



# A TEXTBOOK OF ACCOUNTING FOR MANAGEMENT

The vicissitudes and progressions in business practices, legal framework and escalating complexities in the dynamic milieu have led to a radical transfiguration of role of accounting. The traditional role of stewardship has been replaced by a proactive role in financial decision making, strategic management, constructing resilient internal controls and a forceful role in planning taxes so as to abate tax burden and capitalize on income, within the legal boundaries. Accounting professionals, in this era of globalization, have been progressively levitating their standards to match the global parameters with emphasis on greater accountability and transparency, to bring the Indian and global perspectives together on issues of contemporary relevance to accountancy profession.

Deliberation on conversion of new emerging challenges into opportunities for inclusive growth, from the point of view of accountancy profession in India and the world, has led to need for a strong and internationally comparable reporting system while at the same time helping to reduce corruption and mismanagement of resources. In the wake of various financial crises, continued efforts are being made towards improving the quality of corporate reporting as an important part of measures towards reinforcement of the international financial architecture.

Keeping oneself abreast of all the increasing amendments in the various decrees, formats like changes in Schedule VI of the Companies Act, 1956, legislations, stringent procedures of regulatory authorities, is becoming all the more difficult in the contemporary capricious times. All managers, whether novel to their positions or well-established in the organizational hierarchy, can use a little "brushing up" now and then. The book under review takes care of this prerequisite and provides hands on experience to all facets of accounting. Needless to say that whatever are the responsibilities in the organization, accounting skills are indispensable to reach pinnacles of success.

Appreciating the growing necessity, the authors have meticulously divided the book into five sections, each encompassing a specific

fragment of accounting. Having an unequivocal, intelligible and transparent accounting system is imperative in this day and age. Rudimentary knowledge of accounting is indispensable for executives at all levels for the subsistence and progression of the business, be it small, medium or large. The authors have catered to this need by dedicating the first section to discussion of "Accounting Fundamentals", segregated into eleven different chapters. Chapter one: Meaning and Scope of Accounting deliberates meticulously on the nitty-gritties of accounting including meaning and scope, the basic accounting terminology and the accounting process. The second chapter: Accounting Principles, incorporates the current status of IFRS and its convergence in India in the form of Ind AS, together with a brief synopsis of all the Accounting Standards presently in practice.

Negotiable instruments, used freely for making payments and discharging obligations, are significant in the business domain. Cheques, bills of exchange, promissory notes and other negotiable instruments, used in commercial transactions and monetary dealings, play a vital role in boosting trade and commerce. The concept and types of negotiable instruments alongwith the procedure of recording the related transactions have been explained in chapter seven: Negotiable Instruments. For the expediency of the readers, the treatment is given in a tabular form for both, the books of the drawer as well as the drawee of the bill. This will assist the readers in effortlessly comprehending the journal entries for the various stages of processing of the bill.

Advancements in technology bring in new products to the market, thus, making the current ones obsolete. Also, constant usage causes wear and tear, consequently, diminishing the value of the asset. It is, therefore, crucial to appraise the asset annually and allocate the cost of the asset over its useful life. It will help to bring the asset to the value that it would fetch approximately in the market if sold today, thereby, warding off losses in the actual event of a sale, and the financial statements of the company will reflect a true and clear picture of its standing. The methods of depreciation have been detailed

*Authors:*  
S. N. Maheshwari,  
Suneel K. Maheshwari,  
Sharad K. Maheshwari

*Publisher:*  
Vikas Publishing House  
Pvt. Ltd.

*Edition & Year*  
3<sup>rd</sup>, 2012

*Price :*  
Rs. 475/-

*Pages:*  
965

*Reviewed By:*  
Ruchi Gupta

upon in chapter ten: Depreciation Provisions and Reserves with the help of numerous examples to make the concepts clear to the readers. The provisions of AS-6 (Revised): Depreciation Accounting as issued by ICAI have also been discussed in this chapter.

Inventory, usually, comprises of the major proportion of the current assets held by a trading or manufacturing enterprise. Unwise investment in inventories, i.e. both, excessive and shortage, in the first instance and its inappropriate valuation later on, affects the liquidity, productivity and the profitability of the enterprise. Chapter eleven: Inventory Valuation deals with AS - 2 (Revised): Valuation of Inventories, which states that inventory should be valued at lowest of "cost" and "net realizable value". In addition, the periodic and perpetual inventory systems and the various methods of valuation of inventories have also been discussed.

Over the years, there has been an accretion of extensive research in management accounting. The traditional management accounting role of cost determination and financial control has been defied and budged to a more sophisticated role of creating value through the development of novel management accounting techniques and practices. These have been discussed in Section – II: Cost and Management Accounting, which has been sub divided into 5 chapters. The first chapter: *Management Accounting: Nature and Scope* explains the basic ideology of management accounting, whereas the second chapter: *Cost Accounting: Meaning and Scope* caters to cost accounting and its related concepts. The numerous cost concepts like classification of cost, cost reduction and cost control, cost objective and cost accumulation have been dealt with in detail in the next chapter: *Basic Cost Concepts*. Readers develop a concrete understanding of costs and cost behavior and the use of cost information for planning and control decisions.

Human Resource Accounting (HR Accounting) is still considered a new term for a lot of small businesses as most view employees as assets but forget that there is a real tangible cost associated with obtaining and retaining these resources. Narayan Murthy, founder of the IT giant Infosys, opines that "My assets are not the buildings, the business or foreign contacts. My assets walk out of the gate every evening and I wait for them to come back to me the next morning." The authors, empathetic to the intensifying recognition of human resources and their valuation, have included a separate chapter "*Human Resource Accounting*" in this revised third edition.

Also, imminent and pioneering concepts like Backflush costing, Life cycle costing, Economic Value Added, Target Costing, Kaizen Costing and Balanced Scorecard have been discussed in chapter five: *Innovative Concepts* to keep the readers abreast of the latest terminologies and their applicability.

A corporation's financial statements make available expedient statistics on its economic standing and profit levels, thereby, facilitating stakeholders cognize operating data, assess cash receipts and payments and appraise owners' investments in the company. This analysis of financial statements allows evaluation of periodic business

performance and can be conducted by adoption of one or more of the various tools and techniques of financial analysis like preparation of comparative financial statements and/or common size financial statements, calculation of trend percentages, funds flow analysis, cash flow analysis, CVP analysis and ratio analysis.

Section – III: Financial Analysis caters to the need to provide a systematic and effective basis for business analysis. It has been further segregated into three chapters, wherein analysis and interpretation of financial statements, funds flow statement and cash flow statement have been discussed with the help of numerous illustrations. Test questions and practical problems at the end of each chapter assist in assessment and solidification of the knowledge base of the readers.

Financial planning and control, being a strategic process of Corporate Performance Management provides, on one hand, internal succor in planning, navigating and monitoring value creation, while on the other, it offers external guidance in equipping stakeholders with key corporate information. Diverse modus operandi, essential for planning and control, have been discussed at length in the Section IV: Planning and Control, which has been segregated into seven chapters, each delineating different aspects of the techniques.

Management is labeled efficient, if maximum results are attained with minimum costs and efforts. Accomplishment of maximization of profit levels, both in the short term and long term, is possible by managing production outlays and administrative incidentals adequately. Corporate leaders, usually, monitor earnings and disbursements in operating activities using budgeting as a cost control tool. Budgetary control is a potent tool that encourages planning, sets milestones, evaluates performance and suggests paths for improvement, thus, providing information that communicates strategic and operational priorities to managerial decision makers. The authors have deliberated upon different types of budgets and control ratios very articulately in the first chapter, *Budgetary Control*, under Section IV. Also, novel and incipient budgeting techniques like programme budgeting, performance budgeting, responsibility accounting and zero based budgeting have been delved upon in a simple and comprehensible manner, enabling readers to grasp the concepts effortlessly.

But, a budget is usually considered to be just an estimate of what is going to happen rather than reality. The process of analysis and decision making is impracticable without responsibility which should be commensurate with controllability. For controlling to be effective, establishment standards and benchmarks are essential to measure actual values against goals and standards. Variances are not ends in themselves but springboards for further analysis, investigation, and action. This exploration of inconsistencies, known as variance analysis, helps management to improve operations, correct errors and deploy resources more effectually to reduce costs. The same have been deliberated upon in detail in chapter three: *Variance Analysis* along with copious practical illustrations.

In this era of ferocious competition, customer is the king. The consumer desires best quality product at least prices,

challenging companies to earn decent profits while meeting the demands. The technique of marginal costing, as a tool of planning and monitoring costs based on selection of resource drivers and separation of costs into fixed and variable constituents, assists in ensuring that ebb and flow of costs, caused by fluctuating operating levels, are accurately predicted and incorporated into variance analysis. It acts as a guiding force for deciding optimum selling price, exploring new markets, determining sales mix, choosing amongst different market strategies and making decisions regarding make or buy, equipment replacement, expansion or contraction, discontinuance of a product line and shut down or continue. These have been discussed with the help of practical questions, enabling the readers to be able to understand the conceptual details regarding the diverse decisions along with their practical implications. The systematic presentation and self explanatory solutions to illustrations accompanied by proper working notes help the readers to easily comprehend the implications of the concept of key factor and differential costs in the various decisions involving alternative choice.

A new section on “Case Problems” has been introduced, incorporating seventeen cases with their detailed solutions. The case studies included in the book, covering a wide array of significant topics from the other four sections, have been chosen well and reviewed by experts from all over India. These case studies provide a systematic way of viewing events, collecting relevant data, analyzing the information and reporting the results, consequently, sharpening the understanding of the theoretical concepts and their applicability practically.

The book thoroughly reviews emerging issues in different areas of accounting and emphasizes the interpretation alongwith the construction of accounting information and encourages a critical, rather than unthinking acceptance, of the underlying assumptions behind accounting. Despite the fact that all managers need not have the knowledge of a professional, they must still have a basic understanding of how money is tracked and accounted for in an organization. The

authors have ensured that the book has ample ideas and stratagems, by defining the essential terms and more importantly, discussing their application in everyday business, to help managers develop skills to become more adept, efficient, effective and valuable to their organizations.

The book under review is an excellent reference resource for academicians, students preparing for graduate and post graduate examinations conducted by various universities and examinations conducted by professional bodies like Institute of Chartered Accountants of India, Institute of Company Secretaries of India and Institute of Cost Accountants of India, avid readers besides professionals and practitioners. It offers a relevant, real-world decision-making approach to different areas of accounting and enables practitioners to review developments and explore their relevance for use in their own organizations. This new edition has been extensively updated through out and now covers reference material on human resource accounting, emerging concepts, IFRS, Ind AS and the new accounting standards.

The concepts are clearly explicated in brief and concise paragraphs, taking in all pertinent theoretical and practical topics that are applicable in the industry. The book is based on concrete conceptual foundations and illustrates the concepts by applying them to realistic situations. It also contains adequate illustrations and well worked-out examples where needed, while remaining coherent and logical in terms of its structure. Each chapter ends with a concise glossary “Key Terms”, “Test Questions” comprising of multiple choice questions, essay type questions and practice exercises under the heading “Practical Problems”, to enable the readers to assess and evaluate their knowledge. Ultimately, the strength of this book lies in its simplified and direct approach. The text is presented in a manner that is easy to read and comprehend, without sacrificing any of its scope or substance. It is the perfect tool for all interested in gaining an understanding about financial accounting, cost accounting and management accounting.