

*Authors:*

*Dr. S.N. Maheshwari
&
CA Sharad K. Maheshwari*

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Vibha Dua

ACCOUNTING FOR MANAGEMENT

Advancement of technology, at a rapid pace, has shrunk the world into a global village. Information travels from one place to another in a jiffy, and the arrival of quick information results in making the business world more challenging and competitive. The business structures have also moved from brick and mortar models to click and mortar, thereby adding huge value to speed. Precise and quick decision making has therefore become essential in this tough and competitive global environment to improve the profitability and sustainability of business organizations. Business managers take strategic decisions using financial and non financial information available in the accounting records of the organisation. Therefore, in the current scenario amongst all available disciplines, accounting is gaining prominence. Every individual be it business owner, manager or any other must have at least basic accounting knowledge to take right decision in this complex business scenario. Conventionally, role of accounting was limited to recording, classifying and summarizing the financial transaction of a business organisation. However, in rapidly changing business milieu accounting professionals, business managers, entrepreneurs and other concerned parties are required to acquaint themselves with basic knowledge of accounting fundamentals and abreast with the latest amendments in the field of accounting. Keeping this fact in view, the authors have brought out the 3rd revised and enlarged edition of the book "ACCOUNTING FOR MANAGEMENT" with all latest concepts, upgradations and updations relevant to the topics. The book provides an exhaustive coverage through FOUR parts and systematically categorized into IV sections which contain Thirty Six comprehensive chapters.

PART I (Section I) covers the "Accounting Principles and Processes" in Thirteen comprehensive chapters (1-13). Chapter 1 discusses the meaning and scope of accounting which sets the ground for further understanding of the subject. Since organisations may well use diverse policies and principles while preparing their financial statements, it might as well become difficult for the stakeholders to

understand them in the same light. To overcome this dilemma, certain uniform scientifically laid down standards, termed as accounting principles have been developed for the presentation of financial statements to be commonly understood by all. To make this language worldwide intelligible Accounting Standards, 35 Indian Accounting Standards (Ind ASs) which are in line with corresponding IASs/IFRSs, adoptable under the conditions prevailing in the country have been incorporated in the Chapter 2. As we know accounting is the art of recording, classifying and summarizing the financial transactions and interpreting results thereof Chapters 3 and 4 provide the basic understanding about the procedure of recording the business transactions, classifying and summarizing with the help of journal, ledger and trial balance respectively. Keeping in view the inconvenience faced by large size organizations in recording all transactions at one place, authors have explained the procedure of sub-division of journals in many subsidiary books in Chapter 5.

Negotiable instruments are playing pivotal role in the growth of trade and commerce both nationally and internationally. Feature of free transferability of these instruments has made them very popular in the business world. Therefore, it becomes mandatory for the upcoming business managers to understand the accounting aspect of the same. Chapter 6 elaborates the accounting treatment of widely used negotiable instruments namely; Promissory Note and Bills of Exchange. Chapter 7 is devoted to the bank reconciliation statement. Meaning, objective, and importance and technique of preparing of bank reconciliation statement have been thoroughly elucidated in the chapter.

Financial statements provide the glimpses of true financial position of an organisation to its various stakeholders. It is used as a roadmap to steer the business managers or investors in the right direction and help them in avoiding costly breakdowns. For the preparation of financial statements of the business, classification of income and expenditure in capital and revenue, proper valuation of inventory, and charging depreciation on fixed assets is essential. If in

case, the assets are not properly valued financial statements will not reflect the true picture of the business which will be misleading for all the stakeholders of the business. With help of four elaborative Chapters (9, 10, 11, 12) authors have explained the complete process of portraying the actual results of an organisation.

Trial balance ascertains the arithmetical accuracy of ledger accounts, but still certain errors which are not disclosed by the trial balance. Considering the requirement of complete accuracy of accounts, a separate Chapter 13 has been included in the revised addition of the book to enable the students to understand the comprehensive procedure of rectification of errors. The Part II of the book deals with the "Cost Accounting" in two inclusive sections. Section II incorporates concepts and elements of cost in ten (1-10) elaborative chapters. Traditionally, cost accounting was merely considered to be a technique for ascertainment of cost of products or services on the basis of historical data. In the challenging business milieu, cost control has become essential rather than only cost ascertainment. Chapters 1 & 2 impart indepth understanding of the cost accounting fundamentals which helps the readers in better grasping of the complicated costing techniques.

Globalisation has resulted in expansion of businesses across the world and a wide range of products are entering the market. Appropriate methods and techniques are required for controlling the costs of essential components viz. Material, Labour and Overheads for efficient cost management. An understanding of the procedure of materials control will assist the business managers in continuous and adequate supply of materials for conduct of smooth manufacturing operations. The book serves the purpose with the inclusion of complete procedure of the materials cost control and valuation of materials in chapters 3 and 4 respectively. As is rightly said, "Without labour nothing prospers". The cost of the product largely depends upon the efficiency of labour but achieving effectiveness is easier said than done. It becomes mandatory for the managers to be aware with the choice of methods of remuneration, controlling idle time cost and ensuring optimum utilisation of resources to optimise labour costs. All these concepts have been explained by the authors in chapters 6 and 7. Overhead costs are a crucial matter of concern for every organisation, because, everybody has them but nobody owns them. Overheads, also known as supplementary costs, constitute an essential element of cost as they are incurred both for manufacturing a commodity and making it ready for sale. Chapters 9 and 10 deal with the concept of overheads in general and allocation of overhead costs to the end product respectively.

Separate costing method would be applicable on all types of business organisations due to varied nature of operations and characteristics of finished products produced or services rendered. The job of building a house is quite different from running a motor vehicle for a kilometre. Though, in all cases, the basic principles and procedure of costing remain the same but methods and techniques to ascertain cost of their products or services are different. Taking this into consideration, authors have delineated "Costing for Specific Industries" in SECTION THREE comprising of seven chapters (1-7). Chapter 1 discusses the single or output costing; the system is, most

commonly used in case of industries like breweries, brickworks, dairies and sugar mills. All types of manufacturing concerns can broadly be classified into two categories –(i) Mass production concerns (ii) Special order concerns. Special order concerns manufacture products in clearly distinguishable lots in accordance with special orders and individual specifications. In such concerns, it is necessary to keep a separate record of each lot of products or jobs from the time the work on the job or product begins till it is completed. Chapters 2 and 3 present the complete procedure of preparation of accounts according to the job, batch and contract costing. These costing methods are suitable in case of Printing Shops, Construction Companies, Machine Tool Manufacturing, Repair Shops, Wood-Work Shop Etc. When a product passes through different stages of production, each distinct and well defined, process costing is employed. This type of costing is useful in the case of manufacturing rubber products, oils products, chemical products or processed food products, etc.. In Chapter 4 extensive procedure of maintaining the process accounts has been described in very coherent manner. Adequate number of illustrations has been added for better understanding of the subject. Operating costs are the costs incurred by service providers. Most widespread examples of such undertakings are the Transport Concerns, Gas Agencies; Electricity Undertakings; Hospitals; Theatres etc. The varied nature of activities carried out by the service undertakings requires a different costing system. Chapter 5 articulates the concept of operating or service costing and also acquaints the readers with the process of ascertaining the unit cost of a particular service.

The authors have thoroughly revised the book according to the syllabus of GGSIP University MBA students. A new Chapter 7 has been incorporated to comprehend the reconciliation of cost and financial accounts. In large organizations where cost accounts are maintained independent of financial accounts, invariably there is a difference in results shown by the two set of books. Proper reconciliation of cost accounts and financial accounts facilitates managers in effective decisions making.

PART III (Section Four) themed as "Planning and Control" contains 6 chapters (1-6). It is stated that, "Economy is the method by which we prepare today to afford the improvements of tomorrow". Savings of today will help us tomorrow. Effective budgeting techniques are useful in proper planning of future income and expenditure of individuals or business organizations. In large organizations such planning is highly formal while for smaller businesses, it is less formal. Keeping in mind the importance of future planning authors have dedicated Chapter 1 to the immediate future planning i.e. the next year through describing the complete process of budgetary control.

Planning is indispensable for making control effective. Growing competition has made survival of businesses much more complicated than earlier. In this turbulent time, cost control has become a major issue of concern for organizations across the world. To meet the challenges of current business world, standard costing technique help the managers to control costs through setting up standards and comparing it with actual for identifying the deviations in the usage of different elements of costs. Specialized techniques for

calculating variances of materials, labour and overheads have been thoroughly elucidated in chapter 3. With the advent of information technology, exposure and awareness of customers have increased manifold. Customers are demanding high quality products at lower prices. Hence, in the present scenario profit generation has become a challenging task; therefore, marginal costing technique and its use in effective manner have become need of the hour. With the help of marginal costing technique, break-even point, point of margin of safety, effect of change in prices on net profit, effect of change in selling price on profits can be analyzed which will facilitate business managers in taking important decisions regarding how much to produce, what to produce, how to produce, when to produce, at what cost to produce, how to maximize the profits and minimize the costs. Chapter 4 provides insight into the concepts of marginal costing and cost volume profit analysis. Chapter 5 is related to decision involving alternative choices.

Chapter 6 of this section has been re-titled as “Miscellaneous Concepts” in place of “Latest Developments and Concepts”. In this chapter, new-fangled concepts viz. Kaizen costing, corporate annual reports and leverages have been added by the authors to acquaint the students with the emerging terms and concepts in the business.

PART FOUR of the book contains suggested answers of the questions which have been asked in the previous years GGS IP

University end term examinations. Solutions of the questions endow with the complete guidance to the students in preparation of their university examinations and various examinations of various professional courses. Solved illustrations along with the working notes make the book self-explanatory to the readers.

The concepts explicated in the book are presented in a very coherent sequence. Incorporation of adequate and exhaustive number of practical illustrations aids in the understanding of the concepts which makes the theory all the more interesting and self explanatory to the readers. The authors have followed an examination oriented approach with the inclusion of questions from different university examinations. The language of the book is lucid, simple and reader friendly. Coverage of the topics in the chapter, mentioned at the beginning of each chapter give an insight to the readers regarding the content inside. Each chapter has been concluded with the test questions; objective type, multiple choice and essay type theory and practical problems which facilitates the students in scrupulous preparation of the subject. The book provides a holistic view to the students, pursuing M.Com, MBA, CA, CS, CFA, ICWA and other professional courses. With all the amendments, innovative features and in-depth practical and theoretical exposure, the new edition of the book is an inimitable source of knowledge for the readers.