



## Students' Corner - 152

### Finished Goods is the topic for this session



Example for a finished product: car

As the name itself suggests, the process of manufacturing has been completed unlike in Work-in-process. The product is ready for sale. In fact goods purchased in completed forms before sale to customer is generally known as merchandise.

Cars, food, furniture and dresses are popular examples of finished goods.

Finished goods refer to the last stage in the processing of goods.

There are many words that denote finished goods. Some of them are end product, outcome, final product, final result, so on.

Finished goods are crucial for the very functioning of Supply Chain. From the point of delivery plant to the point of sale to the customer, all activities are Supply Chain activities that actually refer to the movement of the goods, from production to distribution.

Before discussing finished goods inventory cost, it is essential that inventory reduction must be given due attention. In fact reduction in inventory requires strategic planning beginning from the purchase of raw materials to storing finished goods passing through the intermediate phase of warehousing.

Reduction in inventory in the final analysis saves money; as the popular saying goes, money saved is money earned. In business it is exactly a fact. Money not saved is money spent; it may be ill-spent as well. Money saved through reduced inventory places some strength in the finance of the company; it can plan and spend, rather, invest productively. Reduced inventory proves in many ways sources of cost saving; buying less raw materials, lesser production leading to lesser labour cost and even

lesser shipment expenses. All these activities are generally undertaken in the background of a sound strategic planning that includes, among other things, acute market sensibility; an efficient and responsive planning.

The cost of finished goods includes three major components that go into the process of production of goods: Direct labour, Direct materials and Overhead. Let us briefly study these three facts.

#### Direct Labour

The cost of the direct labour depends on the kind of goods produces, the kind of machines used, the number of labourers involved and the number of hours required for the production of goods. Of course, with proper accounting taking into consideration all the above factors, the cost for one unit of inventory may be calculated.

#### Direct Materials

All the raw materials needed in the production of the goods are included in the cost of the direct materials. Raw materials cover not only the essential things required for the production but also those ancillary things like threads and labels. Any small item if used in the process of production naturally costs some money, however little it might be.

#### Overhead

All the expenses other than those included in Direct Labour and Direct Materials come under this category called Overhead. For example, cost of insurance and taxes, of depreciation of infrastructure and equipments. All these involve some money. These are brought under Overhead.

In the next session, we shall look into MRO Goods.

## Blue economy - Wave 7

(Series on "Blue Economy" By Capt. Gajanan Karanjikar)



Capt. Gajanan Karanjikar  
Multimodal Logistics Expert

### Blue economy in Indian context and Challenges:

*"To me the Blue chakra or wheel in India's national flag represents the potential of Blue Revolution or the Ocean Economy. That is how central the ocean economy is to us."*

- PM Modi

Prime Minister Modi's Indian Ocean Vision India's holistic vision for the Indian Ocean region was articulated by Prime Minister Modi during his visit to Mauritius in March 2015.

*It has the following key objectives and elements:*

1. Safeguarding our mainland and islands and defend our interests.
2. Deepening economic and security cooperation with our friends in the region, especially our maritime neighbours and island states.
3. Collective action and cooperation for peace and security in India's maritime region.
4. A more integrated and cooperative future that enhances the prospects for sustainable development for all.
5. Primary responsibility for security rests with IOR countries, while extra-regional countries would be engaged through dialogue, visits, exercises, capacity building and economic partnership.

PM Modi summarised his approach by stressing that India sought a future for the Indian Ocean that could live up to the name of SAGAR – Security and Growth for All in the Region. He also asserted that India was ready to work with all regional partners to create a prosperous, secure and developed Indian Ocean region. (Extract from FICCI - Blue Economy Vision 2025)

PM Modi christened India's

vision for the Indian Ocean Region as SAGAR which in the Indian language of Hindi means the 'sea' and when expanded, stands for – Security And Growth for All in the Region.

India opines that the Indian Ocean Rim Association (IORA) has an important role to play in this context. Bringing out the importance and centrality of the 'Blue Economy' to India, the

Indian Prime Minister said that the blue chakra or wheel in India's national flag represents the potential of the Blue Revolution or Ocean Economy.

### The definition of Indian economy in Indian context stands as follows:

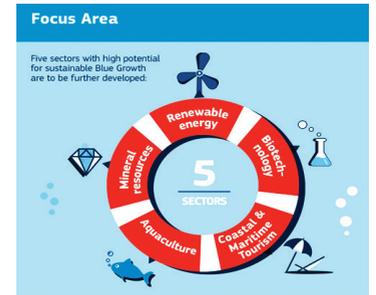
Blue Economy is sustainable development of aquatic and marine-based economic activities that leads to economic growth and social equity, while preserving and restoring the nation's environmental health.

*The relevance of key words in the definition is appended below:*

- Sustainable – earth's resources should be preserved for future generations.
- Development – must lead to economic wellbeing of people.
- Aquatic – fresh water activities.
- Marine – sea water activities.
- Equity – socially inclusive growth.
- Preservation – preserving the current resources.
- Restoration – the state of the environment before the uncontrolled exploitation took place needs to be restored.

Federation of Indian Chamber of Commerce (FICCI) In April 2017, FICCI published a Knowledge Paper titled **Blue Economy Vision 2025 – Harnessing Business Potential for India Inc** and International Partners to commence business-driven discourse to meet the future challenges to Blue Economy. *The Paper tries to make a convincing argument that the current estimated asset value of the oceans is US\$ 24 trillion, with an annual value addition of US\$ 2.5 trillion.*

India's Exclusive Economic Zone (EEZ) extends to 2.02 million sq km and the continental shelf area to 0.18 million sq km. The Indian coast supports about 30% of 1.25 billion Indian populations and the eco-system



is known for high biological productivity of rich fauna and flora. Maximum exploited marine fisheries resources from the coastal area have been reported from the present fishing grounds up to 200m depth. However, due to urbanization and anthropogenic activities, the coastal fisheries are being faced with several threats due to indiscriminate fishing, habitat degradation and pollution. Apart from its major support, it gives emphasis on fisheries, sea energy, ports and naval sea bed, ocean studies and marine biology and biotechnology research. Thus, there lies great potential for marine aquaculture, capture fisheries, fish processing, offshore wind, and port based activities to provide employment. The promising sectors viz. capture fishery and aquaculture, novel marine products of high value drugs, chemicals and bio-products, mineral resources for oil and gas, deep-sea mining and hydrocarbon, renewable energy resources for wave energy projects and offshore wind energy are also on cards.

*The economic richness of Blue Economy and its drivers the oceans is represented by the variety of:*

- living resources (fish and marine vegetation which provide human protein and feed for other species),
- material goods (hydrocarbons, minerals, sand and gravel),
- services (shipping, ports, shipbuilding, fishing, tourism), and
- Renewable energy (wind, wave, tidal, thermal and biomass).

A more relevant source for the term is the resolution adopted by the General Assembly of the United Nations in September, 2012 that came from the Rio +20 conferences on sustainable development. That resolution, entitled 'The Future We Want', contained an extensive section (Section 15, paragraphs 158 to 177) outlining the multiple issues shaping sustainable ocean development. (UN General Assembly, 2012) But, the term 'blue economy' never actually appears in the document.

(To be continued...)