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CASE STUDY ***Accounting and Finance***

Spiritual Dimension

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by

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Synthesized Case Study

This Case Study is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation. The case has been compiled on the basis of the applied working experience of the Author. The Author has worked extensively with Telecom organizations in a managerial capacity.

Spiritual Dimension

by

Prof. Rajiv Kumar Srivastava

Summary of the Case

The last two decades have witnessed large scale corporate scams thereby highlighting the need of ethical behaviour by employees for sustained profitability. Since almost all these scams have the involvement of the accounting, finance and audit functions, the need of imbibing ethics in this important discipline has been felt by one and all. The case study “Accounting and Finance- Spiritual Dimension” looks into one such scenario where incongruent behaviour of employees of the organisation has become a cause of concern to the management. In a meeting called by the Managing Director, managers across functions deliberate upon the specific issues with the objective of arriving at workable solutions. Discussions range from the roots of accounting and finance in the spiritual domain to its modern day applicability through established principles and practices.

Learning objectives

- The understanding of basic concepts and principles like Distinct Entity, Accrual, Measurement etc.
- The understanding of Responsibility Centers.
- Advantages and Disadvantages of Standard Costing and Budgeting as management tools for control.
- The allocation of Joint Costs and the implication of such allocation on employee behaviour.

Keywords

Disinct entity, accrual, liability, ethics, manifested soul; agency conflict; scandals, joint costs, inventory, standard costing; budgeting; production volume variance; material price variance; volume based production; dysfunctional behaviour; goal congruence; fixed expenses; performance appraisal; overheads; usage variance.

JEL Codes: M14, M41, L63

The Spiritual Dimension

“As all of you are aware, the last two decades and more have been characterized by corporate scams which have led to certain stringent measures being taken by those in the policy making arena. In fact, radical changes in various laws including listing agreements, accounting, audit etc has become a continuous process across the world. The effectiveness of additional legislation for controlling frauds is debatable especially in a case where existing laws are stringent. Rules and principles are important but no matter how many new rules are put in place, an efficient and effective performance outcome would only be possible in case each of us works ethically. We have been having yoga and meditation classes for the past five years and the practice has become quite popular; however, it is a matter of concern that many of us are still not being able to control our desires, with actions frequently cutting our Self. As you would recollect, one of the immediate responses our company had, post Enron debacle was that of setting up a whistle blowing facility. Today, all Responsibility Centre’s have an exclusive physical facility, used by employees for informing management about unethical doings in all operations. We did this in 2003 and there was nothing serious reported until recently. However, the last two years starting April 2013 have been painfully different. There has been a flurry of communiqués pointing towards incongruent behavior amongst our employees. Complaints are across Functions and most of the issues appear to be arising because of employee self-gratification. In addition, we have had reports of some misdoing in the Accounting section, which has gone unreported by our auditors. The complain concerning the accounting function was the one which I received in April 2012 and ever since there has been a continuous increase across functions. I am in no way suggesting that the accounting and finance functions are to be blamed for all wrong doings, however, I am singling them out because it is my firm belief that a smart and ethical team of accountants and finance professionals would prevent or at least detect, any irregularity, be it intentional or unintentional. How much does one gain from such unprincipled behavior? Why do so many of us indulge in the same? What should be the measures, which we need to adopt? We all need answers to such questions. Only a week back I had put across these sentiments to your Yoga Guru, Acharya Shashiendra. I am grateful that the Acharya has agreed to be with us in this meeting. I am sure you know a lot about him but how many of you know that the Acharya was a practicing Chartered Accountant prior to taking Sanyasa?” Shri Gautam Kalsi, Chairman and Managing Director of Vinkas General Carbon Ltd, a leading solid-state electronic component manufacturer, briefed senior employees prior to the commencement of the scheduled meeting.

Minutes of an internal meeting of managers of Vinkas General Carbon Ltd.**DATE:** November 09, 2015**TIME:** 5.30 p.m.**VENUE:** Vinkas Bhawan, Noida. India**PRESENT:** Acharya Shashiendra, Yoga Instructor and Spiritual Guru; Gautam Kalsi, Chairman and Managing Director; Rahman Ghazi, Senior Manager (Marketing); Shyam Banerjee, Senior Manager (Finance and Accounts); Shalabh Kapur, General Manager (Manufacturing); Vincent Tophoff, Quality Control Manager.

Gautam Kalsi: Good evening to all of you. I have already briefed you about the reason behind this meeting. Post Enron and the other many corporate accounting frauds like WorldCom, Xerox, Sunbeam etc, there has been a universal call for the need of more ethical behavior by the corporate. Millions of people have lost their lifetime savings because of frauds played upon them by a few individuals. How does one prevent such unfortunate happenings? Surely, stricter laws and their effective enforcement would make things better. Vincent was telling me about a research, which concludes that post Enron; managers are now adhering to laws more closely due to the social and political changes, not due to a shift in moral thinking. This is worrying, especially in cases of developing countries like India where there are enough loopholes in the legal system that

can be exploited by those who want to make it through shortcuts. Laws could be effective only to the extent we want them to be. We can go on making laws but there will be many who would find ways of breaking them and very often, the latter would prevail. I would request Vincent to brief you about the research he had mentioned to me. It sounds interesting.

Vincent Tophoff: The research, which I had mentioned, suggests that there has been a change in the attitude of management towards ethics and ethical behavior. The research was conducted both prior and post Enron convictions with the same set of questionnaires being distributed to approximately 1000 participants. Decision-making options were purposely linked to areas of conflicting interest. The research concludes that post Enron employee decision making has certainly improved; however, the change is not due to changes in the conscience but rather due to fear of conviction. On the other hand, results from the pre conviction study concluded that business executives' decision-making was inclined towards the alternative providing maximum benefit even if the doing defied existing rules of law and society. Prior to the conviction of Enron executives, business scandals without real consequences had little impact on behavior.

Rahman Ghazi: I agree. The highly visible conviction of Enron executives is the reason behind this shift. Strict legal enforcement can work wonders. The companies concerned have felt the heat with some of them closing down while others seeing their goodwill deteriorate. However, market downsizes only the ones who are exposed, not all. A few people going to jail does not mean that justice has been done. I agree with the CMD, accountability in the purview of the legal framework can make a difference; however, there is no substitute for ethics and morality.

Gautam Kalsi: A developed country is different from the ones, which are developing, and the majority of people live in the latter. Take India's example. How many people have gone to jail because of bad corporate governance? As far as I know, the figure was nil, prior to the Satyam fraud. Some would argue that it is incorrect to generalize the wrongs done by a few, on all; however, we need to remember that these few are those who have evolved the wrong way and in case society does not take note, there will be many more like them in the making. There is something called God fearing which, is entirely missing. I wonder what Acharya would have to say in this regard.

Acharya Shashiendra: Thank you Gautam and good evening to all of you. It is sad that there are such serious loopholes in our legal framework and this is something that needs rectification. All of us need to work on it collectively as any individual alone cannot do it. However, the moral quotient is in our individual hands. Gautam used the word God fearing, which perhaps is being harsh on Him. With the type of compassion, which He bestows upon all of us, the word God fearing might not be appropriate. He is there to help and protect us, not feared. However, this said we also need to understand that all of us are subject to various scientific laws, internally as well as externally, which lay down certain principles and rules to be followed, not doing which may result in various types of worries, both short term as well as long term. Perhaps that is the reason why this word God fearing has become so popular. Doing the right thing because of fear is different from doing a right because of honest Intent. Right and Wrong can be done at all levels, however, many a times, debates and discussions on corporate scams frequently center upon senior officials like the CEO and CFO and the buck is conveniently passed.

Gautam Kalsi : I agree. Also, immorality is different from being illegal. I am glad Acharya brought up the moral quotient issue. In case you recollect my thoughts prior to the meeting, I had used the word incongruent behavior. I did this because of certain complaints, which I received through our whistle blowing system. Let us

take the example of our monthly MIS. We compute variances in our operations to understand where we are going wrong in order to rectify errors. However, there have been reports that our purchase department is not shy of buying low quality material in order to gain a favorable material price variance. The action could easily be attributed to an error of judgment and thereby escape any reprimand, however, the consequences could be disastrous. In my opinion, making such compromises may be possible without any apparent harm to the concerned individual, but it certainly is an immoral action.

Vincent Tophoff: These harmful repercussions may not be noticeable in the short run, however, in the end; they shall certainly affect the profitability of our company and the well-being of all stakeholders. You have pointed out just one anomaly whereas actually there are many instances of such practices. In my opinion, one of the very important reasons for this unethical behavior is the costing and budgeting system monitored by the Finance and Accounting department. We all know that variance reports are important tools used for performance evaluation and the fear of adverse variances forces managers to compromise. That is the reason why, in spite of adopting Total Quality Management(TQM),we rarely have adverse production volume variances or for that matter adverse material price variances. As you are aware, the TQM setup requires us to produce as much as we plan to sell and buy raw material in quantities, which are, just suffice for intended production. However, in case you look at the production figures or the raw material purchase figures you would not find any difference in quantities produced or bought now as compared to the pre TQM scenario.

Shalabh Kapur: I will not agree to this. You are trying to find fault in the fact that my workers work efficiently and utilize full capacity. This is ridiculous. How can you blame someone for working? Moreover, our production quantum is a function of the marketing and sales budget and we produce as per plan.

Vincent Tophoff: Mr. Kapur, please do not take it as blame and what I have said is not ridiculous either. I understand that after the implementation of TQM, the marketing department is relooking at the sales budget every third month and providing information about the changes online. In such a dynamic scenario, how would you explain the massive build up in inventory this year? Is it not a fact that your profitability increases with increase in production? In addition, the more you produce, the lesser is the adverse production volume variance.

Shalabh Kapur: You need to understand the dynamics under which my department works. We produce multiple products in the same production set up. Many of our products are jointly produced with a few being classified as by-products. This is unlike the yester years when we used to produce only a few types of rectifiers. Today, we have diversified into Thyristors, Diodes, Transistors, ICs and other electronic components. One major reason for the inventory build up is the Joint nature of production. Take the example of Rectifiers. A production run of a typical batch of Rectifiers yields multiple quality products having different characteristics and sales value. The initiation of a batch of products yields 5-6 different quality finished products. Only if the sales department aligned their budget with batch characteristics the inventory would be minimal. The second reason why inventory piles up is that all Joint Products carry different profit margins and hence the neglect of the lower end. Neither of the two reasons have anything to do with my department. We produce, as per sales requirements and in the process if we utilize capacity, I see no harm. The product once produced would inevitably be sold, in case not today, then maybe later. As far as increasing profitability is concerned, I would like to clarify that I am not the right person to answer your question. The language of accounting has always been so confusing e.g. I have never been able to understand how profits happen to be liabilities to a business or how are overheads allocated over my department in our monthly MIS. Maybe, Shyam could educate us on the impact of all this on the commercial front. Also, is it not surprising that almost all the corporate scandals

which have happened in the past and because of which we are all sitting over here today, are because of the wrong doings of the accounting and finance function? The same department generates the contentious MIS. Enron and its likes would never have happened had the accounting and finance functions been more moralistic in their approach.

Rahman Ghazi: Shalabh has problems with all, be it Accounting, Finance, Marketing or Sales. Let me clarify that production scheduling is the job of the production, planning and control department (PPC) whereas demand is not in our hands.

Gautam Kalsi: Coordination would certainly be of use. Both sales and production are facing the challenge of variables, which are not controllable at their end. The raw material used in the production of semiconductor devices is perhaps more sensitive to environment than the demand of our products in the market. However, Shalabh has raised an important issue of the role of accounting and finance functions in almost all reported corporate scams. I was reading about the various corporate frauds, which have happened during the past two decades. All of them have the active involvement of the accounting and finance function. The waste management scandal of 1998 involved the increase in asset life base to decrease depreciation. Arthur Anderson was found guilty. The World Com scandal involved the reporting of fake earnings, again by the accounting department. Here the line costs were capitalized rather than being expensed. The Health Scot scandal again involved the fake increase in earnings, yet another involvement of the accounting function. I can go on and on. The bottom line is the involvement of the accounting and finance disciplines in all these wrong doings. Only if morality had prevailed, such wrong doings would never have happened.

Shyam Banerjee: In my opinion and as mentioned by Vincent, apart from being immoral, incongruent actions are detrimental to the profitability of any company in the long-run. Low quality products could erode our goodwill, which is a result of decades of hard work done by all of us to reach this position. Surely, none of us would like to see all those efforts going waste, only to allow someone gain a favorable variance. When we produce more than what we can sell; the extra production reduces the adverse volume variance thereby increasing profitability. The finished goods that should not have been lying with us consume a substantial portion of the fixed expenses and hence an increase in the bottom line. In a scenario like ours where a majority of responsibility centers are profit centers, Vincent's statement makes a lot of sense. However, characterizing all scams as accounting and finance functions wrongdoings would perhaps be going too far. In case one goes in depth, the role of the accounting and finance function is not pioneering, i.e. it has not been one of a creator. The founder CEO and Chairman initiated the waste management swindle. CEO Bernie Ebbers affected the World Com fraud. Similarly, the Health Scot scandal happened because of the involvement of its CEO Richard Scrushy. The accounting and the finance functions were mere facilitators of wrongdoings by others; however, there is no doubt that all damages were avoidable if auditors and accountants had stood their ground.

Shalabh Kapur: The accounting and audit functions are those of a watchdog. If the protector and the savior get involved in facilitating wrong doings, there may be no alternative for improving. I have heard people talk about the role which accounting and modern day finance plays in promoting the worst type of capitalism. In addition, this language needs to be more transparent and easy to understand. Acharya, you are a qualified Chartered Accountant. What are your views of this function?

Acharya Shashiendra: There is nothing wrong with the profession – what needs to be changed is the attitude of people who are responsible to manage. You will be surprised to know that all the basic concepts on which accounting and finance have been built upon have their roots in traditional religious texts, be it Christianity or

Islam or the other Eastern religions .I shall restrict myself to the Indian scriptures , known as the Vedas and Upanishads as I have been reading them since long. These scriptures subscribe a three-fold structure to the Human Being; the Soul, the Manifested Soul and the Body. The Soul, as understood in them is a part of God while the Manifested Soul is similar, not same. The Body serves as a vehicle for this manifested Soul, which gains strength through the doing of virtuous deeds thereby qualifying to obtain a better Body in the next life. This process repeats until salvation i.e. a stage where the subtle differences between the manifested Soul and the Soul disappear. Desires of the Body that frequently conflict with the needs of the manifested Soul are the hurdles we need to cross. These desires are like liabilities that need to be controlled while a human body makes efforts to perform virtuous deeds for strengthening its manifested Soul. In-born and acquired abilities are used for performing such deeds. Compare this simple three-fold understanding with foundations of Accounting and Finance. Similarities are striking. Let me enumerate them.

One - Separation of Company from its Owners is similar to the separation of the Soul with the manifested Soul.

Two - The Going Concern concept that treats any Company as continuing in the future is similar to the concept of an eternal Soul.

Three - The objective of wealth maximization or value creation is parallel to the objective of helping the manifested Soul evolve through controlling unholy desires and performing good deeds.

Four - Similar to employees striving to maximize the wealth of the owners the Body operates as a vehicle to achieve the salvation objective of the manifested Soul.

Five - Just as gains in Owners Capital are measured through the computation of Profits, the evolution of the manifested Soul is measured through the performance of virtuous deeds and vices.

Six - The accrual concept of accounting is inbuilt in the measurement of a Body's performance e.g. carry forward of virtues and vices from previous lives determine many unexplained inborn abilities and weaknesses in human bodies.

Seven - Similar to Agency Conflicts in Business, our Body requirements are frequently subject to conflicts with the objective of the manifested Soul.

Eight - Increased market capitalization of a Business is similar to an evolved manifested Soul; the former facilitates expansion while the latter would help acquire a better Body.

Rahman Ghazi: That is interesting. Although not exactly the same, similar concepts are understood in Islam where virtuous deeds could help the Soul evolve in order to qualify for Jannat or Heaven. In the belief of Kiraman Katibin, two angels residing on either shoulder of humans record all good and bad deeds.

Vincent Tophoff: The concept of Soul and the Body being distinct from each other is quite popular and believed by a majority of the world's populace except perhaps those who would qualify as atheists. In Christianity, we have similar concepts however; we distinguish the Mind from the Body. In addition, neither Christianity nor Islam accepts the concept of reincarnation.

Acharya Shashiendra: The concept of reincarnation is perhaps the split off point. A majority of people in the East believe that an evolved manifested Soul either merges with the Soul /God (Salvation) or otherwise gets

entitled to a better Body , the latter facilitating the process towards Salvation, whereas ,the benefits of Virtues are slightly different in the other systems of thought. However, before this split off, the concept of Body, Soul, Virtues and Vices remain common, with minor aberrations. What gets interesting is that just like the Distinct Entity concept; the concept of Measurement, Accrual and Appraisal become inevitable in the spiritual dimension.

Gautam Kalsi: Concepts of the Soul get even more interesting in case one reads contemporary quantum mechanics. Many scientists world over are burning midnight oil to understand the possibility of the physical existence of a Soul which is beyond the dimensions of Time and Space. However, not all amongst us are inclined towards spirituality or for that matter even religion. Ethics need to be driven in from an early age. I remember being taught Moral Science in school with separate classes and exams devoted to the subject.

Acharya Shashiendra: Spirituality is a subject, which has no end -we can go on and on. Teaching of Moral Science or Religion is not in our hands. Authorities responsible for the development of curriculum of schools and colleges have to take this decision. Of late, there has been a huge thrust towards the inclusion of ethics in professional accounting and financial courses. Maybe it helps future professionals. However, what makes me particularly happy is the fact that post Enron; all have understood the necessity of Enterprise Governance. . Laws pertaining to conformance are useful, but until performance is evaluated and accountability fixed, Corporate Governance has no meaning.

Gautam Kalsi: Performance evaluation is fundamental to good governance, however; the benchmarks we make should be realistic and achievable. In case we have shifted our policy towards TQM and JIT we need to look at the Variance Reports accordingly. Maybe it is time that we revised our standards twice in a year; I understand we only do it once as of now. In addition, we could have benchmarks for Inventory. Let incentives be linked to the average value of inventory held. I would request Shyam to suggest me a proper mechanism. Alternatively, we could charge a fixed percentage of the value of inventory as an expense- this may help, as our production floors are all Profit Centers.

Shalabh Kapur: In a TQM scenario, I do not see the reporting of Production Volume Variance of any use. It puts unnecessary pressure on my department. If standard material prices would be realistic, I am sure the quality of Raw Material would never deteriorate. That would take care of both abnormal material usage and price deviations. The Cost of Quality would also come down.

Shyam Banerjee: Variance Analysis is a very useful tool for volume-based costs. I agree with Shalabh that the doing away of the computation of PVV would be of help. However, since over 70% of our costs are volume based, I would suggest the continuation of Standard Costing and Budgeting. .In addition, the other measures suggested by Mr. Kalsi would certainly facilitate goal congruence amongst employees. As far as different profit margins of Joint Products are concerned, I would like to submit that costs attributed to products are for inventory valuation purposes and nothing stops any one of you from adopting the RSV method. Today, we are in a 'multiple costs for multiple purposes' era.

Gautam Kalsi: These measures would take care of the Costing and Budgeting dilemma; however, what is of equal concern to me is an over invoicing issue, which has gone unnoticed by both Accounts and our Auditors. How do we prevent such unwarranted happenings?

Shyam Banerjee: Permit me to say that the issue had come to our notice quite sometime back. An internal enquiry resulted in the sacking of an employee who had been personally benefitting from such deals for long. The over invoiced figure of the transaction, which happened this year, has been corrected in our books and the amount in dispute has been recovered from that employee. This is the reason why Auditors have been silent in this regard. However, that this practice escaped our notice for such a long time is worrying and as a precautionary measure for the future, we have strengthened internal controls and internal checks to counter such manipulations.

Gautam Kalsi: I am glad that it finally came to our notice and that our Accounting and Finance section has immediately taken corrective action. I am sure that a good internal control system could help check such malpractices in the future. . I would request all of you to give your suggestions and recommendations on issues discussed today. You will all agree that the discussions have been useful. Perhaps, we would need to meet once again for finalizing the course of action. Let me once again thank Acharya for spending his valuable time in this meeting and enlightening us about the spiritual dimensions of accounting and finance. Thank you all. Have a good day.

QUESTIONS

1. Why do finance and accounting professionals consider profit to be a liability?
2. What are the objectives of financial management?
3. "Standard Costing and Budgeting promote dysfunctional behavior" Do you agree?
4. Do you agree with Shalabh that Accounting and Financial Management promote the worst type of capitalism?
5. Differentiate between enterprise governance and corporate governance.
6. What is the significance of the statement 'multiple costs for multiple purposes'?
7. Do you think that the use of RSV method would be useful for Vinkas General Carbon Ltd?

TEACHING NOTES

Summary of the Case

The case study deals with a changing business environment where the company is finding it difficult to maintain employee motivation and goal congruence. This is in spite of the fact that the company had taken various steps to prevent wrong doings by employees immediately after the Enron debacle. Reports of incongruent behavior of profit center heads and other service department has been on the rise and are a cause of worry for the senior management. The management of the company has taken a serious note about the deteriorating state of affairs and has called a meeting of cross-functional departmental heads to analyze causes of such behavior and take corrective action. The case study highlights the important issues discussed in the form of minutes of the concerned meeting.

Teaching Objectives

- To make participants understand the concept of distinct entity, accrual accounting, wealth maximization and agency conflict.
- To make participants understand the reasons and ways of misuse of accounting language to promote individual interests.
- To make participants understand the behavioral implications of standard costing and variance analysis.
- To make participants understand the concept of 'joint cost', the two popular methods of accounting and their behavioral implications.

Target Audience

1st Year MBA students. Course - Management Accounting and Financial Management.

Teaching Approach and Strategy

This Case Study is meant for students / participants who have experience of working in the industry and have taken up an regular/accelerated / part time MBA program.. The case study has also been found useful for training programs in the corporate world where participants are mid level or senior managers from cross-functional areas.

I suggest that the case be initiated with an understanding of the concept of distinct entity. A useful method is to ask students about their personal beliefs regarding soul and the human body. Normally a class comprising of mature adults could be engaged in this discussion for about 10-15 minutes after which the teacher may sum up the understanding with the example of shareholders/owners and the company being different identities. This is an important stage of understanding where the teacher could either proceed with an elaborate understanding of the working of an accounting equation or otherwise move towards the teaching of objectives of financial management.

Spiritual discussions along with distinct entity concept and the other accounting principles would have already given an ethical flavor to the class. Time would now be ripe to discuss the various corporate scandals. Some details of the mechanics involved in these illegal and immoral activities have been provided in the case study. Teachers could add more. These discussions would make students understand the impact of accounting on external stakeholders. Further, the understanding of the matching concept and that of responsibility centers could help participants understand internal issues like producing to capacity in order to reduce an adverse PVV or increase the bottom-line. Issues like the use of variance analysis for performance appraisal may also be discussed along with.

Joint cost issues may be taken up after the behavioral impact of standard costing and variance analysis is discussed. Different joint cost accounting techniques could make sales managers focus in different directions; another issue having potential adverse behavioral implication.

ANSWERS TO QUESTIONS

1. Distinct Entity Concept/Business Entity Concept.
2. Wealth Maximization, Resolving Agency Conflict and Corporate Social Responsibility.
3. Dysfunctional behaviour may be induced in case Variance Analysis is used for performance appraisal. A production manager may produce more than what he should produce, a purchase manager may compromise on the quality of raw material to affect lower prices and so on and so forth. Variances should not be looked in isolation. A favorable material price variance could be because of cheap quality of material purchased at lower prices. However, this may increase the usage variance (adverse). The two are very often interrelated. If Standards are set with caution and are realistic, there is no harm in appraising performance through variances of Responsibility Centers. However, caution needs to be exercised, especially in a changing environment demanding changes in employee behavior and operational practices.
4. This is a very rich topic. Werner Sombart and Max Weber were of the opinion that double entry bookkeeping is fundamentally responsible for the growth of capitalism. However, historians like Basil Yamey have contradictory views. This question gives the teacher an opportunity to promote the understanding on the behavioral impact which accounting reports can have on stakeholders and the motivation for window dressing.
5. Corporate Governance primary focus is on conformance while Enterprise Governance concerns itself with both conformance as well as performance. Majority of the business scams are a result of Corporate Governance failures. Enterprise Governance seeks to address this anomaly.
6. This question would need the student be aware of the historical evolution of cost and management accounting. How cost accounting evolved to cost and management accounting? How decision-making became increasingly important in the continuously changing environment of the 20th century? How inventory valuation dominated the job profile of a Cost Accountant since the inception of the first Institute of Chartered Accountants in Scotland and the popular business failure of the west in the 1980s and subsequent research on the same could be areas of discussion while dealing with this question. Today Cost Accounting information is processed for different decision-making purposes. The computerized environment has been a key facilitator of this multiple tasking approach. This is very different from the objective of Cost and Management Accounting in the past when the primary job of a cost accountant was to compute the cost of goods sold and produced. During those times the inventory valuation information would be processed and used for other decision making purposes. The approach was fine till competition was less and competitive advantages maintained. However, growing competition, smaller product life cycles and fading competitive advantage made approximate cost information detrimental to the competitiveness of the concerned business.
7. Relative Sales Value method would provide equal incentive to the sales and marketing team of Vinkas General Carbon Ltd since every product would have the same profit margin.

CLASSROOM TESTING EXPERIENCE

- ✓ An atheist may not be actually excited about the concept of spirituality and religion being discussed in the business class. In several classes, I have had students who do not believe in the concept of Soul. However, it is important for the teacher to clarify that the purpose of the discussion is not to recommend any point of view but to relate various philosophical and religious thoughts to an important accounting concept.
- ✓ Students with an accounting and finance background were seen to be defending the traditional systems and the physical measure method of computing joint costs.. Frequently, many suggested a Kaizan approach to be adopted while establishing standards. The behavioral implications were accepted by most of such students, however, some found fault with the communication within the company management, which allowed standards of raw material price to remain unchanged from what they were when the company produced in bulk. Adoption of Integrated Accounting for real time information was the ultimate solution to a majority of them.
- ✓ Science and Engineering students appeared to be more fascinated with concepts of product diversity and complexity and its implication in identifying more variability. Some of them would question the assumption of linear behavior of costs. A majority of them favored the idea of abandoning the concept of performance appraisal using variance analysis.

Brief profile of Prof R.K.Srivastava

A postgraduate in commerce and F.C.M.A. (Fellow, Institute of Cost Accountants of India), Prof R.K.Srivastava is an "All India Rank" holder and was awarded a "Certificate of Merit" by the Institute of Cost and Works Accountants of India (ICWAI) at the time of his passing the final examinations. He possesses a rare blend of experience in both industry and academia. Apart from having worked with companies like Alcatel, Samtel and HFCL (Himachal Futuristic Communications Ltd) as Head, Manufacturing Finance, he has also been a senior faculty to some of the most reputed management schools in India like TA Pai Management Institute (TAPMI-Manipal), Symbiosis School of Distance Learning (SCDL-Pune) and the National Institute of Financial Management (NIFM-Faridabad). He was last associated with the Institute of Chartered Accountants of India as a Secretary: Committee on Management Accounting and Senior Deputy Director (Board of Studies). In this capacity, he was attached to the Indian representative of the Professional Accountants in Business (PAIB) Committee, IFAC, and was responsible for all technical inputs regarding finance and accounting issues deliberated at the global forum. His stint with the academia has been characterized with successful delivery of several management development programs for senior and junior managers from both the public and private sectors including civil servants recruited through the prestigious civil services examinations conducted by the Union Public Service Commission, Government of India. Presently, Professor Srivastava is associated with Asia Pacific Institute of Management (APIM-Delhi) as Professor and Head- Academics.