



# COST AND MANAGEMENT ACCOUNTING

*By Dr. S N Maheshwari*

*Sultan Chand & Sons.  
13<sup>th</sup> Edition 2006*

*Pages. 1265, Price Rs. 325/-*

*Reviewed By:  
Ms. Upasana Diwan  
Faculty*

*Delhi Institute of Advanced  
Studies*

The business environment has undergone a revolutionary change due to free competition and globalization. The whole world has become a global village where products and services are highly competitive and when such changes occur in the business, accounting must reflect those changes. Unfortunately, many accounting systems have yet to catch up with the manufacturing procedures that were introduced in the last decades of the 20<sup>th</sup> century. Managers of companies that fail to make appropriate modifications in their accounting systems will ultimately discover they have inaccurate product cost figures and lack of data for making decisions, moreover, they may lose their competitive edge because they do not have the necessary information for operating in the new manufacturing environment. Whatever the challenges in manufacturing and the service sector, it is clear that managers need relevant, accurate and complete cost information without which they will be unable to make the important decisions they face. As a result, cost management has gained special importance in all business activities.

Accountants are traditionally

concentrated on recording the past; however these days accountants are increasingly involved in helping to formulate policy for business organizations, providing information for decision makers and frameworks for making those decisions.

The book "Cost and Management Accounting" is an excellent and contains comprehensive illustration which reflects above changes. It is strategically subdivided into five sections that help the reader to assimilate the topics in a systematized and organized manner. These sections consist of a number of convenient and independent chapters dealing comprehensively with the text and examples for better clarity and understanding. (All the sections, apart from mandatory changes, have incorporated question which are adopted by institutions conducting professional and non-professional examinations.)

Section 1 comprehensively and in an illustrative manner, traces the development and functions of accounting. It also consists of concepts, which clearly put in front of us the difference between financial accounting, cost accounting and management accounting. Accounting fundamentals are

discussed in detail in chapter 1-3. The latest developments in the Accounting Standards have been incorporated in chapter 2 titled "Financial Accounting Principles" which is an indicator of the fact that the author has made a genuine endeavour to update the knowledge for the benefit of the students.

Section 2 of this book consists of "Financial Analysis" which provides a unique and perfect blend of robust financial statement analysis and interpretation. Accounting as a language serves as a medium of communication to all, whether they have direct or indirect stake in the business, viz. the proprietors, creditors, investors, bankers, government, competitors, employees and other agencies. Accounting organizes and summarizes information so that decision makers can use it. The real value of any accounting system lies in the information it provides. Chapter 2-4 consists of accounting ratios, funds flow statement and cash flow statement, which are the tools that help in providing in depth understanding and knowledge of an organization.

Section 3 of the book highlights the fact that planning has become the primary function of management these days. Most of the planning relates to individual situations and proposals which are supplemented and reinforced by overall periodic planning followed by continuous comparison of the actual performances with the planned performances. Chapter 1 consists of budgetary control as a management tool for effective planning. Chapter 2-6 deal with concepts of marginal costing, profit planning and decision making which are the essence of management since it may make or mar the success of a business as a whole. Uncertainty is our opponent and overcoming it becomes our mission.

Cost concepts and methods are discussed in Section 4. It consists of 17 chapters, which have been put together in a synchronized, and user-friendly manner, which assists the reader to grasp the ideas thoroughly. Chapter 1 and 2 provide a survey of basic cost concepts, such as fixed cost, variable cost, direct cost, indirect cost, product cost, period cost, opportunity cost, sunk cost, differential cost, joint cost, common cost and other cost concepts. Chapters 3-10 discuss in detail, each of the components making up the cost of goods manufactured- materials, labour, overhead

costs and expenses. Chapters 11-16 describe in great detail cost accumulation methods, such as single costing, job costing, process costing and operating costing respectively. Chapter 17 is devoted to cost control techniques such as reconciliation of cost and financial accounts.

In section 5, chapters like inventory valuation, fixed asset and depreciation accounting and accounting for price level changes are included. It has been observed that when financial statements are prepared according to the conventional or historical cost accounting system, accounts are prepared without regard to changes in the price levels. In view of the above the author has used his varied experience and precious views to inculcate these important topics for the readers. This section also consists of AS-7, AS-20 which are related to construction contracts and earnings per share. This book has accomplished well its due sense of appreciation apart from lot of fine-tuning which was called for under the changed scenario. It also serves as a guiding light for students of ICSI and assists them in preparing for the examination in the best possible manner. In order to acquaint the students with the latest examination trends; suggested answers to the questions have been incorporated at the end of the book.

The book is written in a simple, interesting, lucid and self-explanatory manner. The topics are well synchronized and examination oriented approach of the book has been further sharpened and enhanced. At the end of each chapter, objective type, essay type questions, practical questions with short answers have been given for recapitulation and better grasp of the subject

The test of a good writer lies in response to his writing. And undoubtedly Dr. Maheshwari's book stands out amongst the league of similar books. This edition with all the additions, adaptations and modifications has become an indispensable tool in the hands of students. For the benefit of an inquisitive reader, select references have also been incorporated at the end of each chapter. The text matter is accompanied with adequate illustrative material and care has been taken to explain those complex points in detail, which are crucial to the concept. This book sets standards in Accounting where everything is built on a logical and coherent outline.