

- Continuously monitor and evaluate corporate performance and its economic / operational efficiency.
- Provides information for validation of financial statements and prevent inventory manipulation.
- Ensure maintenance of proper cost records for fulfilling the objectives laid down under National Voluntary Guidelines (NVG) for economic, environmental and social responsibilities of business as the information provided by the cost records is compatible with the information requirements under NVG.
- Provide reliable Cost Accounting data and Cost Assurance essential for early identification of industrial sickness.
- Set benchmarks for various activities and processes of the organization both in cost and physical terms.
- Carry out variance analysis for monitoring operational costs and revenues for ensuring that the organization realizes its plans.
- Provide specific critical information to the management for strategic decision making.



Cost Management as a Core Value : Every business has its own challenges, risks, and ways of doing things – but through it all, cost management remains a core value that can drive success. The differentiation and competitive advantage for a high growth business emanates from it's ability to innovate. Effective cost management supports and supplements business innovation. Embracing a cost management framework is a key step towards building a sustainable business

(C) Value management

Public sector organizations have a key role to play in the economic development of the country. They must focus on value creation, value preservation and value enhancement. CMAs provide the critical facilitative support to the management in value management by :

- **Removing low value activities** – Bring in strategic priorities , Link strategic measures to goals of team and Individuals , Purge or reduce unessential low-value activities , Remove obstacles to goal congruence and sub-optimality.
- **Focusing on results over activities** – Strategically relevant business to take precedence over business , Use focussed metrics and score cards for measurement and monitoring.
- **Removing cycle-time sluggishness** – Set benchmarks, accept that competitors react more quickly , Communicate critical measures of performance , Cut through employee rivalries and excuse making.
- **Removing ineffective customer management models** - Identify drivers for customer attraction and retention ,Develop measuring models that reveal results from actions , Remove drivers that generates lower value , Watch and monitor customers' spend share.
- **Removing functional silos and bring in goal congruence** - Integrate cross functional performance measurement , Balance performance metrics for responsibility accounting.
- **Minimising churn of high yielding customers and employees** - Assess performance with pre-defined KPIs , Link customer care measures with performance , Give power of measurement to employees for self assessment , Incentivise high performers.



(B)Sustainability and Business strategy

In today's dynamic and uncertain business world Importance of building Sustainable Value into the strategy of a business cannot be underestimated. Business strategy is most simply defined as the set of actions and activities a company invests in to gain competitive advantage and to maximize long-term value.CMAs can facilitate building a sustainable organization through :

Proactive Cost Governance: Create, implement and manage a proactive cost governance model to sustain cost reductions using an organizational mindset that is focused on Kaizen - continuous improvement.

Strategic Cost Management/Operational Transformation: Implement structural changes using new technologies and digital interventions to the operating model and business processes to maximize value, sustain cost reductions and move to a more variable (vs. fixed)cost structure.



(D) Efficiency improvement through Strategic Cost Management

It is critical for companies today to streamline processes, rationalize systems, outsource non-core activities and improve the operating model making best use of IT Revolution and strategic cost considerations. With disruption becoming the new normal companies are duly recognizing that strategic cost management is vital to building a sustainable value creating business which entails Continually challenge the business model to shape investment choices, Analysing key cost data to show the cost implications of new opportunities,

products and customers, Ensuring concern areas of customer and product profitability are understood and continually addressed, Ensure that growth is funded through cost efficiency. Robustly track the execution of strategy against plans and manage performance, Embed a culture of cost consciousness and with focus on value creation in the organisation.

Management accounting, which was traditionally intended for internal use in organizations, has, through its ability to measure value and to present both current and forward-looking information, developed into a key instrument to organizations for delivering effective corporate governance to stakeholders. Management Accounting reports compare the expected values of alternative strategies that are designed by the organization. Such reports may enable the directors to understand the key value drivers of their organizations and the risks associated with them. Hence the reports assist them in choosing a strategy, which may optimize benefits.

(E) Improving effectiveness of operations / activities

CMA's can play a vital role in improving effectiveness of operations / activities through :

Value Chain Analysis : Value chain analysis is a useful way of thinking through the ways in which you deliver value to your customers, and reviewing all of the things you can do to maximize that value. It is an approach for breaking down the sequence (chain) of business functions into the strategically relevant activities through which value is added by the business.

The objective is to identify the behaviour of costs and the areas for differentiation. Value analysis takes place as a three stage process.

Activity Analysis, which involves identification the activities that contribute to the delivery of your product or service.

Value Analysis, which involves identification of the things that your customers value in the way you conduct each activity, and then work out the changes that are needed.

Evaluation and Planning, which involves deciding what changes to make and plan how you will make them. By using Value Chain Analysis and by following it through to action, you can achieve excellence in the things that really matter to your customers.

(F) Risk Management

Boards are also required to maintain sound risk management and internal control systems and have to confirm in their annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. Good corporate governance means lower risk and poor corporate governance means higher risk; strong and independent risk management function becomes necessary to monitor and control enterprise-wide risk exposures.



Management accounting practices are generally regarded as important controlling tools in providing managers with financial and nonfinancial information to help them make better business decisions and maintain effective control over corporate resources. A key dimension of management accounting is monitoring which is a periodically recurring task already beginning in the planning stage of the project. It helps clarify project objectives, link activities & resources to the objective and translates them into performance indicator to set targets. It allows results, processes and experiences to be documented and helps us understand the status of the project at any given time. Monitoring acts as an alert that warns us about a problem to be remedied. The data acquired through monitoring is used for comparing actual results with the target for evaluation.



(G) Management oversight through cost accounting records and cost audit

Rules for maintaining cost accounting records and cost audit encourage use of technology and scientific tools like quantitative techniques, technical/ benchmarked standards, integrated software, etc and help preparing realistic budgets based on such tools. Thereby, it helps identifying wasteful expenditure, underutilized resources, other inefficiencies and frauds. Such outcomes are not expected from traditional accounting and financial audits, which are essentially concerned with recognition and audit of contractual and statutory transactions for the entity (company) as a whole.

Cost audits can be used to the benefit of management, Board, consumers and shareholders by

- Helping to identify weaknesses in cost accounting systems,
- Ensuring data integrity and Helping to drive down costs by detecting wastage and inefficiencies.
- Helping the company management to improve its performance, productivity, competitiveness and governance mechanism

(H) Strengthening regulatory mechanism

In India, regulatory mechanism is being strengthened for each and every sector. Availability of detailed cost data is a pre-requisite for the effective functioning of any regulator. Today, more than 80% of international trade disputes relate to transfer pricing which in-turn requires cost data to determine the arms' length price. Benchmarking and assessment of competitiveness for different industries requires cost data. Competition Commission has been continuously seeking cost data for many sectors. Cost information plays a critical role in transfer pricing, predatory pricing, fixation of margin of dumping for the purpose of levying anti-dumping duty, free trade agreement, consumer protection, revival of sick companies and corporate governance.

Conclusion

The changing role of Cost and Management Accountants is in sync with the changing market environment and governance structure. From only providing information for the purpose of internal business activity, it has already moved towards creating value demanded by customer and other stakeholders. Moreover, Cost & Management Accountants now a days have more responsibilities than before as a result of decentralization and delegation of authority. Precisely, the role of CMAs is now shifted from "information-provider" to a strategist who is regarded as a savior of Corporate governance.



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