

The alternative to such a system is the use of actual costs, determined on any one of a number of generally accepted bases. This normally involves the recalculation of such costs every time an item is purchased and the entering of dollar values of receipts, issues, and stock on hand each time goods are purchased or issued.

The standard price system, while not as sensitive to price changes as the other systems, particularly where highly current or accurate cost data is required, provides equally effective control over stores and an adequate basis for charging stores to the user divisions or posts with only a fraction of the clerical effort required.

Under this system, quantities issued and received are entered as they are now, on the stock cards. The standard price in effect for each item is also noted on the card for that item. Periodically a list is prepared of the quantities shown by the records as being on hand for each item. This list is extended by using the respective standard prices of the items and totalled. The resulting figure should equal the balance in the control account.

The control account should be maintained by the financial staff of Material Management Division. Depending on the volume of supplies involved and the difficulty that may be encountered in balancing physical counts with the control account, it may be necessary to maintain separate control accounts for the principal types of inventory (forms, stationery, general office supplies, etc) held in stores.

The control accounts would be kept up-to-date on the basis of information derived from two sources - purchases and requisitions. As mentioned previously, purchases would be converted to a standard price basis - by multiplying the number of items purchased by the standard price of the item - and entered into the appropriate control accounts at standard.