

A STUDY ON COST AND SUPPLY CHAIN MANAGEMENT

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ABSTRACT

Nowadays, as consumption and production are growing enormously fast, companies are seeking for costs reduction aimed at ensuring competitiveness. In manufacturing companies, supply chain expenses play a colossal role in the cost of the final product. This paper focuses on the main processes in the logistics chain and their components. The authors analyse the relationship between the supply chain expenses and the price of the final product, the classification of logistics chain costs and their minimization as an assumption for the competitiveness of the final price.

Keywords: consumption and production, supply chain, logistics chain.

1. INTRODUCTION

Cost management is the process of planning and controlling the budget of a business. Cost management is a form of management accounting that allows a business to predict impending expenditures to help reduce the chance of going over budget.

Cost management is employed by many businesses as an integral part of business management. Cost management is also considered a form of management accounting that helps to identify future expenditures in a business to reduce budget overages.

When cost management is applied to a specific project, the expected costs in the business are analyzed in the beginning phase of the planning period. The project manager then approves the predicted expenses in purchasing the materials required for the project.

The costs and expenses are recorded and monitored during the project execution period to ensure that the cost is in line with the actual cost management plan. Once the project is complete, the actual costs are compared with the predicted costs, which will help in predicting future expenses.

Supply chain management is the management of the flow of goods and services. It includes the movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption. Interconnected or interlinked networks, channels and node businesses are involved in the provision of products and services required by end customers in a supply chain. Supply chain management has been defined as the "design, planning, execution, control, and monitoring of supply chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand and measuring performance globally."

The management of upstream and downstream value-added flows of materials, final goods, and related information among suppliers, company, resellers, and final consumers. The systematic, strategic coordination of traditional business functions and tactics across all business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole.

Supply chain management is a cross-functional approach that includes managing the movement of raw materials into an organization, certain aspects of the internal processing of materials into finished goods, and the movement of finished goods out of the organization and toward the end consumer. As organizations strive to focus on core competencies and become more flexible, they reduce their ownership of raw materials sources and distribution channels.

These functions are increasingly being outsourced to other firms that can perform the activities better or more cost effectively. The effect is to increase the number of organizations involved in satisfying customer demand, while reducing managerial control of daily logistics operations. Less control and more supply chain partners lead to the creation of the concept of supply chain management. The purpose of supply chain management is to improve trust and collaboration among supply chain partners, thus improving inventory visibility and the velocity of inventory movement.

Main Advantages of cost management and Supply Chain management:

1. Satisfying the needs:

Managers appreciate cost accounting because it can be adapted, tinkered with and implemented according to the changing needs of the business whereas supply chain management brings an innovation in logistics industry. It is the management processes for the collection of interlinked channels, networks and services and products packages delivered to the end user in a supply chain.

2. Analyzing the trends:

It helps in analyzing the long term trends of the business. It helps in Analyzing the business positioning in terms of making an acquisition factoring the cost component involved whereas the supply chain management mainly aims to the customer satisfaction with the reduced cost and increased productivity.

2. REVIEW OF LITERATURE

TITLE

Supply chain cost research: a bibliometric mapping perspective

AUTHOR: Edgar Ramos

SOURCE: Benchmarking: An International Journal

Abstract: Purpose

The purpose of this paper is to review the literature on logistics and supply chain costs to provide an analysis of sources of publication, citations and authorship using bibliometric analysis techniques (VOSviewer and CitNetExplorer tools).

Design/methodology/approach- A review of 756 articles published during the period 2014 to 2019 referenced in the Scopus database was performed. The review was limited to articles published in English and directly related to logistics and supply chain costs.

Findings- This research highlights important areas of attention for both researchers and practitioners considering costs associated with logistics and supply chain operations and strategies. The results can also help identify thematic areas, journals and topics for future research. The paper identifies and proposes research areas to contribute to the literature when challenges to investigating logistics and supply chain costs are discussed.

TITLE- Several authors have investigated cost-related issues in the supply chain. For instance, Seuring and Muller (2008) stated that possible cost reductions had increased attention on implementation, legislative and environmental problems. Chen and Notteboom (2014) discussed the importance of value-added logistics services in cost terms to the supply chain. Hafezalkotob and Khalili-Damghani (2015) sought to minimise logistic costs and maximise service level in a three-echelon multi-product supply chain. Lihua Chen et al. (2018) developed a cost-based decision model is presented for determining integrated decisions involving capacity management and delivery performance. Hu et al. (2019) determined who should invest in reducing cost in a supply chain consisting of one manufacturer and one retailer. Hames et al. (2019) analysed reverse logistics by calculating the costs of all specific activities in advance. Also, in recent years academics have addressed specific issues such as risk management (Vishnu et al., 2019), resiliency (Datta, 2016) and supplier management (Xiao et al., 2020). The studies mentioned above provide relevant information on costs through structured theories and their classification for future research topics.

OBJECTIVES:

1. To ascertain the cost per unit of different products manufactured by the business.
2. To provide requisite data and serve as a guide for fixing prices of products manufactured or services rendered.
3. To present and interpret data for management planning, evaluation of performance and control.
4. To organize an effective information system so that different level of management may get the required information at right time in right form for carrying out their individual responsibilities in an efficient manner.
5. To supply useful data to management for taking various financial decisions.

3. RESEARCH METHODOLOGY

RESEARCH GAP ANALYSIS

The project investigated on prospects of supply chain management and cost to probe Aligarh entrepreneur's business acumen.

Need For The Study- To achieve that degree of savings, though, you have to know where to look. As this article will discuss, there are seven areas that consistently offer opportunities for supply chain cost savings for businesses of all

sizes and across all industries. Because these seven opportunities apply to almost every aspect of supply chain management, you can be systematic in your approach to improvement. This is important given the broad scope of the supply chain, which extends beyond your company to include both suppliers and customers. A systematic approach also is important because of the variable requirements supply chain managers must manage: big volume and small volume; large orders and small orders; frequent and less frequent deliveries; special handling needs; temperature control; city and country locations ... and the list goes on.

Scope Of The Study- The study covers the concept of cost management and supply chain management of the organization. The study also shows the role of the supply chain management in the cellular industry. It is risky task to cover all the concepts of cost management and supply chain management therefore it is restricted to all the major movements of the company.

Methodology

The research methodology involves both the primary data and as well as the secondary data of the provision that has been made by the Reliance Communications Limited. The data collected has been processed from both the sources.

Types of data

1. Primary data:

The data which is collected from the primary data or primary source has been taken from Reliance Communication Limited through personal interaction with the senior managers and executives.

2. Secondary data:

- The secondary data is collected from the journals, books, websites and newspapers e.t.c., and is projected in the form of tables and graphs for elective analysis.
- The internship for the project has been done for 45days.

Source of data:

The primary source for the project is obtained from the secondary data collected from journals,books,websites and newspapers etc.

Tools of Collecting Data:

- Profit and loss account of operations of Reliance communications
- Income and expenditure account of Reliance and Airtel
- Comparison of P&L account of Service industry.

Limitations Of The Study

- Time constraint was a major limiting factor. Forty five days were insufficient to even grasp the theoretical information.
- Due to the corporate trade secrecy the information is not so exclusive.
- While attempts were made in the selection of the Ignite evaluations to ensure a range of different innovative programmes, there is a lack of usage of knowledge and technology.
- Difference between the theory and practice.

4. DATA ANALYSIS & INTERPRETATION

1. Profit and loss account of operations of Reliance communications.

Particulars	P/l account	
	Rs	%
income		
Total income	12445	
acceses chargeslic exp	7855	63.12%
employee benefit exp	286	2.30%
finance cost	1796	14.43%
dep n exp	3272	26.29%
dep against pro for business	47	0.38%
dep adjusted against gen res 3	1177	9.46%
sales n gen adm exp	1218	9.79%

Total expenses	13203	106.09%
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2. Income and expenditure account of Reliance and Airtel.

Particulars	Reliance	Rs	%	Airtel	Rs	%
income		12445			7301.5	
Expenditure						
accesses charge liscence&network		7855	158.43%		12769	57.18%
employee benefit expenses		286	0.00%		1648	0.00%
Sales & administration exp		1218	100.00%		9860	100.00%
finance cost		1796	3.64%		2	12.91%
other expenses		0	15.51%		9271	77.22%

3. Income and expenditure account differences of Reliance an Airtel.

Particulars	Rs	%	Rs	%	Difference
income	12445		50771		
Expenditure					
accesses charges license&network exp	7855	63.12%	12769	25.15%	-37.97%
employee benefit expenses	286	2.30%	1648	3.25%	0.95%
Sales & administration exp	1218	9.79%	9860	19.42%	9.63%
finance cost	1796	14.43%	2	0.00%	-14.43%
other expenses	0	0.00%	9271	18.26%	18.26%

4. Comparison of P&L account of Service industry.

Comparison of P&L account of service industry	Bharathi airtel		Idea cellular		Reliance comm	
Particulars	Rs in crore	%	Rs in crore	%	Rs in crore	%
Revenue						
Net sales	49918.5		26110.4		12409	
Expenditure						
Raw Materials consumed	1.2	0.00%	0	0.00%	0	0.00%
Power and fuel	4169.7	8.35%	2283.22	8.74%	1063	8.57%
Employee cost	1648.1	3.30%	1161.01	4.45%	286	2.30%
Other manufacturing expenses	17208.7	34.47%	12520	47.95%	6792	54.73%
General administration	6764.7	13.55%	283.22	1.08%	1484	11.96%
Selling & distribution Exp	2906.1	5.82%	2404.55	9.21%	812	6.54%
Miscellaneous expenses	920.2	1.84%	206.07	0.79%	155	1.25%
Stock	1	0.00%	0	0.00%	0	0.00%
Total Expeenditure	33619.7	67.35%	18858.07	72.22%	10592	85.36%

5. Revenue operations activities of the Reliance communications in monthly basis

		month1	month2	month3	month4	month5
population		5000	5005	5009	5014	5018
population growth		0.09	0.09	0.09	0.09	0.09
teledensity	70.00%	70	71	72	73	73
market		3500	3553	3594	3635	3676
opening balance		0	200	390	580	770
Gross adds		200	200	200	200	200
churn	5.00%	0	10	10	10	10
net adds		200	190	190	190	190
closing base		200	390	580	770	960
Average Base		100	295	485	675	865
ARPU		125	126	127	128	129
Revenue		12500	37170	61595	86400	111585

operations	GL code	monthly commission	april	May	June	July
post paid commission	1001	10000	10000	10000	10000	10000
pre paid commission	1002	10000	10000	10000	0	10000
DST salary	1003	10000	10000	10000	10000	10000
TSM salary	1004	10000	10000	10000	10000	10000
adv on post paid	1005	10000	10000	10000	10000	10000
adv on pre paid	1006	10000	10000	10000	10000	10000
Total			60000	60000	50000	60000

5. CONCLUSIONS

The study allowed us to get answers regarding the service awareness among people and the problems it faces.

1. A large number of clients and customers will be appeared every day. And have to deal with customers or clients in the keenness that shows the attitude of the employee as well as the organization.
2. The services provide by the organization does offer main and all the requirements of the clients or customers when the customers need to take the services from the organization.
3. All the respondents wanted to carry out the servicing needs of their convenience. This means the service caters the customer's needs that generally require and its main benefit of services is providing exact and accurate information.
4. Customers will not aware that the services as a free one, this is clear that almost all the attributes of the services are favorable to the customers still customers are not using the service and are not even aware of it.
5. Few of the respondents were aware about the service which has desired by cent percent clearly showing that there has been a falter in his promotion and awareness strategies.

6. REFERENCES

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