

Introduction

Government as well as the public have become increasingly aware of the need for good and efficient management in all spheres of activity. The functions of management have been widely discussed in current literature. According to Luther Gullick, these are contained in the one word POSDCORB, the letters of which stand for planning, organising, staffing, directing, coordinating, reporting and budgeting. This concept of management emphasises its basic functions of policy making, direction, performance and organisation of human, physical and financial resources so that the objectives are optimised. Management requires basic facts on which to act or decide. One of the most important tools which provides these facts is accounting. The sphere of specialised accounting which has developed in recent years to cater to the various needs of the management in its task of policy formulation, direction and decision is known as 'Management Accounting.' It has been defined as "the application of appropriate techniques and concepts in processing the historical and projected economic data of an entity to assist management in establishing a plan for reasonable economic objectives and in the making of rational decisions with a view toward achieving these objectives. It includes the methods and concepts necessary for effective planning, for choosing among alternative business actions and for control through the evaluation and interpretation of performances. Its study involves consideration of ways in which accounting information may be accumulated, synthesised, analysed and presented in relation to specific problems, decisions and day-to-day tasks of business management".

This is a very comprehensive charter for management accounting and would cover almost the whole gamut of the operations of an organisation.

Purpose of the Study:

2. The purpose of the study is to examine how the concepts of management accounting operate in governmental organisations in India. Since management accounting has mostly been associated with the business world, its application has been examined particularly in relation to defence production organisation. The existing financial and accounting arrangements in the defence production unit have ~~not~~ been studied to consider their efficacy as an aid to management and how the existing arrangements can be improved. Comparisons where possible have also been made with similar arrangements in a public sector undertaking and a manufacturing organisation in the private sector.

Place of study:

3. The departmentalised accounting arrangements were studied in a Govt. Department in Delhi where the integration has been done with effect from 1-4-1976. The detailed study was conducted in a defence production unit near Meerut. Discussions were held with the general manager of the factory and the head of the Finance and Accounts Branch of the factory. Discussions were also held in Calcutta with the offic^es of the Director General of Ordnance Factories and the Controller of Defence Accounts (Factories), respective Headquarters' organisations of both. The system obtaining in a public sector engineering organisation was also studied for comparative

purposes. The procedures in a manufacturing organisation in the private sector at Delhi were also examined.

Scope of Study:

4. Management Accounting as an aid to management is a comprehensive concept covering in its sweep almost all the modern management techniques such as forecasting, production planning, budgetary and cost control, financial control, inventory control, capital expenditure control, PERT, Automatic Data Processing, Management Information System and Management Audit. It was not possible to cover all the management accounting techniques in a short time bound study. A few of the more important areas of management accounting could only, therefore, be covered. These are budgetary control, cost control and management information systems.

Chapter 2 - Accounting Systems

Conventional Accounting V/S Management Accounting:

5. Management and accounting have been closely associated for a long time. Historically, the role of accounting has been to record, analyse and report the results of the functioning of the organisation. Accounting started initially with the compilation of financial transactions in a set form distinguishing the revenue and capital so that it was possible to ascertain from the compilation the revenue income and revenue expenditure for a period and also capital assets and liabilities as on a particular date. This compilation accounting or financial accounting involves an orderly process by which the business transactions of the firm are recorded, classified and summarised in a manner