frame R Fly Wheel	32 T Gear Ball Bearing 3205 Balance Gear Upper	Balancer Driving Gear Governor sleeve Body Balancer Idle Gear
	C	CC Cover	Dog Clutch Starting gear Ball Bearing 5205 Cam gear	Balance Gear Lower

INTERPRETATION

The more concentration should be given to materials coming under H and A column. These materials have high unit price and high annual consumption. The items under C and A column needs more concentration as it's per unit cost is high. The items under C and L column need not require strict control.

CONCLUSION

The study concludes that the Cost Control in SRI SAI HOUSING is maintained at a satisfactory level. Sri Sai Housing can improve its Cost Control System by implementing the various analysis like ABC analysis, HML analysis and 3x3 matrix analysis. The company should undertake proper maintenance of machinery, inspection of material and avoid pilferage in order to reduce abnormal wastage and achieve cost reduction.

Sri Sai Housing should focus on reducing abnormal wastage and achieving cost reduction through proper maintenance of machinery, inspection of materials, and prevention of pilferage. This can be achieved by implementing a robust inventory management system, training employees on cost control practices, and regularly reviewing and updating its cost control policies.

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