

**CHAPTER - I**

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**RESEARCH DESIGN AND METHODOLOGY**

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1.1 INTRODUCTION.

Modern business needs frequent information about business activities to plan accurately for the future to control business results and to make a proper appraisal of the performances of persons working in an organization. The primary purpose of accounting is to provide financial information relating to an economic entity. Thus, accounting is concerned with measuring, recording and reporting financial information to various groups of users. Financial information is required by management to plan and control the activities of a business. Financial information is also required by outsiders who provide funds or who have other interests requiring such material. As the needs of these users have grown, so have the concepts of accounting evolved to meet the needs of changing society.

The fulfilment of these goals requires that the data about the costs incurred and benefits obtained should be collected and developed into useful reports and statements. Financial accounting does not provide management with cost and revenue information relevant to its needs. This is achieved by what is now known as "Cost Accounting". Cost accounting is developed as a response to the need of management to determine

factory product costs for pricing purposes. Cost accounting is thus the provision of such analysis and classification of expenditure as will enable the total cost of any particular unit of production to be ascertained with reasonable degree of accuracy and at the same time, to disclose exactly how much total cost is constituted.

Cost accounting helps in determining and analysis of costs and income of business enterprise, so that comparisons by divisions and periods of time can be made in order to evaluate the operating efficiency of each division/segment/product. Cost accounting develops and maintains adequate procedures and methods to record costs and income by departments, processes, job, products, sales-territories, sales-orders, Cost accounting system is the method of accounting for cost. Cost comprises three elements, viz. material, labour and expenses. The recording and accounting for all these elements of cost find their treatment in cost accounting. All the cost incurred from the very beginning of manufacturing operation till the final stage of disposal of goods find their recording and accounting in cost accounting system. These advantages are not available to manufacturing companies alone. In fact, the analysis of cost and income can be made in almost all types of organizations, profit or non-profit.

Therefore, it appeared to the researcher that the minimization of cost of production and maximization of profit

was due to proper and efficient adoption of cost accounting system to industrial units. Hence, the researcher has selected the topic, "A STUDY OF COST ACCOUNTING SYSTEMS ADOPTED BY SELECTED INDUSTRIAL UNITS IN KOLHAPUR CITY".

## 1.2 OBJECTIVES OF THE STUDY:

The present study undertaken has the following objectives:

- (1) To study the cost accounting systems adopted by the industrial units under study;
- (2) To identify the deficiencies in the cost accounting systems adopted by these organizations;
- (3) To make suggestions, if necessary, for further improvement.

## 1.3 SCOPE OF THE STUDY:

The study is confined to only two industrial units, namely, (1) Shri Shahu Chhatrapati Mills Limited, Kolhapur, and (2) Ghatge-Patil Industries Limited, Uchagaon. The study covers only the cost accounting systems for a period two years, i.e. 1989-90 and 1990-91, of the units under consideration.

#### 1.4 METHODOLOGY ADOPTED.

The basic methodology adopted for the present study is the 'Desk Research Method' and personal visits to the selected organizations.

#### 1.5 DATA COLLECTION METHODS.

- (1) The relevant data was collected through secondary sources. In this source, the information needed for the study has been collected from the Organizations' Costing Departments, consisting past recorded cost-sheets and other statements. Similarly, the profile of the organizations was taken from their information bulletins and office records.
- (2) The information about the company's various products was collected by studying the production processes and by visiting machine-shop and foundry division.
- (3) The data regarding the theoretical concepts has been collected from Bar.Khardekar Library of Shivaji University, Kolhapur; Library of Chh.Shahu Central Institute of Business Education & Research, Kolhapur. Specific books on Costing, ICWA booklets and various issues of 'Management Accountant' journal were also referred.

The data collected has been classified, analysed and finally interpreted to prepare a Report.

#### 1.6 SIGNIFICANCE OF THE STUDY:

In small units, good check and control on the purchasing, storage and issue of materials may not arise as the owner is in close contact with all the departments. So, he has an intimate knowledge of all the happenings in the business. But in big concerns, the size of business is so large that the owner and the top management are not in contact with all the activities of the business. Hence, the necessity of proper check and control on the purchase, storage and issue of materials arises for taking appropriate actions.

In the present world of technological revolution, both men and machine require information to accomplish work. Each have characteristic ways of transmitting, receiving, channelling and storing the information.

A proper system of cost reduction, proper utilization of plant and machinery and equipment are newly entering into the field on similar lines. The theoretical aspects explain as to how the system should be.

#### 1.7 LIMITATIONS OF THE STUDY:

- (1) Costing is an internal affair and cost records are secret documents. As the study involves cost aspects, the units selected were hesitant in allowing the cost records to be

scrutinized. Permission was also refused to quote cost details in support of the analysis and conclusions arrived at.

- (2) The study relates only to the selected industrial units in Kolhapur City.
- (3) The selected units are two and the study is confined to their cost accounting systems only.
- (4) The conclusions arrived at are strictly based on the information provided to the researcher.

#### 1.8 OUTLINE OF THE STUDY:

The Dissertation is divided into Five Chapters, the details of which are as follows:

<u>Chapter</u>	<u>Contents</u>
I	Research Design and Methodology
II	Profile of Organizations
III	Theoretical aspects of Cost Accounting Systems (Records)
IV	Presentation of Data
V	Summary and Conclusions

A comprehensive Bibliography concludes the Dissertation.